# ZHONGZHENG INTERNATIONAL COMPANY LIMITED

# 中 證 國 際 有 限 公 司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 943)**

## PRELIMINARY RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2024

The board (the "**Board**") of directors of Zhongzheng International Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") (the "**Directors**") is pleased to present the preliminary results of the Company for the year ended 30 June 2024. 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 2024 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 2024.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 30 June 2024*

| | Notes | **2024** | 2023 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Revenue | | **147,242** | 869,637 |
| Interest revenue | | **1,257** | 3,273 |
| **Total revenue** | 3 | **148,499** | 872,910 |
| Cost of sales | | **(125,510)** | (619,223) |
| **Gross profit** | | **22,989** | 253,687 |
| Other income and other gains and losses | 4 | **12,837** | 268,633 |
| Selling and distribution expenses | | **(2,669)** | (36,185) |
| Administrative expenses | | **(71,876)** | (80,943) |
| **(Loss)/profit from operations** | | **(38,719)** | 405,192 |
| Reversal of impairment loss on exploration and evaluation assets | | **31,761** | – |
| Written down of properties under development for sales | | **(196,443)** | – |
| Impairment loss on amount due from an associate | | **(68,155)** | – |
| Impairment loss on interest in an associate | | **(288,775)** | (75,860) |
| Impairment of loan and interest receivables | | **(6,929)** | (4,264) |
| Impairment of other receivables | | **(65,934)** | (2,481) |
| Share of results of associates | | **(67,537)** | (38,208) |
| Finance costs | 6 | **(191,647)** | (84,618) |
| **(Loss)/profit before tax** | | **(892,378)** | 199,761 |
| Income tax credit/(expense) | 7 | **24,258** | (167,247) |
| **(Loss)/profit for the year** | 8 | **(868,120)** | 32,514 |
| **(Loss)/profit for the year attributable to:** | | | |
| Owners of the Company | | **(699,345)** | 69,131 |
| Non-controlling interests | | **(168,775)** | (36,617) |
| | | **(868,120)** | 32,514 |

| | Notes | **2024** | 2023 |
|---|---|---|---|
| | | ***HK\$'000*** | *HK\$'000* |
| **(Loss)/profit for the year** | | **(868,120)** | 32,514 |
| **Other comprehensive (loss)/income:** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **4,299** | (18,279) |
| Share of associates' exchange differences on translating foreign operations | | **(6,097)** | (68,261) |
| *Items that will not be reclassified to profit or loss:* | | | |
| Gain on property revaluation | | **1,403** | 1,005 |
| **Other comprehensive loss for the year, net of tax** | | **(395)** | (85,535) |
| **Total comprehensive loss for the year** | | **(868,515)** | (53,021) |
| **Total comprehensive loss for the year attributable to:** | | | |
| Owners of the Company | | **(702,092)** | (15,817) |
| Non-controlling interests | | **(166,423)** | (37,204) |
| | | **(868,515)** | (53,021) |
| **(Loss)/earnings per share** | 10 | | |
| Basic (cents per share) | | **(5.56)** | 0.64 |
| Diluted (cents per share) | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2024*

| | Notes | 2024 HK$'000 | 2023 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Exploration and evaluation assets | 11 | **31,700** | – |
| Property, plant and equipment | | **62,820** | 64,502 |
| Right-of-use assets | | **1,313** | 2,365 |
| Interests in associates | 12 | **530,967** | 893,376 |
| Loans and interests receivables | 13 | **1,202** | 3,215 |
| | | **628,002** | 963,458 |
| **Current assets** | | | |
| Inventories | 14 | **18,404** | 16,010 |
| Properties under development for sales | 15 | **1,049,592** | 1,249,032 |
| Properties held for sales | 15 | **154,822** | 211,636 |
| Trade and other receivables | 16 | **161,168** | 221,579 |
| Loans and interests receivables | 13 | **3,678** | 7,337 |
| Amounts due from associates | | **257,874** | 314,497 |
| Current tax assets | | **30** | 30 |
| Bank and cash balances | | **20,135** | 41,427 |
| | | **1,665,703** | 2,061,548 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **(675,191)** | (510,881) |
| Lease liabilities | | **(1,117)** | (1,026) |
| Borrowings | | **(1,037,595)** | (1,061,812) |
| Shareholders loans | | **(285,600)** | (282,600) |
| Current tax liabilities | | **(139,918)** | (136,924) |
| | | **(2,139,421)** | (1,993,243) |
| **Net current (liabilities)/assets** | | **(473,718)** | 68,305 |
| **Total assets less current liabilities** | | **154,284** | 1,031,763 |

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Non-current liabilities** | | |
| Lease liabilities | **(195)** | (1,312) |
| Borrowings | **(21,206)** | (19,544) |
| Deferred tax liabilities | **(17,834)** | (48,371) |
| | **(39,235)** | (69,227) |
| **NET ASSETS** | **115,049** | 962,536 |
| **Capital and reserves** | | |
| Share capital | **513** | 429 |
| Reserves | **292,553** | 973,701 |
| Equity attributable to owners of the Company | **293,066** | 974,130 |
| Non-controlling interests | **(178,017)** | (11,594) |
| **TOTAL EQUITY** | **115,049** | 962,536 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2024*

## 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 2024 are manufacturing and trading of healthcare and household products, money lending business, coal mining business, property development and primary land development.

## 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 2023. 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 represents manufacture and sales of healthcare and household products, property development, royalty income on coal mining and interest income from money lending business. An analysis of the Group's revenue for the year is as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Property development | **46,664** | 697,216 |
| Manufacture and sales of healthcare and household products | **100,278** | 172,421 |
| Royalty income on coal mining | **300** | – |
| Revenue from contracts with customers | **147,242** | 869,637 |
| Interest income from money lending business | **1,257** | 3,273 |
| Total revenue | **148,499** | 872,910 |

*Note:*

Disaggregation of revenue from contracts with customers:

| **Segments** | **Coal Mining** | | **Property development** | | **Healthcare and household products** | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Geographical markets** | | | | | | |
| United States of America | **–** | – | **–** | – | **75,620** | 140,165 |
| The People's Republic of China (the "**PRC**") | **–** | – | **46,664** | 697,216 | **5** | 965 |
| Germany | **–** | – | **–** | – | **8,826** | 13,515 |
| France | **–** | – | **–** | – | **1** | 320 |
| United Kingdom | **–** | – | **–** | – | **373** | 1,393 |
| Indonesia | **300** | – | **–** | – | **–** | – |
| Hong Kong and others | **–** | – | **–** | – | **15,453** | 16,063 |
| Total | **300** | – | **46,664** | 697,216 | **100,278** | 172,421 |

### 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 maybe 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.

**Royalty income on coal mining**

The Group receives royalty income from the company which engaged in the mining activities in Indonesia for the sales of the coal produced from the coal mine held by the Group. Royalty income is recognised when the coal produced from the mine is sold to the customers in accordance with the terms and conditions of the exclusive cooperation agreement.

## 4. OTHER INCOME AND OTHER GAINS AND LOSSES

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Income from scrap sales | **314** | 782 |
| Interest income | **93** | 299 |
| Government grants | **–** | 310 |
| Net exchange gains | **1,260** | 641 |
| Gain on forfeiture of non-refundable deposit *(note a)* | **–** | 24,000 |
| Gain on waiver of promissory note *(note b)* | **–** | 225,955 |
| Interest income from an associate | **10,403** | 14,386 |
| Gain on disposals of property, plant and equipment | **–** | 130 |
| Written off of property, plant and equipment | **(3)** | (19) |
| Gain on a lease termination | **–** | 1,037 |
| Others | **770** | 1,112 |
| | **12,837** | 268,633 |

(a) On 28 February 2022, the parties to the disposal agreement in connection with the proposed disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited (the "**Proposed 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 aforesaid 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 Proposed Disposal. Details are stated in the Company's announcement dated 28 February 2022. Subsequently, the Group entered into several extension agreements to extend completion date to 9 January 2023. On 3 January 2023, the Proposed 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.

(b) 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 Proposed Disposal, on 24 October 2022, the holder of the PN has irrevocably and unconditionally agreed to (i) waive all its rights and claims against the Company under the PN and to deliver the PN 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 PN. If the completion of the Proposed Disposal takes place, the cancellation of the PN and waiver of interest should become part of the consideration for the Proposed Disposal.

On 3 January 2023, the Proposed 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 on the waiver of the promissory note during the year ended 30 June 2023.

## 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 (2023: five) reportable segments: property development, manufacture and sales of healthcare and household products, coal mining business, money lending business and primary land development.

Segment profits or losses do not include 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 *HK$'000* | Primary land development *HK$'000* | Money lending business *HK$'000* | Coal mining business *HK$'000* | Healthcare and household products business *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2024** | | | | | | |
| Revenue | **46,664** | **–** | **1,257** | **300** | **100,278** | **148,499** |
| Segment loss | **(360,388)** | **(417,414)** | **(5,676)** | **31,274** | **(6,109)** | **(758,313)** |
| Finance costs | **(177,504)** | **–** | **–** | **–** | **(1,258)** | **(178,762)** |
| Depreciation | **–** | **–** | **–** | **–** | **(3,245)** | **(3,245)** |
| (Impairment)/reversal of impairment of assets | **(196,443)** | **(356,930)** | **(6,929)** | **31,761** | **–** | **(528,541)** |
| Income tax credit | **24,258** | **–** | **–** | **–** | **–** | **24,258** |
| Additions to segment non-current assets | **–** | **–** | **–** | **–** | **87** | **87** |
| **At 30 June 2024** | | | | | | |
| Segment assets | **1,417,832** | **148,027** | **4,995** | **30,420** | **115,423** | **1,716,697** |
| Segment liabilities | **1,676,341** | **13,834** | **–** | **–** | **122,660** | **1,812,835** |
| **Year ended 30 June 2023** | | | | | | |
| Revenue | 697,216 | – | 3,273 | – | 172,421 | 872,910 |
| Segment loss | (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 |

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

| | 2024 | 2023 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Revenue:** | | |
| Property development | **46,664** | 697,216 |
| Healthcare and household products business | **100,278** | 172,421 |
| Coal mining business | **300** | – |
| Interest income from money lending business | **1,257** | 3,273 |
| Consolidated revenue for the year | **148,499** | 872,910 |
| **Profit or loss:** | | |
| Total loss of reportable segments | **(758,313)** | (181,191) |
| Share of results of associates | **(7,552)** | (877) |
| Finance costs | **(12,885)** | (13,423) |
| Gain on forfeiture of non-refundable deposit *(note 4(a))* | **–** | 24,000 |
| Gain on waiver of promissory note *(note 4(b))* | **–** | 225,955 |
| Corporate and unallocated loss | **(89,370)** | (21,950) |
| Consolidated (loss)/profit for the year | **(868,120)** | 32,514 |

| | 2024 | 2023 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Assets:** | | |
| Total assets of reportable segments | **1,716,697** | 2,366,979 |
| Corporate and unallocated assets: | | |
| – Bank and cash balances | **892** | 1,057 |
| – Interest in an associate | **530,967** | 545,766 |
| – Others | **45,149** | 111,204 |
| Consolidated total assets | **2,293,705** | 3,025,006 |
| **Liabilities:** | | |
| Total liabilities of reportable segments | **1,812,835** | 1,695,307 |
| Corporate and unallocated liabilities | | |
| – Shareholders loans | **285,600** | 282,600 |
| – Others | **80,221** | 84,563 |
| Consolidated total liabilities | **2,178,656** | 2,062,470 |

**Geographical information:**

| Revenue: | **2024** *HK$'000* | 2023 *HK$'000* |
|---|---|---|
| United States of America | **75,620** | 140,165 |
| The PRC | **46,669** | 698,181 |
| Germany | **8,826** | 13,515 |
| France | **1** | 320 |
| United Kingdom | **373** | 1,393 |
| Indonesia | **300** | – |
| Hong Kong and others | **16,710** | 19,336 |
| | **148,499** | 872,910 |

In presenting the geographical information, revenue is based on the locations of the customers. No revenue has been recorded for primary land development for the year.

| | **2024** *HK$'000* | 2023 *HK$'000* |
|---|---|---|
| **Non-current assets:** | | |
| Indonesia | **32,547** | 847 |
| The PRC | **62,699** | 411,902 |
| Hong Kong and others | **531,554** | 547,494 |
| | **626,800** | 960,243 |

**Revenue from major customers:**

| | **2024** *HK$'000* | 2023 *HK$'000* |
|---|---|---|
| Healthcare and household products business segment | | |
| Customer A | **54,211** | 96,249 |
| Customer B | **24,060** | N/A* |

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on other loans | **37,358** | 37,307 |
| Interest on bank loans | **141,441** | 36,069 |
| Interests on shareholders loans | **12,689** | 12,660 |
| Leases interests | **159** | 635 |
| | **191,647** | 86,671 |
| Less: interest capitalised in properties under development for sale | **–** | (2,053) |
| | **191,647** | 84,618 |

## 7. INCOME TAX CREDIT/(EXPENSE)

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax – PRC Enterprise Income Tax | | |
| – Provision for the year | **(2,769)** | (38,823) |
| – Land appreciation tax | **(3,989)** | (152,510) |
| – Deferred tax | **31,016** | 24,991 |
| Hong Kong Profits Tax | | |
| – Under-provision in prior years | **–** | (905) |
| | **24,258** | (167,247) |

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 taxis 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 (2023: 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 credit/(expense) and the loss/(profit) before tax multiplied by Hong Kong Profits Tax rate is as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss/(profit) before tax | **892,378** | (199,761) |
| Add: Share of results of associated companies | **(67,537)** | (38,208) |
| Less: Land appreciation tax | **3,989** | 152,510 |
| | **828,830** | (85,459) |
| Tax at the domestic income tax rate of 16.5% (2023: 16.5%) | **136,757** | (14,101) |
| Tax effect of non-taxable income | **322** | 43,082 |
| Tax effect of non-deductible expenses | **(79,189)** | (34,473) |
| Tax effect of utilisation of tax losses not previously recognised | **–** | 14,675 |
| Under-provision in prior years | **–** | (905) |
| Land appreciation tax | **(3,989)** | (152,510) |
| Tax effect of tax losses not recognised | **(30,188)** | (18,345) |
| Effect of different tax rates of subsidiaries | **545** | (4,670) |
| Income tax credit/(expense) for the year | **24,258** | (167,247) |

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

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | **930** | 1,000 |
| Cost of inventories sold# | **125,510** | 619,223 |
| Depreciation – property, plant and equipment | **3,331** | 3,891 |
| Depreciation – right of use assets | **1,052** | 4,960 |
| Amortisation of exploration and evaluation assets *(note 11)* | **61** | – |
| Reversal of impairment on exploration and evaluation assets *(note 11)* | **(31,761)** | – |
| Impairment of loan receivables *(note 13)* | **5,756** | 2,367 |
| Impairment of loan interest receivables *(note 13)* | **1,173** | 1,897 |
| Impairment loss on interest in an associate *(note 12)* | **288,775** | 75,860 |
| Impairment loss on amount due from an associate *(note 12)* | **68,155** | – |
| Written down of properties under development for sales *(note 15)* | **196,443** | – |
| Written down of properties held for sales *(note 15)* | **7,371** | – |
| Impairment of other receivables | **65,934** | 2,481 |
| Net exchange gain | **(1,260)** | (641) |
| Short term lease expenses | **1,023** | 154 |
| Staff costs including directors' emoluments | | |
| – Salaries, bonus and allowances | **58,705** | 86,809 |
| – Retirement benefits scheme contributions | **310** | 873 |
| | **59,015** | 87,682 |

# Cost of inventories sold includes staff costs and depreciation of approximately HK$21,922,000 in total (2023: approximately HK$43,147,000), 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 2024 (2023: Nil).

## 10. (LOSS)/EARNINGS PER SHARE

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

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$699,345,000 (2023: profit for the year attributable to owners of the Company of approximately HK$69,131,000) and the weighted average number of ordinary shares of approximately 12,588,923,000 (2023: 10,721,667,000) in issue during the year.

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

No diluted (loss)/earnings per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during both years ended 30 June 2024 and 2023.

## 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 2022, 30 June 2023, 1 July 2023 and 30 June 2024 | 444,127 | 17,904 | 462,031 |
| **Accumulated impairment** | | | |
| At 1 July 2022, 30 June 2023, 1 July 2023 *(note c)* | 444,127 | 17,904 | 462,031 |
| Reversal of impairment losses *(note d)* | (31,761) | – | (31,761) |
| Amortisation | 61 | – | 61 |
| At 30 June 2024 | 412,427 | 17,904 | 430,331 |
| **Carrying amount** | | | |
| At 30 June 2024 | 31,700 | – | 31,700 |
| At 30 June 2023 | – | – | – |

(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$462,031,000 as at 30 June 2023 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 for a period of five years from the agreement date. Details are stated in the Company's announcement dated 31 August 2023.

On 31 December 2023, the work and budget plan of the coal mining business was approved by the Indonesian Government and the actual coal production and coal sales began in the first half of 2024. Since the reinstatement of the Mining License has been completed, reversal of impairment losses of HK$31,761,000 was recognised during the year ended 30 June 2024 based on the recoverable amount of the mine. Such recoverable amount has been determined on the basis of its value-in-use using the discount cash flow method (level 3 fair value measurement). The cash flow projections based on financial budgets approved by the management covering a 15-years period which is based on duration of production years approved in the Mining License. The annual production capacity on financial budgets are based on maximum capacity approved by the Indonesian Government without any growth throughout the projection period. The key assumption including pre-tax discount rate used in the value-in-use calculations is 21%.

## 12. INTERESTS IN ASSOCIATES

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unlisted investment | | |
| Share of net assets | **530,967** | 878,607 |
| Goodwill | **86,994** | 87,444 |
| Impairment | **(86,994)** | (72,675) |
| | **530,967** | 893,376 |

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 ("Chengde Jinyu")** *(Note a)* | | **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% | |
| | **2024** | 2023 | **2024** | 2023 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Non-current assets | **1,493,235** | 3,093,274 | **–** | – |
| Current assets | **397,851** | 627,197 | **2,079,229** | 2,132,871 |
| Non-current liabilities | **–** | (300,588) | **(486,190)** | (498,843) |
| Current liabilities | **(2,548,776)** | (2,526,678) | **(75,990)** | (74,698) |
| Net assets (net of non-controlling interests) | **(598,313)** | 783,155 | **1,517,049** | **1,559,330** |
| Group's share of net assets | **–** | 332,841 | **530,967** | 545,766 |
| | **2024** | 2023 | **2024** | 2023 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue | **–** | – | **–** | – |
| Loss for the year | **(1,559,441)** | (97,944) | **(21,577)** | (2,507) |
| Other comprehensive loss | **8,546** | (93,300) | **(20,704)** | (97,659) |
| Total comprehensive loss | **(1,550,895)** | (191,244) | **(42,281)** | (100,166) |

*Note:*

(a) There was no auction carried out by the local government for the land developed under the primary land development project in Luanping County, the PRC (the "**Luanping Project**") of Chengde Jinyu during the year and there is no sign that land auctions, if any, would be resumed by the local government any sooner in the short term. In light of the potential change of use of the land developed under the Luanping Project based on the latest development of the EOD Project (please refer to the section headed "Business Review – Property projects in the PRC – Primary land development" for details), the recoverable amount of Chengde Jinyu as at 30 June 2024 was determined as fair value less costs of disposal using asset-based approach based on the actual costs of land and infrastructure incurred by the project company of Chengde Jinyu and investment returns stipulated under the cooperation agreements entered into between Chengde Jinyu and the Luanping government in respect of the Luanping Project in November 2017. Such recoverable amount was significantly lower than its carrying amount, resulting in the recognition of an impairment loss on interest in Chengde Jinyu of approximately HK$288,775,000 (2023: HK$75,860,000).

As Chengde Jinyu is not expected to have sufficient assets to service its debts, an impairment loss of approximately HK$68,155,000 (2023: Nil) was recognised in respect of the amount due from Chengde Jinyu.

## 13. LOANS AND INTERESTS RECEIVABLES

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loans receivables | **40,739** | 39,620 |
| Impairment allowance | **(36,476)** | (30,720) |
| | **4,263** | 8,900 |
| Interests receivables | **9,128** | 8,990 |
| Impairment allowance | **(8,511)** | (7,338) |
| | **617** | 1,652 |
| | **4,880** | 10,552 |
| Analysed for reporting purposes as: | | |
| – Non-current assets | **1,202** | 3,215 |
| – Current assets | **3,678** | 7,337 |
| | **4,880** | 10,552 |

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 2024** | 30 June 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Over 12 months | **4,263** | 8,900 |

The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 12 months (30 June 2023: 6 to 12 months). The loans provided to borrowers bore interest rate ranging from 7% – 24% per annum (30 June 2023: 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 2024 represented unsecured loans granted to independent third parties with principal amount of HK$40,739,000 (30 June 2023: HK$39,620,000) in total (after netting of discounting effect of approximately HK$3,315,000 (30 June 2023: HK$3,315,000). 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 2024, the management believes that these loan and interest receivables are considered fully recoverable except for HK$35,327,000 (30 June 2023: HK$35,327,000) is considered as high risk of default.

On 31 August 2022, one of the borrowers with outstanding loan principal and interest of HK$19,792,000 and HK$4,942,000, respectively, were ordered to be wound up by the High Court. Since the credit risk is significantly increased, the impairment allowance of HK$19,361,000 and HK$4,835,000 were recognised for loan and interest receivables as at 30 June 2024 (30 June 2023: HK$16,491,000 and HK$4,118,000), respectively.

In February 2023, the Group entered into settlement agreements with three borrowers respectively. 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 the other two borrowers, similar settlement terms were agreed whereby 70% interest receivables of HK$3,872,000 in aggregate were waived by the Group and no additional interest will be charged by the Group. 10% outstanding loan principal and interest receivable shall be repayable upon entering into the settlement agreement. The remaining loan principal and interest receivables shall be repayable by three annual installments in January 2024, 2025 and 2026. In February 2023, the first payments of approximately HK$1,740,000 in aggregate were settled. However, the annual installment to be repaid in January 2024 were not yet settled. Therefore, management considered the credit risk is significantly increased, the impairment allowance of HK$9,420,000 and HK$1,159,000 in aggregate were recognised for loan and interest receivables of those two borrowers as at 30 June 2024 (30 June 2023: HK$7,292,000 and HK$888,000 were recognised for loan and interest receivables), respectively.

In March 2023, the Group instigated legal action against one of the borrowers with outstanding loan principal and interest of approximately HK$5,000,000 and HK$1,227,000 respectively. Up to the date of this announcement, the outcome of the legal action is still pending. Since the credit risk is significantly increased, the impairment allowance of HK$4,694,000 and HK$1,152,000 were recognised for loan and interest receivables as at 30 June 2024 (30 June 2023: HK$3,937,000 and HK$966,000), respectively.

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Impairment allowance at the beginning of year | **38,058** | 33,794 |
| Impairment during the year | **6,929** | 4,264 |
| Total impairment allowance | **44,987** | 38,058 |

## 14. INVENTORIES

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Raw materials | **6,458** | 4,587 |
| Work in progress | **3,065** | 2,892 |
| Finished goods | **8,881** | 8,531 |
| | **18,404** | 16,010 |

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **(a) Properties under development for sales** | | |
| **Cost** | | |
| At 1 July | **1,249,032** | 1,349,567 |
| Additions | **–** | 5,667 |
| Impairment | **(196,443)** | – |
| Effect of foreign exchange difference | **(2,997)** | (106,202) |
| At 30 June | **1,049,592** | 1,249,032 |
| Properties under development for sales of which: | | |
| – Expected to be recovered within 1 year | **–** | – |
| – Expected to be recovered over 1 year | **1,049,592** | 1,249,032 |
| | **1,049,592** | 1,249,032 |

As at 30 June 2024, the Group's properties under development for sales are situated in Nanjing, the PRC. The properties under development of HK$1,049,592,000 (30 June 2023: HK$1,249,032,000) 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.

Subsequent to the end of reporting period, the Group completed the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited, which held Chengde Jinyu and the property development projects in Nanjing and Dongguan in the PRC, and the shareholder's loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. (the "**Disposal**") to a substantial shareholder of the Company for a consideration of approximately HK$53,700,000. In estimating the net realisable value of the properties under development for sales of the Nanjing project (the "**PUD**") as at 30 June 2024, the Group allocated the consideration for the Disposal to the assets (other than PUD) and liabilities disposed of, with residual value being allocated to the PUD. On this basis, a written down of PUD of approximately HK$196,443,000 was recognised during the year end 30 June 2024.

### (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.

The net realisable value of the properties held for sales in Dongguan, the PRC as at 30 June 2024 was determined to be lower than its carrying amount, resulted in the recognition of written down of properties held for sales of approximately HK$7,371,000 (included in costs of sales).

## 16. TRADE AND OTHER RECEIVABLES

| | Note | **2024** *HK$'000* | 2023 *HK$'000* |
|---|---|---|---|
| Trade receivables | a | **30,025** | 39,740 |
| Prepayment and deposits | | **43,800** | 29,219 |
| Prepaid tax | | **9,759** | 9,203 |
| Consideration receivable | b | **20,466** | 86,400 |
| Due from related companies | c | **32,170** | 29,440 |
| Other receivables | | **24,948** | 27,577 |
| | | **161,168** | 221,579 |

| | **30 June 2024** *HK$'000* | 30 June 2023 *HK$'000* | 1 July 2022 *HK$'000* |
|---|---|---|---|
| a. Contract receivables (included in trade receivables) | **30,025** | 39,740 | 51,323 |

b. In May 2019, the Group entered into an 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 payable 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 instalments 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. The outcome of the legal action is still pending. Based on the expected credit loss assessment by the valuer, the expected credit loss rate for the consideration receivable was approximately 76.3%, which was determined with reference to the market price of publicly traded bonds with credit rating and country risk comparable to Joyful Treasure. Therefore, an impairment loss of approximately HK$65,934,000 (2023: Nil) is provided on the consideration receivable.

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

**Trade 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:

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **11,484** | 12,044 |
| 31 to 90 days | **12,970** | 20,671 |
| 91 to 180 days | **5,090** | 6,995 |
| Over 180 days | **481** | 30 |
| | **30,025** | 39,740 |

## 17. TRADE AND OTHER PAYABLES

| | | **2024** | 2023 |
|---|---|---|---|
| | *Note* | ***HK$'000*** | *HK$'000* |
| Trade payables | a | **59,285** | 69,618 |
| Accruals and other payables | | **125,752** | 124,738 |
| Due to a related company | b | **10,748** | 18,711 |
| Loan interest payables | | **306,485** | 120,690 |
| Amounts due to directors | | **999** | 999 |
| Contract liabilities | c | **171,922** | 176,125 |
| | | **675,191** | 510,881 |

a. Trade payables

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **3,904** | 11,596 |
| 31 to 90 days | **11,383** | 13,017 |
| 91 to 180 days | **8,800** | 5,676 |
| Over 180 days | **35,198** | 39,329 |
| | **59,285** | 69,618 |

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

c. Contract liabilities

| | **2024** | 2023 | 1 July 2022 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Contract liabilities – Property and development | **171,922** | 176,125 | 931,339 |

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| – 2024 | **–** | 9,157 |
| – 2025 | **171,922** | 166,968 |
| | **171,922** | 176,125 |

Significant changes in contract liabilities during the year:

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Increase/(decrease) due to operations in the year | **42,461** | (57,998) |
| Transfer of contract liabilities to revenue | **46,664** | 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. 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.

## 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 for the year ended 30 June 2024 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 31 October 2024.

### "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 2024, 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. Full impairment of HK$107,970,000 was recognised for the period from 1 January 2021 to 30 June 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. On 31 December 2023, the work and budget plan of the coal mining business was approved by the Indonesian Government and the actual coal production and coal sales began in the first half of 2024.

No valuation or other evidence was available for us to verify the nil balance of the exploration and evaluation assets as at 30 June 2023, Therefore, 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 of Nil and as to appropriateness of the recognition of the impairment of exploration and evaluation assets on the consolidated statement of profit or loss and other comprehensive income of Nil for the year ended 30 June 2023. In consequence, we were unable to ascertain the appropriateness of the reversal of the impairment losses of approximately HK$31,761,000 made during the year ended 30 June 2024.

*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 ("**Chengde Jinyu**") with carrying amount of approximately Nil and HK$347,610,000, as at 30 June 2024 and 2023 respectively, share of loss of approximately HK$59,985,000 and HK$37,331,000 respectively for each of the years ended 30 June 2024 and 2023, share of associate's exchange differences on translating foreign operations of approximately HK$1,150,000 (income) and HK$34,080,000 (loss) respectively for each of the years ended 30 June 2024 and 2023 and the impairment on interest in an associate of approximately HK$288,775,000 and HK$75,860,000 for each of the years ended 30 June 2024 and 2023. Chengde Jinyu is engaged in primary land development in the People's Republic of China (the "**PRC**").

During each of the years ended 30 June 2023 and 2024, Chengde Jinyu incurred significant loss and had not repaid certain borrowings according to their scheduled repayment dates. Chengde Jinyu's continuing as a going concern is subject to the future sales of land and additional financing to be obtained. As a result, Chengde Jinyu incurred severe financial difficulties and temporarily suspended its business operations from February 2023. The management is unable to obtain complete accounting books and records of Chengde Jinyu. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the interest in an associate as at 30 June 2024 and 30 June 2023, share of loss, share of associate's exchange differences on translating foreign operations and the impairment on interest in an associate for each of the years ended 30 June 2024 and 2023, as well as the related disclosure notes in relation to Chengde Jinyu, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

In addition, we are unable to ascertain the accuracy of the amount due from Chengde Jinyu of approximately HK$235,994,000 and HK$292,616,000 as at 30 June 2024 and 2023 respectively, whether the impairment loss on amount due from an associate of approximately HK$68,155,000 have been accurately recorded and properly accounted for in the consolidated financial statements for the year ended 30 June 2024 and whether any impairment loss should be recognised for the year ended 30 June 2023 and the validity of the interest income of approximately HK$10,403,000 and HK$14,386,000 recognised for the years ended 30 June 2024 and 2023 respectively.

***3. Properties under development for sales***

As mentioned in note 2 to the consolidated financial statements, subsequent to the end of reporting period, the Group completed the disposal of the entire equity interest in Hong Kong Zhongzheng City Investment Limited, which held Chengde Jinyu and the property development projects in Nanjing and Dongguan in the PRC, and the shareholder's loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. to a substantial shareholder of the Company for a consideration of HK$53,700,000 (the "**Consideration**"). In estimating the net realisable value of the properties under development for sale, the Group allocated the Consideration to the assets (other than properties under development for sale) and liabilities disposed of, with the residual value being allocated to the properties under development for sale. Therefore, a written down of approximately HK$196,443,000 was provided for the year ended 30 June 2024. As mentioned in the second and fifth modifications, since we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy of the carrying amounts of interest in Chengde Jinyu, the amount due from Chengde Jinyu and certain bank borrowings as at 30 June 2024, any adjustment to these figures would affect the amount of written down of properties under development for sale. Therefore, we are unable to ascertain the properties under development for sales of approximately HK$1,049,592,000 and HK$1,249,032,000 as at 30 June 2024 and 2023 respectively and the written down of properties under development for sale of approximately HK$196,443,000 and Nil has been accurately recorded in the consolidated financial statements for each of the years ended 30 June 2024 and 2023 respectively.

4. ***Other receivables***

As set out in Note 25 to the consolidated financial statements, there was a consideration receivable (the "**Receivable**") of HK$20,466,000 and HK$86,400,000 included in trade and other receivables as at 30 June 2024 and 2023 respectively. As at the date of this announcement, the Group failed to reach a satisfactory settlement plan with the counterparty. The Group has engaged lawyers to commence legal proceedings to recover the Receivable. However, due to the considerable amount of fees and time involved in the legal proceedings, the Group also considers selling the Receivable to a debt collection company or asset management company. Due to the fact that the outcome of the further actions taken by the management is uncertain, we were unable to obtain adequate and sufficient audit evidence to satisfy ourselves as to the recoverability of the Receivables as at 30 June 2024 and 2023, and whether the impairment loss of HK$65,934,000 and Nil have been properly made for each of the years ended 30 June 2024 and 2023 respectively.

5. ***Borrowings***

During each of the years ended 30 June 2023 and 2024 and subsequent to the end of reporting period, a non-wholly owned subsidiary, Yuanding had defaulted the settlement of bank borrowings of RMB319,740,000 (equivalent to approximately HK$343,659,000) as at 30 June 2024. The bank has initiated legal proceedings at the PRC court against Yuanding to demand repayment of bank borrowings. On 29 December 2023, Yuanding received a judgement from The Intermediate People's Court of Nanjing, Jiangsu Province, ruled that Yuanding was required to repay the outstanding loan principal, default charges on overdue bank borrowings of approximately HK$34,627,000, as well as the loans interests and penalty loans interests within 10 days from the effective date of the judgement. It was further noted from a public notice in December 2023 issued by 廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services) that the debt had been disposed of by the bank as non-performing loans.

The Group is trying to contact with the bank and the buyer of non-performing loans for enquiring the current status of bank borrowings. Up to date of this announcement, no feedback is received from the bank and the buyer of non-performing loans. Thus, we are unable to obtain sufficient audit evidence and there are no other satisfactory audit procedures that we could adopt to ascertain the existence, completeness and accuracy of bank borrowings of HK$343,659,000 as at 30 June 2024 and the completeness and accuracy of finance costs related to bank borrowings of approximately HK$140,177,000 for the year ended 30 June 2024.

Any adjustments to the figures as described from points 1 to 5 above might have consequential effects on the Group's results and cashflows for each of the years ended 30 June 2024 and 2023 and the financial position of the Group as at 30 June 2024 and 2023, 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 current liabilities of approximately HK$473,718,000 as at 30 June 2024 and net operating cash outflow of approximately HK$21,120,000 for the year ended 30 June 2024 and as at 30 June 2024, the Group's current portion of bank and other borrowings amounted to approximately HK$1,037,595,000, while its cash and bank balances and cash equivalents amounted to approximately HK$20,135,000. Further, during the year ended 30 June 2024 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 lack of valuation or other evidence available for them to verify the nil balance of the exploration and evaluation assets at 30 June 2023, 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 as to appropriateness of the recognition of the related impairment/reversal of the impairment losses of exploration and evaluation assets on the consolidated statement profit or loss and other comprehensive income for the years ended 30 June 2023 and 30 June 2024, respectively. Therefore, they have qualified its audit opinion in this regard.

*View of the Management*

Despite coal production and sales have commenced in the first half of 2024 and the reinstatement of the Mining License has been completed and the recoverable amount of the Mining License has been ascertained based on a valuation of the exploration and exploitation rights assessed by an independent value, the Management acknowledges the basis of the Auditors' qualified opinion on the value of the exploration and evaluation assets as at 30 June 2023 and the impairment of these assets for the year ended 30 June 2023, and hence the Auditors were unable to ascertain the reversal of the impairment losses made for 30 June 2024. This qualification arises from prior year's audit limitation, which has affected the comparative figures. 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/reversal of impairment losses of the exploration and evaluation assets for the years ended 30 June 2023 and 30 June 2024 respectively. In the meanwhile, having taken into account prior year's audit limitation affecting comparative figures, 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*

Since the reinstatement of the Mining License has been completed and the recoverable amount of the Mining License has been ascertained based on a valuation of the exploration and exploitation rights assessed by an independent valuer, the Management is of the view that this qualified opinion has been fully addressed.

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

The Auditors have expressed concerns regarding Chengde Jinyu's ability to continue as a going concern, as it relies on future land sales and additional financing. The Auditors have been unable to gather sufficient audit evidence to satisfy themselves as to whether the interest in an associate as at 30 June 2024 and 30 June 2023, share of loss, share of associate's exchange differences on translating foreign operations and the impairment on interest in an associate for each of the years ended 30 June 2024 and 2023, as well as the related disclosure notes in relation to Chengde Jinyu, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements. Furthermore, the Management has been unable to access complete accounting books and records of Chengde Jinyu, as its business operations were temporarily suspended from February 2023.

In addition, the Auditors are unable to ascertain (i) the accuracy of the amount due from Chengde Jinyu of approximately HK$235,994,000 and HK$292,616,000 as at 30 June 2024 and 2023 respectively, (ii) whether the impairment loss on amount due from an associate of approximately HK$68,155,000 have been accurately recorded and properly accounted for in the consolidated financial statements for the year ended 30 June 2024 and whether any impairment loss should be recognised for the year ended 30 June 2023 and (iii) the validity of the interest income of approximately HK$10,403,000 and HK$14,386,000 recognised for the years ended 30 June 2024 and 2023 respectively. As such, they have qualified its audit opinion in this regard.

*View of the management of the Company*

The Management considers the impairment loss made on the interest in Chengde Jinyu of approximately HK$288,775,000 for the year ended 30 June 2024 to be reasonable. The recoverable amount of Chengde Jinyu as at 30 June 2024 was determined as fair value less costs of disposal using asset-based approach based on the actual costs of land and infrastructure incurred by the project company of Chengde Jinyu and investment returns stipulated under the cooperation agreements entered into between Chengde Jinyu and the Luanping government in respect of the Luanping Project in November 2017, and such recoverable amount was significantly lower than its carrying amount, resulting in the recognition of an impairment loss on interest in Chengde Jinyu of approximately HK$288,775,000. In addition, as Chengde Jinyu is not expected to have sufficient assets to service its debts, an impairment loss of approximately HK$68,155,000 was recognised for the year ended 30 June 2024 in respect of the amount due from Chengde Jinyu.

The Management acknowledges that Chengde Jinyu's ability to continue as a going concern relies on the future sales of land and additional financing. Furthermore, Chengde Jinyu 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 and the amount due from Chengde Jinyu. In the meanwhile, having taken into account the temporary suspension of business operation of Chengde Jinyu 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*

Subsequent to the year-end date, in July 2024, the Group completed the disposal of its entire interests in Hong Kong Zhongzheng City Investment Limited, which held Chengde Jinyu and the property development projects in Nanjing and Dongguan in the PRC, and the shareholder's loans due from Shenzhen Zhongzheng Ruifeng Management Co., Ltd. (the "**Disposal**"). The Group ceased to have any interests in and amount due from Chengde Jinyu after completion of the Disposal. The Management is of the view that this qualified opinion has been fully addressed.

3. ***Properties under development for sales***

Subsequent to the year-end date, the Group completed the Disposal for the consideration of HK$53.7 million. In estimating the net realisable value of the properties under development for sales, the Group allocated the consideration to the assets (other than properties under development for sales) and liabilities disposed of, with the residual value being allocated to the properties under development for sales. As the Auditor is unable to obtain sufficient appropriate audit evidence for the accuracy of the carrying amounts of the interest in Chengde Jinyu, the amount due from Chengde Jinyu and certain bank borrowings as at 30 June 2024, the Auditors have qualified their audit opinion regarding the value of properties under development for sales as at 30 June 2024 and 2023 and the written down of properties under development for sales for each of the years ended 30 June 2024 and 2023 respectively.

*View of the management of the Company*

The Management considers the estimation of the net realisable value of the properties under development for sales based on the residual value of the consideration after allocation to other assets and liabilities, and the resultant written down to be reasonable. Notwithstanding the above, the Management acknowledges the basis of the qualification by the Auditors in respect of the properties under development for sales, 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. In the meanwhile, the Audit Committee also accepts the basis of the qualified opinion of the Auditors in this regard.

*The Company's proposed plan to address the qualified opinion*

Subsequent to the year-end date, in July 2024, the Group completed the Disposal and ceased to have any interests in the properties under development for sales. The Management is of the view that this qualified opinion has been fully addressed.

***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 2024 and 2023, due to the uncertainty of the outcome of the further actions taken by the Management.

*View of the management of the Company*

The Management has taken necessary step of initiating legal proceedings to recover the Receivable. The Management has also considered selling the Receivable to a debt collection company/asset management company due to the considerable amount of fess and time involved in the legal proceedings. However, since the outcome of the further actions taken by the Management is uncertain, the Management acknowledges the basis of the qualification made by the Auditors regarding the recoverability of the Receivable, and accepts the Auditors' qualified opinion on this matter, recognising the uncertainty surrounding the final recovery of the Receivable until the legal proceedings are resolved or the Receivable could be sold.

An impairment loss of HK$65,934,000 on the Receivable has been recognised for the year ended 30 June 2024 after taking into account the expected credit loss measured by an independent valuer.

*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. Meanwhile, having taken into account the uncertainty regarding the outcome of further actions to be taken, 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 Group has been engaging legal advisers to continue the legal proceedings to recover the Receivable. Due to the considerable amount of time, works and fees required in the legal proceedings, in order to resolve the matter effectively and maximise shareholders' value, the Group has also considered other alternatives including disposal of the Receivable. During the year, the Group has discussed with professional parties and tried to identify potential buyers and approached debt collection agents. So far no significant result has been achieved. The Group will continue to work on effective solutions, including searching for interested buyer for the Receivable. If the legal proceedings are resolved or the Receivable could be disposed, the issue relating to qualification (d) shall be addressed.

*5. Borrowings*

The Auditors have qualified their audit opinion regarding the amount of bank borrowings and the related finance cost as no feedback is received from the bank nor the buyer of non-performing loans to ascertain the existence, completeness and accuracy of bank borrowings as at 30 June 2024 and the completeness and accuracy of the related finance costs for the year ended 30 June 2024.

*View of the management of the Company*

Despite that the Group was trying to contact with the bank and the buyer of non-performing loans, no feedback is received from them. Under the circumstances, the Management acknowledges the basis of the qualification made by the Auditors regarding the amount of bank borrowings and related finance costs. The Management also accepts the Auditors' qualified opinion on this matter.

*View of Audit Committee*

The Audit Committee has reviewed the matter and discussed the same with the Auditors and the Management. The Audit Committee agrees with the Management's position on the matter and 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 aforesaid bank borrowings are related to a subsidiary of Hong Kong Zhongzheng City Investment Limited which has been disposed of subsequent to the year-end date as mentioned above. Therefore, the Management is of the view that this qualified opinion has been fully addressed after the said disposal.

**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$1,037.6 million as at 30 June 2024:

i. Certain borrowings of approximately HK$1,030.3 million were incurred by subsidiaries of Hong Kong Zhongzheng City Investment Limited which has been disposed of subsequent to the year-end date as mentioned above;

ii. Secured bank borrowings of approximately HK$4.9 million are related to the healthcare and household products business segment, and the Group has a long-standing relationship with the bank and is confident that the borrowings can be renewed when they fall due; and

iii. Certain borrowings of approximately HK$2.4 million 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 this segment for the next 12 months and beyond given the more responsive go-to-market strategies and product innovations. Sales of the powered toothbrush products are expected to pick up in the coming year as destocking effect of customers diminishes and the additional cashflow to the Group to be brought by the full-scale launch of the new product. 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) 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*

Total revenue of the Group for the year ended 30 June 2024 ("**FY2023/24**") amounted to approximately HK$148,499,000, which represented an decrease of approximately 83.0% as compared to HK$872,910,000 for the year ended 30 June 2023 ("**FY2022/23**") as there was a decline in revenue from the property development and healthcare and household products businesses. During FY2022/23, majority of the residential units of the property development project in Dongguan City, the PRC had been delivered to buyers in July 2022, which had contributed approximately HK$697,216,000 to the revenue for FY2022/23. FY2023/24 saw revenue of about HK$46,664,000 only from the Dongguan Project. In the meantime, there was also a decline in revenue from the healthcare and household products business to approximately HK$100,278,000 (FY2022/23: approximately HK$172,421,000). The decrease was primarily due to a destocking process of certain customers.

The gross profit margin decreased to 15.5% for FY2023/24 from 29.1% for FY2022/23, which was mainly due to promotion campaign of the Dongguan Project during the first half of FY2023/24 and the continuous decline of the housing sales prices under the current stagnant Chinese real estate market.

The consolidated loss attributable to the owners of the Company amounted to approximately HK$699,345,000 as compared to the consolidated profit attributable to the owners of the Company of approximately HK$69,131,000 for FY2022/23. The loss recorded for the year was mainly attributable to (i) the decline in gross profit to approximately HK$22,989,000 (FY2022/23: approximately HK$253,687,000) due to the decline in revenue from the property development and healthcare and household products businesses for the reasons set out above; (ii) an impairment loss on interest in Chengde Jinyu of approximately HK$288,775,000 (FY2022/23: approximately 75,860,000); (iii) an impairment loss on the amount due from Chengde Jinyu of approximately HK$68,155,000 (FY2022/23: Nil); (iv) a written down of the PUD of approximately HK$196,443,000 (FY2022/23: Nil); (v) finance costs of approximately HK$191,647,000 (FY2022/23: approximately HK$84,618,000) mainly due to the overdue bank loan for the Nanjing project; (vi) an impairment of other receivables of approximately HK$65,934,000 (FY2022/23: HK$2,481,000); and (vii) share of losses of associates of approximately HK$67,537,000 (FY2022/23: approximately HK$38,208,000). The effects of the above were partially offset by the reversal of impairment loss on exploration and evaluation assets of approximately HK$31,761,000 due to reinstatement of the coal mining licence and a reduction in administrative expenses of approximately HK$9,067,000 during the year.

Set out below is the review of the businesses of the Group for FY2023/24 and the outlook of the Group's businesses for the year ending 30 June 2025.

### *Healthcare and household business*

The business is operated through the Group's wholly-owned subsidiary namely Fairform Manufacturing Company Limited ("**Fairform**"). Fairform has been engaged in manufacturing of powered oral care products and hair trimming products, specialising in the production of powered toothbrushes for both adults and kids. Over the years, Fairform has continuously innovated its products with advanced features such as vibration, rotary oscillation, and sonic technology, which are manufactured in its own production facility located in Dongguan City, the PRC with an annual production capacity of over 10 million pieces of powered devices.

Fairform has established partnerships with prominent global brands in the capacity of original equipment manufacturer ("**OEM**") and/or a manufacturer of private label products. As an OEM, Fairform manufactures products according to the specific requirements of its customers, including design, materials, and techniques. As a private label model manufacturer, Fairform is responsible for the design and production process, while customers will market them under their own brands. Majority of the Group's products are for export and are eventually distributed in retailers.

Revenue of the healthcare and household products business for FY2023/24 amounted to approximately HK$100,278,000 representing a decrease of approximately 41.8% as compared to approximately HK$172,421,000 for FY2022/23. The segment's gross profit margin for FY2023/24 was approximately 30.3%, representing an increase of approximately 8.5% from 21.8% for FY2022/23, approaching the pre-Covid level of approximately 33.8% for the year 2019. The drop in sales was primarily due to a destocking process of certain customers which commenced in or around the beginning of year 2023 in order to manage inventory level, following the increase in their purchase orders particularly in the latter part of year 2022 driven by the concerns about potential disruptions in the supply chain resulting from Covid-19 control measures in the PRC.

During FY2023/24, U.S. remained the largest market for this segment, contributing approximately 75.4% of the revenue while Europe and the United Kingdom accounted for approximately 9.2% of the revenue, with the remaining 15.4% of the revenue derived from Hong Kong and others.

### *Money lending business*

The Group's money lending business involves provision of loans to borrowers, including individuals, and small and medium-sized enterprises ("**SMEs**"). However, in view of the recent market sentiment of the business segment, the Group had not granted any new loans during FY2023/24 and does not intend to grant any new loans in the near term. The Group's current loans were granted to five borrowers engaged in (i) gold mining and trading, (ii) equity investment, and (iii) project investment. The loans were granted to the borrowers in accordance with the Group's credit policy and had loan term from 6 to 12 months and with interest rates ranging from 7% to 24% per annum. However, all of the loans have past due. Although impairment allowance for the loan receivables had already been made by the Group prior to the beginning of FY2023/24, the Group has nevertheless dedicated officer to monitor the repayment of the loans.

As at 30 June 2024, the outstanding loan receivables were approximately HK$44,054,000 (30 June 2023: HK$42,935,000). After netting of a discounting effect of approximately HK$3,315,000 (30 June 2023: HK$3,315,000) and an impairment allowance of approximately HK$36,476,000 (30 June 2023: HK$30,720,000), the total net loan receivables as at 30 June 2024 were approximately HK$4,263,000 (30 June 2023: HK$8,900,000).

Further analysis of the loans are set out below.

***Loan portfolio by size***

The following table sets forth the distribution of the outstanding loan receivables under the money lending business and the number of borrowers by size as at the dates indicated:

| | **30 June 2024** | | | 30 June 2023 | | |
|---|---|---|---|---|---|---|
| | ***Number of borrowers*** | ***HK$'000*** | ***%*** | *Number of borrowers* | *HK$'000* | *%* |
| Outstanding loan receivables: | | | | | | |
| Up to HK$5,000,000 | **2** | **8,000** | **18.2** | 2 | 8,000 | 18.6 |
| Over HK$5,000,000 to HK$10,000,000 (inclusive) | **2** | **16,263** | **36.9** | 2 | 15,144 | 35.3 |
| Over HK$10,000,000 | **1** | **19,791** | **44.9** | 1 | 19,791 | 46.1 |
| **Total** | **5** | **44,054** | **100.0** | 5 | 42,935 | 100.0 |

***Loan portfolio by security***

The Group's loan 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 2024** | | 30 June 2023 | |
|---|---|---|---|---|
| | ***HK$'000*** | ***%*** | *HK$'000* | *%* |
| Outstanding loan receivables: | | | | |
| Unsecured loans | **41,054** | **93.2** | 39,935 | 93.0 |
| Collateral-backed loan - property ownership right | **3,000** | **6.8** | 3,000 | 7.0 |
| **Total** | **44,054** | **100.0** | 42,935 | 100.0 |

*Maturity profile of loan portfolio*

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 2024** | | 30 June 2023 | |
|---|---|---|---|---|
| | ***HK$'000*** | *%* | *HK$'000* | *%* |
| Outstanding loan receivables: | | | | |
| Past due | **44,054** | **100.0** | 42,935 | 100.0 |
| Due within three months | **–** | **–** | – | – |
| **Total** | **44,054** | **100.0** | 42,935 | 100.0 |

*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. 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, 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 for a period of five years. 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 31 December 2023, the work and budget plan of the coal mining business was approved by the Indonesian Government. Coal production commenced in April 2024 with first coal sales in May 2024, recording a royalty fees revenue of approximately HK$300,000 for FY2023/24. Due to the coal mine project being located in a tropical region and the rainy season having continued since the commencement of the mining, the production progress has been severely affected, which has in turn hindered the sales. However, since the reinstatement of the Mining Licenses has been completed and the coal production and sales have commenced as planned, the Group engaged an independent valuer to perform a valuation on the exploration and exploitation rights of the coal mining business, and a reversal of impairment losses of approximately HK$31,761,000 for FY2023/24 was recognised based on the valuation.

During FY2023/24, operating expenses related to the coal mining business segment charged to the consolidated statement of profit or loss and other comprehensive income were mainly administrative expenses, amounting to approximately HK$688,000 for FY2023/24 (FY2022/23: approximately HK$758,000). The segment loss without including the reversal of impairment was approximately HK$487,000 for FY2023/24 (FY2022/23: approximately HK$758,000).

***Property projects in the PRC***

During the year, the Group had interests in three property projects in the PRC, being two property development projects located in Nanjing City (the "**Nanjing Project**") and Dongguan City (the "**Dongguan Project**") respectively, and a primary land development project in Luanping County, Chengde City (the "**Luanping Project**").

On 6 May 2024, the Group entered into an agreement with Mr. Lim Kim Chai (the "**Purchaser**") (a non-executive Director and a substantial shareholder of the Company) to sell to the Purchaser (i) the entire equity interest in Hong Kong Zhongzheng City Investment Limited (the "**Disposed Company**") for a consideration of approximately HK$53.7 million; and (ii) the aggregate amount (including principal and interest) owed by Shenzhen Zhongzheng Ruifeng Management Co., Ltd to the Company for a nominal consideration of HK$1 (the "**Disposal**"). The Disposed Company held the Group's interest in the aforesaid property projects in the PRC. Details of the Disposal are disclosed in the Company's announcement dated 6 May 2024 and circular dated 28 June 2024.

Completion of the Disposal took place in July 2024, following which the Group is no longer engaged in the property projects in the PRC. Set out below is the business overview of the three property projects in the PRC during FY2023/24.

***Property development***

*Dongguan Project*

During the year, the Group held 100% interest in the Dongguan Project. The Dongguan Project is called CITIC•Cloud Courtyard* (中證•雲庭) and is located in the Nancheng District, Dongguan City, the PRC. It is a small-scale property development project which comprises two composite buildings comprising 242 residential units and 72 commercial units with saleable GFA of approximately 23,280 sq. m. and 4,969 sq. m., respectively, and 178 car parking spaces in a two-storey carpark basement. Pre-sale of the residential units of the Dongguan Project began in November 2020. Construction of the project was completed by July 2022 and majority of the residential units had been delivered to the buyers in July 2022.

During FY2023/24, the Dongguan housing market remained challenging, leading to intense competition among property projects available for sale in the area. The Group sold 20 residential units, 1 commercial unit, and 15 parking spaces and recorded revenue of approximately HK$46,664,000, as compared to HK$697,216,000 for FY2022/23 when the majority of the residential units had been delivered in July 2022. As at 30 June 2024, the property held for sales amounted to approximately HK$154,822,000 which included (i) 17 unsold residential units, (ii) 3 contracted but not delivered residential units, (iii) 71 commercial units and (iv) 163 car parking spaces.

*The Nanjing Project*

During the year, the Group held 51% interest in the Nanjing Project. The Nanjing Project is called Spring Breeze* (泉悅春風) and is located in Naishan ecological scenic area of Long Pao New City, Jiangbei New Area, Nanjing City, the PRC. This project is a large-scale property development project designed to build in three phases, encompassing low-rise residential units, commercial buildings, hotel apartments/serviced apartments and other ancillary facilities. The total GFA of the project is approximately 340,000 sq. m.

Pre-sale of residential units of the Nanjing Project for phase one of the project had commenced in June 2020. However, the construction work for phase one has been suspended since August 2022 due to insufficient funding. As at 30 June 2024, the project company engaging in the Nanjing Project (the "**Nanjing Project Company**") had entered into sale and purchase agreements in respect of 42 residential units, representing approximately 15.5% of the total saleable GFA of the phase-one residential units with aggregate contracted amounts of approximately RMB150.5 million. Despite the temporary suspension, the Nanjing Project Company was endeavoring to resume construction work for phase one as soon as possible.

The operations of the Nanjing Project Company were primarily funded by bank and other borrowings. The Nanjing Project Company has defaulted on the scheduled settlement of a bank loan in the principal amount of approximately RMB319.7 million since October 2022. The bank loan was secured by all the properties under development for sales held by the Nanjing Project Company and the entire equity interest in the Nanjing Project Company (including the 51% indirectly held by the Group). The Group had been engaging in negotiations with the bank on the repayment plan, however, no agreement has been reached thus far. Other financing had been sought by the Group to replace the defaulted bank loan, but to no avail. In November 2023, the entire equity interest in the Nanjing Project Company (including the 51% indirectly held by the Group) has been frozen by the court, and in December 2023, a judgement was issued by the court ordering that, among other things, the Nanjing Project Company shall repay the bank loan together with the interest, default charge, default interest and compound interest thereof to the bank, and the bank shall have the preferential rights to be paid off with the proceeds from the auction or sale of charged properties including the entire equity interest in the Nanjing Project Company. According to a public notice dated 27 December 2023 issued by 廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services), the said bank had disposed of the bank loan as non-performing assets. As at 30 June 2024, the Nanjing Project Company has not been notified by any parties of the actions (if any) that may be taken by the purchaser of the said bank loan regarding the securities pledged under the bank loan.

In estimating the net realisable value of the PUD of the Nanjing Project as at 30 June 2024, the Group allocated the consideration for the Disposal to the assets (other than PUD) and liabilities disposed of, with residual value being allocated to the PUD. On this basis, a written down of PUD of approximately HK$196,443,000 was recognised during FY2023/24.

***Primary land development***

The Company held 42.5% equity interest in Chengde Jinyu, a company which in turns holds 90% equity interest in Chengde CITIC Securities Urban and Rural Development Co., Ltd.* (承德中證城鄉開發有限公司) ("**Chengde Development**"), which is the project company of the Luanping Project. The Luanping Project was intended to consist 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 was yet to commence.

The operations of all property development projects in the Luanping County, including the Luanping Project, were suspended by the local government in 2019 to address certain ecological and environmental issues in the area and no land auctions were held for any land developed by Chengde Development in the same year. The government had resumed some land auctions in 2020 but the sale activities were severely affected and delayed due to the impact of the Covid-19 pandemic and challenges in the real estate market. Since 2021, except for 6 mu of land assigned to the government as allocated land (劃撥用地) for public utilities use, no land developed by Chengde Development was successfully sold/put on for land auction by the government.

In 2022, the Luanping government has launched the "Chaohe River Basin (Luanping Section) Ecological Governance and Rural Revitalisation 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**") with the objective of developing the region for different facets of industries, hand in hand with ecological and environmental governance emphasis. It was noted that the tender of the EOD Project has been awarded to a consortium led by a state-owned construction enterprise in January 2024. No detailed information about the implementation plan for the EOD Project is available to the Group yet, however, based on Chengde Development's preliminary understanding, the EOD Project would involve a significant portion of land developed by Chengde Development, but would be mainly for non-residential and non-commercial use. If the land developed by Chengde Development were to be used for the EOD Project, they may be sold in future land auctions at a price significantly lower than previously estimated based on residential and commercial usage under the Luanping Project. This being the case, on the other hand, there is currently no indication of future land auctions of land developed by Chengde Development by the Luanping government in the near term.

In light of the above, the recoverable amount of Chengde Jinyu as at 30 June 2024 was determined as fair value less costs of disposal using asset-based approach based on the actual costs of land and infrastructure incurred by Chengde Development and investment returns stipulated under the cooperation agreements entered into between Chengde Jinyu and the Luanping government in respect of the Luanping Project in November 2017, and such recoverable amount was significantly lower than its carrying amount, resulting in the recognition of an impairment loss on interest in Chengde Jinyu of approximately HK$288,775,000.

As Chengde Jinyu is not expected to have sufficient assets to service its debts, an impairment loss of approximately HK$68,155,000 was recognised in respect of the amount due from Chengde Jinyu.

***Investment in the property development project at Port Dickson, Malaysia***

The Group holds a 35% equity interest in Pacific Memory Sdn Bhd ("**Pacific Memory**") which is accounted for as an associate. It is engaged in commercial development at Port Dickson, Malaysia with facilities including a hotel, yacht club, event venues and retail spaces and related amenities. The development plan has been submitted for approval to the relevant government agencies and part of the plan relating to the construction of berths has already been approved and completed. Currently, the management is in the process of finalizing the sales and marketing plans in collaboration with a business consultant specifically for the berths facilities area.

**Prospect**

***Healthcare and household products business***

Based on the current market situation and strategic focus, the Group adopts a cautiously optimistic outlook for Fairform's future performance in the upcoming year.

Driven by growing environmental consciousness globally, it is likely that the decline in sales of disposable powered toothbrushes with non-replaceable batteries may continue in the near future. Nevertheless, the Group is well-prepared for this potential development. In fact, the Group has already developed products which are more eco-friendly, such as rechargeable powered toothbrushes with replaceable heads. With its strong in-house research and development capabilities and adaptability to market trends and long-term relationship with key customers, the Group is confident that it could work with its customers to develop products that meet consumer's needs and adapt to any change in market trend.

The Group anticipated that sales will regain momentum as the destocking effect diminishes and customers gradually replenish their inventory levels in preparation for the holiday season in the latter half of the year 2024. Such momentum is expected to continue in response to the Federal Reserve interest rate cuts in the second half of 2024. Lower borrowing costs will potentially boost consumers' discretionary spending on personal care products like electric toothbrushes. However, the full impact of these rate cuts on consumer spending will take time to materialise, with effects likely becoming more noticeable in 2025.

Fairform is currently prioritising the development and launch of the sonic-oscillation powered toothbrush (the "**Sonic-Oscillation PTB**"), a new powered toothbrush with both sonic and rotary oscillation functions, the combination of which creates a dynamic brushing action for effective plaque removal from teeth and along the gumline. As Fairform continues to refine the Sonic-Oscillation PTB based on feedback from potential customers, the Group expects mass production of this product to commence in the fourth quarter of 2024, with a full-scale global launch in 2025. The Group remains confident that this product will drive significant market penetration, particularly in the U.S. and European markets, where discussions with potential retail partners are ongoing. Meanwhile, potential opportunities in the global markets are also under exploration, particularly via online business-to-business ("**B2B**") and retail platforms. Fairform is also developing other new products such as sonic powered toothbrush with more appealing design and exploring business opportunities to market them via online business-to-consumer platforms.

***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 will not grant further new loans in the near future.

### *Coal mining business*

As the area of the coal mining project gradually transitions from the rainy season to the dry season, and coal-importing countries (such as the PRC) are entering the autumn and winter months that will lead to higher demand for coal, the management believes that the Group's coal production and sales in the coming financial year will significantly exceed current levels.

## Liquidity and Financial Resources

### *Cash position*

As at 30 June 2024, the Group had cash and bank deposits of approximately HK$20,135,000 (30 June 2023: HK$41,427,000) with a foreign currency deposits denominated in Renminbi amounted to approximately HK$16,131,000 (30 June 2023: HK$36,812,000).

### *Current ratio*

As at 30 June 2024, the Group had net current liabilities of approximately HK$473,718,000 (30 June 2023: net current assets of approximately HK$68,305,000) and current ratio (being current assets over current liabilities) of 0.78 (30 June 2023: 1.03).

### *Debts and borrowings*

As at 30 June 2024, the Group had total debts and borrowings of approximately HK$1,344,401,000 (30 June 2023: HK$1,363,956,000) which mainly comprised of shareholder loan, unsecured loan from financial institutes and secured bank loan.

### *Gearing ratio*

As at 30 June 2024, the Group's gearing ratio being total debt and borrowings over total equity is 1,168.5% (30 June 2023: 141.7%).

### *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 2024.

***Significant investments held, material acquisitions and disposal of subsidiaries***

As disclosed in the section headed "Business Review – Property projects in the PRC" above, on 6 May 2024, the Group entered into an agreement with the Purchaser to sell to the Purchaser (i) the entire equity interest in the Disposed Company for a consideration of approximately HK$53.7 million, which should be satisfied by the Purchaser by offsetting against the outstanding interest accrued on the shareholder's loans owed by the Company to him up to the date of the agreement on a dollar for dollar basis; and (ii) the aggregate amount (including principal and interest) owed by Shenzhen Zhongzheng Ruifeng Management Co., Ltd to the Company for a nominal cash consideration of HK$1. The Disposed Company held the Group's interests in the property projects in the PRC. Details of the Disposal are disclosed in the Company's announcement dated 6 May 2024 and circular dated 28 June 2024. All the conditions precedent under the Disposal Agreement have been fulfilled and completion took place on 22 July 2024. The Group has since no longer engaged in the property projects in the PRC.

***Pledge of assets***

As at 30 June 2024, certain land and buildings, amounted to approximately HK$56,642,000 (as at 30 June 2023: approximately HK$56,612,000) 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 2023: nil) were pledged under factoring arrangement. Properties under development for sale of the Group amounted to approximately HK$1,049,592,000 (as at 30 June 2023: HK$1,249,032,000) were pledged to secure bank borrowings granted to the Group.

***Material contingent liabilities***

The Group had no material contingent liabilities as at 30 June 2024.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had 20 employees (as at 30 June 2023: 19) in Hong Kong, 567 employees (as at 30 June 2023: 567) in the PRC and 1 employee (as at 30 June 2023: 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 22 July 2024, the Disposal as disclosed in the section headed "Significant investments held, material acquisitions and disposal of subsidiaries" above was completed and the Group have divested all its property projects in the PRC following the Disposal.

Upon completion of the Disposal, the Purchaser has extended the repayment date of the principal of the unsecured shareholder's loans owed by the Company to him in the principal amount of HK$250 million (plus accrued interest) from 31 December 2024 to 31 December 2027.

Save as disclosed above, there are no important events affecting the Group which have occurred after 30 June 2024 and up to the date of this announcement.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no future plans for material investments or acquisition of capital assets as at 30 June 2024.

## DIVIDENDS

The Board does not recommend any dividend for the year (year ended 30 June 2023: 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 2024.

## 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 2024 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 2024. 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 C3 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 2024.

## CORPORATE GOVERNANCE CODE

The Company has complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix C1 of the Listing Rules during the year ended 30 June 2024.

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

Hong Kong, 27 September 2024

*As at the date of this announcement, the Board comprises two executive Directors, namely 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.*