

# Zhongzheng International Company Limited

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

## **2021** *Second Interim Report*



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

For the twelve months ended 31 December 2021

	Notes	Twelve months ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited) (Restated)
<b>Continuing operations</b>			
Revenue		125,505	149,768
Interest revenue		4,835	4,924
<b>Total revenue</b>	4	<b>130,340</b>	154,692
Cost of sales		(100,802)	(109,920)
<b>Gross profit</b>		<b>29,538</b>	44,772
Other income and other gains and losses		796	6,114
Selling and distribution expenses		(6,172)	(1,873)
Administrative expenses		(74,963)	(71,129)
<b>Loss from operations</b>		<b>(50,801)</b>	(22,116)
Impairment on exploration and evaluation assets		–	(34,030)
Impairment of loan and interest receivables		–	(166)
Share of results of associates		(932)	(1,155)
Finance costs	5	(14,958)	(17,061)
<b>Loss before tax</b>		<b>(66,691)</b>	(74,528)
Income tax (expense)/credit	6	(3)	809
<b>Loss for the period</b>		<b>(66,694)</b>	(73,719)
<b>Discontinued operations</b>			
(Loss)/gain for the period from discontinued operations	8	(256,239)	6,527
<b>Loss for the period</b>	7	<b>(322,933)</b>	(67,192)
<b>Loss for the period attributable to:</b>			
Owners of the Company			
From continuing operations		(66,694)	(73,719)
From discontinued operations		(235,584)	19,931
		<b>(302,278)</b>	(53,788)
Non-controlling interests			
From continuing operations		–	–
From discontinued operations		(20,655)	(13,404)
		<b>(20,655)</b>	(13,404)
		<b>(322,933)</b>	(67,192)

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

For the twelve months ended 31 December 2021

	Notes	Twelve months ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited) (Restated)
<b>Loss for the period</b>		<b>(322,933)</b>	(67,192)
<b>Other comprehensive (loss)/income:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		1,267	21,412
Share of associates exchange differences on translating foreign operations		(17,037)	29,092
<i>Items that may be reclassified to profit or loss:</i>			
Gain on property revaluation		–	3,084
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(15,770)</b>	53,588
<b>Total comprehensive loss for the period</b>		<b>(338,703)</b>	(13,604)
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(318,048)	(3,738)
Non-controlling interests		(20,655)	(9,866)
		<b>(338,703)</b>	(13,604)
<b>Loss per share</b>	10		
From continuing and discontinued operations			
Basic (cents per share)		(2.82)	(0.50)
Diluted (cents per share)		N/A	N/A
From continuing operations			
Basic (cents per share)		(0.62)	(0.69)
Diluted (cents per share)		N/A	N/A
From discontinued operations			
Basic (cents per share)		(2.20)	0.19
Diluted (cents per share)		N/A	N/A

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 31 December 2021*

		At 31 December 2021	At 31 December 2020
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>Non-current assets</b>			
Exploration and evaluation assets		107,970	107,970
Property, plant and equipment	11	66,663	68,854
Right-of-use assets		6,016	26,616
Interests in associates	12	609,206	1,200,663
		<u>789,855</u>	<u>1,404,103</u>
<b>Current assets</b>			
Inventories		19,057	19,073
Properties under development for sale		–	1,559,362
Trade and other receivables	13	116,218	257,411
Loans and interests receivables	14	59,081	89,674
Amount due from associates		21,881	161,941
Current tax assets		905	938
Bank and cash balances		4,165	177,095
		<u>221,307</u>	<u>2,265,494</u>
Non-current assets held for sale	19	3,340,674	–
		<u>3,561,981</u>	<u>2,265,494</u>
<b>Current liabilities</b>			
Trade and other payables	15	(126,646)	(514,010)
Promissory note		(244,846)	(237,663)
Lease liabilities		(5,966)	(10,763)
Borrowings	16	(28,085)	(691,097)
Shareholders loans	17	(285,942)	(343,376)
Current tax liabilities		(6,078)	(6,017)
		<u>(697,563)</u>	<u>(1,802,926)</u>
Liabilities directly associated with non-current assets held for sale	19	(2,554,711)	–
		<u>(3,252,274)</u>	<u>(1,802,926)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 31 December 2021*

	<i>Notes</i>	<b>At 31 December 2021 HK\$'000 (Unaudited)</b>	<b>At 31 December 2020 HK\$'000 (Audited)</b>
<b>Net current assets</b>		<b>309,707</b>	462,568
<b>Total assets less current liabilities</b>		<b>1,099,562</b>	1,866,671
<b>Non-current liabilities</b>			
Lease liabilities		(157)	(16,452)
Borrowings	<i>16</i>	–	(309,157)
Shareholders loans	<i>17</i>	–	(38,503)
Deferred tax liabilities		(13,708)	(77,666)
		<b>(13,865)</b>	(441,778)
<b>NET ASSETS</b>		<b>1,085,697</b>	1,424,893
<b>Capital and reserves</b>			
Share capital	<i>18</i>	429	429
Reserves		1,065,516	1,383,564
Equity attributable to owners of the Company		<b>1,065,945</b>	1,383,993
Non-controlling interests		19,752	40,900
<b>TOTAL EQUITY</b>		<b>1,085,697</b>	1,424,893

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the twelve months ended 31 December 2021*

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Foreign	Warrant reserve	Other reserve	Property	Accumulated losses	Total	Non-controlling interests	Total
				currency translation reserve			revaluation reserve				
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1 January 2020 (Audited)	429	878,200	626,537	(63,475)	24,226	33,251	37,120	(148,557)	1,387,731	447	1,388,178
Acquisition of subsidiaries (Audited)	-	-	-	-	-	-	-	-	-	50,319	50,319
Total comprehensive loss for the period (Unaudited)	-	-	-	46,966	-	-	3,084	(53,788)	(3,738)	(9,866)	(13,604)
At 31 December 2020 (Audited)	<u>429</u>	<u>878,200</u>	<u>626,537</u>	<u>(16,509)</u>	<u>24,226</u>	<u>33,251</u>	<u>40,204</u>	<u>(202,345)</u>	<u>1,383,993</u>	<u>40,900</u>	<u>1,424,893</u>
At 1 January 2021 (Audited)	429	878,200	626,537	(16,509)	24,226	33,251	40,204	(202,345)	1,383,993	40,900	1,424,893
Return of capital to non-controlling shareholders (Unaudited)	-	-	-	-	-	-	-	-	-	(493)	(493)
Total comprehensive loss for the period (Unaudited)	-	-	-	(15,770)	-	-	-	(302,278)	(318,048)	(20,655)	(338,703)
At 31 December 2021 (Unaudited)	<u>429</u>	<u>878,200</u>	<u>626,537</u>	<u>(32,279)</u>	<u>24,226</u>	<u>33,251</u>	<u>40,204</u>	<u>(504,623)</u>	<u>1,065,945</u>	<u>19,752</u>	<u>1,085,697</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the twelve months ended 31 December 2021*

	<b>Twelve months ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Net cash generated from/(used in) operating activities</b>	<b>195,351</b>	<b>(44,782)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries	–	27,843
Purchase of property, plant and equipment	<b>(1,460)</b>	(2,738)
Proceeds from disposal of property, plant and equipment	<b>98</b>	–
Change in amounts due from associates	<b>(223,513)</b>	(112,191)
<b>Net cash generated from/(used in) investing activities</b>	<b>(224,875)</b>	<b>(87,086)</b>
<b>Cash flows from financing activities</b>		
New borrowings	<b>541,884</b>	385,599
Capital refunded to non-controlling interest	<b>(493)</b>	–
Repayment of borrowings	<b>(206,589)</b>	(345,954)
Advance from shareholders	–	469,340
Repayment of shareholders loans	<b>(111,046)</b>	(393,313)
Repayment of lease liabilities	<b>(9,351)</b>	(11,125)
Interests paid	<b>(58,295)</b>	–
<b>Net cash generated from financing activities</b>	<b>156,110</b>	<b>104,547</b>
Net increase in cash and cash equivalents	<b>126,586</b>	(27,321)
Cash and cash equivalents at the beginning of the period	<b>177,095</b>	166,852
Effect of changes in foreign exchange rate	<b>42,981</b>	37,564
<b>Cash and cash equivalents at the end of the period</b>	<b>346,662</b>	<b>177,095</b>
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>346,662</b>	<b>177,095</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the twelve months ended 31 December 2021*

### 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 Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (collectively "the Group") for the period ended 31 December 2021 are manufacturing and trading of healthcare and household products, money lending business, coal mining business, property development and primary land development.

Upon the disposal of the Group's wholly owned subsidiary, Hong Kong Zhongzheng City Investment Limited, the Group will discontinue its operations of property development and primary land development.

### 2. BASIS OF PREPARATION

Pursuant to a resolution of the Board dated 30 December 2021, the Company's financial year end date has been changed from 31 December to 30 June commencing from financial year of 2021/2022. Accordingly, the current financial year will cover a period of eighteen months from 1 January 2021 to 30 June 2022. These condensed consolidated financial statements now presented cover a period of twelve months from 1 January to 31 December 2021. The comparative figures presented for the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes cover the audited figures of the financial year from 1 January 2020 to 31 December 2020.

The unaudited condensed consolidated interim financial information (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020 ("2020 Annual Report").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the twelve months ended 31 December 2021*

### 2. BASIS OF PREPARATION (Continued)

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of 2020 Annual Report of the Group except as stated below:

#### (a) Non-current assets held for sale

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

#### (b) Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2021

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

### 4. REVENUE AND SEGMENT INFORMATION

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

	<u>Discontinued operations</u>					Total HK\$'000
	Property development HK\$'000	Primary land development HK\$'000	Money lending business HK\$'000	Coal mining business HK\$'000	Healthcare and household business HK\$'000	
<b>Period ended 31 December 2021: (Unaudited)</b>						
Revenue	–	–	4,835	–	125,505	130,340
Segment (loss)/profit	(91,278)	(27,611)	4,914	(934)	(25,728)	(140,637)
<b>As at 31 December 2021: (Unaudited)</b>						
Segment assets	2,570,229	799,054	59,137	106,911	121,384	3,656,715
Segment liabilities	2,461,940	19,827	–	–	104,571	2,586,338
<b>Period ended 31 December 2020: (Audited)</b>						
Revenue	–	–	4,924	–	149,768	154,692
Segment (loss)/profit	(32,528)	(3,710)	4,557	(2,159)	1,929	(31,911)
<b>As at 31 December 2020: (Audited)</b>						
Segment assets	1,768,683	830,600	57,803	107,068	137,257	2,901,411
Segment liabilities	1,416,359	307,137	81	–	97,474	1,821,051

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***4. REVENUE AND SEGMENT INFORMATION (Continued)**

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

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Profit or loss:</b>		
Total loss of reportable segments	<b>(140,637)</b>	(31,911)
Impairment on exploration and evaluation assets	–	(34,030)
Gain on bargain purchase	–	42,765
Share of results of associates	<b>(47,005)</b>	(1,155)
Finance costs	<b>(13,963)</b>	(16,204)
Corporate and unallocated loss	<b>(19,772)</b>	(26,657)
Fair value loss on non-current assets held for sale	<b>(101,556)</b>	–
Consolidated loss before tax for the period from continuing operations	<b>(322,933)</b>	(67,192)

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

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Healthcare and household business	<b>125,505</b>	149,768
Revenue from contracts with customers	<b>125,505</b>	149,768
Interest income from money lending business	<b>4,835</b>	4,924
	<b>130,340</b>	154,692
Representing Continuing operations	<b>130,340</b>	154,692

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***4. REVENUE AND SEGMENT INFORMATION (Continued)****Disaggregation of revenue from contracts with customers**

Segment	Twelve months ended 31 December	
	2021 Healthcare and household business HK\$'000 (Unaudited)	2020 Healthcare and household business HK\$'000 (Audited)
United States of America	92,707	108,559
The People's Republic of China (the "PRC")	1,685	10,933
Germany	11,809	14,711
France	604	914
United Kingdom	1,245	1,755
Hong Kong and others	17,455	12,896
	<b>125,505</b>	<b>149,768</b>

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

**5. FINANCE COSTS**

	Twelve months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Interest on other loans	8,788	29,944
Leases interests	1,890	1,237
Interest on shareholders loans	13,166	13,031
Loss on early settlement of shareholders loans	–	2,818
Interest on bank loans and overdraft	58,295	1,552
	<b>82,139</b>	<b>48,582</b>
Less: interest capitalised in properties under development for sale	(55,768)	(29,944)
	<b>26,371</b>	<b>18,638</b>
Representing		
Continuing operations	14,958	17,061
Discontinued operations	11,413	1,577
	<b>26,371</b>	<b>18,638</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***6. INCOME TAX (EXPENSE)/CREDIT**

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Hong Kong Profits Tax		
– Over-provision in prior years	–	905
Current tax – PRC Enterprise Income Tax		
– Provision for the year	(3)	(96)
	<b>(3)</b>	<b>809</b>
Representing		
Continuing operations	(3)	809
Discontinued operations	–	–
	<b>(3)</b>	<b>809</b>

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong (twelve months ended 2020: Nil).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***7. LOSS FOR THE PERIOD**

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

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Impairment on exploration and evaluation assets	–	(34,030)
Fair value loss on non-current assets held for sale	<b>(101,556)</b>	–
Loss on disposal of a subsidiary	–	(170)
Loss on disposal of property, plant and equipment	<b>(13)</b>	(748)
Directors' emoluments	<b>(4,363)</b>	(8,325)
	<b>—————</b>	<b>—————</b>

**8. DISCONTINUED OPERATIONS**

On 24 September 2021, the Company entered into an disposal agreement with Hong Kong Zhongzheng Huijin Limited (“HK Huijin”) in respect of a disposal of the entire issued share capital of Hong Kong Zhongzheng City Investment Limited (together with its subsidiaries, the “Disposal Group”), which is a wholly-owned subsidiary of the Company and was acquired from HK Huijin in 2019.

The Disposal Group was engaged in the business of property development and primary land development. Upon completion of the disposal, the Group will discontinue such business.

As the estimated consideration is lower than the net assets of the subsidiaries, an impairment estimated to be HK\$101,556,000 has been recorded for the twelve months ended 31 December 2021. The details of the consideration are stated in Note 19 of this financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***8. DISCONTINUED OPERATIONS (Continued)**

The loss for the period from above discontinued operations are analysed as follows:

		<b>Twelve months ended</b>	
		<b>31 December</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
(Loss)/profit of discontinued operations		<b>(154,683)</b>	6,527
Fair value loss on non-current assets held for sale	<i>19</i>	<b>(101,556)</b>	–
		<b>(256,239)</b>	6,527

The results of the Disposal Group for the period ended 31 December 2021, which have been included in consolidated profit or loss, are as follows:

		<b>Twelve months ended</b>	
		<b>31 December</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Other income		<b>1,650</b>	172
Selling and distribution expenses		<b>(17,439)</b>	(4,826)
Administrative expenses		<b>(81,408)</b>	(32,405)
Gain on bargain purchase		–	42,765
Share of results of associates		<b>(46,073)</b>	2,398
Finance costs	<i>5</i>	<b>(11,413)</b>	(1,577)
		<b>(154,683)</b>	6,527
Taxation	<i>6</i>	–	–
		<b>(154,683)</b>	6,527



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the twelve months ended 31 December 2021*

### 9. INTERIM DIVIDEND

The board does not recommend any interim dividend for the twelve months ended 31 December 2021 (twelve months ended 31 December 2020: Nil).

### 10. LOSS PER SHARE

#### **Basic loss per share**

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

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$302,278,000 (twelve months ended 31 December 2020: loss of approximately HK\$53,788,000) and the weighted average number of ordinary shares of 10,721,667,000 (twelve months ended 31 December 2020: 10,721,667,000) ordinary shares in issue during the period.

##### *From continuing operations*

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the period from continuing operations attributable to owners of the Company of approximately HK\$66,694,000 (twelve months ended 31 December 2020: loss of approximately HK\$73,719,000) and the denominator used is the same as that detailed above for basic loss per share.

##### *From discontinued operations*

The calculation of basic (loss)/earnings per share from discontinued operations attributable to owners of the Company is based on the loss for the period from discontinued operations attributable to owners of the Company of approximately HK\$235,584,000 (twelve months ended 31 December 2020: profit of approximately HK\$19,931,000) and the denominator used is the same as that detailed above for basic (loss)/earnings per share.

#### **Diluted loss per share**

No diluted loss per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the twelve months ended 2021 and 2020.

### 11. PROPERTY, PLANT AND EQUIPMENT

During the twelve months ended 31 December 2021, property, plant and equipment of approximately HK\$1,460,000 was acquired by the Group (twelve months ended 31 December 2020: approximately HK\$2,738,000).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***12. INTERESTS IN ASSOCIATES**

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Share of net assets plus goodwill	<b>609,206</b>	1,200,663

The details of the associates are summarised as follows:

Name	Principal place of business/ countries of incorporation	% of ownership interest	Principal activity	Carrying amount	
				31 December 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Chengde CITIC Securities Jinyu Investment Development Co., Ltd. (CITIC Jinyu)	The PRC	42.5%	Primary land development	-	573,487
Pacific Memory Sdn Bhd	Malaysia	35.0%	Property development	<b>609,206</b>	627,176
				<b>609,206</b>	1,200,663

At 31 December 2021, CITIC Jinyu's carrying amount is classified in the non-current assets held for sale stated in note 19.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***13. TRADE AND OTHER RECEIVABLES**

The trade and other receivable included trade receivables of approximately HK\$30,301,000 as at 31 December 2021 (31 December 2020: HK\$38,889,000). The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
0 to 30 days	4,115	9,046
31 to 90 days	14,711	15,042
91 to 180 days	11,022	14,685
Over 180 days	453	116
	<b>30,301</b>	<b>38,889</b>

**14. LOANS AND INTERESTS RECEIVABLES**

The loans and interests receivables included loan receivables of approximately HK\$46,292,000 as at 31 December 2021 (31 December 2020: HK\$69,625,000). The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
7 to 12 months	5,500	29,800
Over 12 months	40,792	39,825
	<b>46,292</b>	<b>69,625</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***15. TRADE AND OTHER PAYABLES**

The trade and other payables included trade payables and bills payables of approximately HK\$27,513,000 as at 31 December 2021 (31 December 2020: HK\$21,519,000). The aging analysis of the trade payables and bills payables, based on the date of receipt of goods, is as follows:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
0 to 30 days	5,642	5,455
31 to 90 days	8,737	7,446
91 to 180 days	10,793	7,454
Over 180 days	2,341	1,164
	<b>27,513</b>	21,519

**16. BORROWINGS**

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Secured bank loans	5,705	309,157
Unsecured other loans	22,380	691,097
	<b>28,085</b>	1,000,254
Analysed for reporting purposes as:		
– Non-current liabilities	–	309,157
– Current liabilities	28,085	691,097
	<b>28,085</b>	1,000,254

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2021

### 16. BORROWINGS (Continued)

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

The unsecured loans represent loans which stated at a range from 2.2% to 12% per annum interest rate.

### 17. SHAREHOLDERS LOANS

	31 December 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Loans from Shareholders	<b>285,942</b>	381,879
Analysed for reporting purposes as:		
– Current liabilities	<b>285,942</b>	343,376
– Non-current liabilities	–	38,503
	<b>285,942</b>	381,879

On 10 January 2019, the Group entered into a loan agreement of HK\$300 million with a shareholder. The loan is unsecured, interest bearing at 2.2% per annum and repayable within 2 years. The difference between the loan principal and its fair value at initial recognition was directly dealt with in equity as contribution from equity participant. The effective interest rate of this shareholder loan is 10.47%. As at 31 December 2021, approximately HK\$259 million of the loan was repaid.

On 5 August 2019, the Group entered into a loan agreement of HK\$20 million with another shareholder. The loan is unsecured, interest bearing at 2.2% per annum and repayable within 2 years. The difference between the loan principal and its fair value at initial recognition was directly dealt with in equity as contribution from equity participant. The effective interest rate of this shareholder loan is 10.47%.

On 11 November 2019, the Group entered into another loan agreement of HK\$230 million with this shareholder. The loan is unsecured, interest bearing at 5% per annum.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***18. SHARE CAPITAL**

	Number of shares	Amount <i>HK\$'000</i>
<b>Authorised:</b>		
Ordinary shares of HK\$0.00004 each at 1 January 2020, 31 December 2020, and 31 December 2021	25,000,000,000,000	1,000,000
	<b>Number of shares</b>	<b>Amount</b> <i>HK\$'000</i>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.00004 each: At 31 December 2020 (Audited) and 31 December 2021 (Unaudited)	10,721,666,832	429

**19. NON-CURRENT ASSETS HELD FOR SALE**

As stated in note 8, assets and liabilities of the disposal, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the statement of financial position.

The consideration of the disposal is approximately HK\$766,211,000 which will be satisfied by: (i) payment of HK\$308,863,000 in cash; (ii) 1,938,248,881 consideration shares of the Company from buy-back and cancellation, equivalents to approximately HK\$42,641,000 at 31 December 2021; and (iii) redemption of the promissory note in principal amount of RMB200,000,000 (approximately HK\$244,846,000) by the Company and (iv) repayment of shareholder's loan and loan interest upon completion of total amount HK\$169,861,000. The proceeds are expected to be less than the net carrying amount of the relevant assets and liabilities as at 31 December 2021 and, accordingly, an impairment loss of HK\$101,556,000 has been recognised on the classification of these operations as held for sale.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***19. NON-CURRENT ASSETS HELD FOR SALE (Continued)**

The major classes of assets and liabilities comprising the disposal group classified as held for sale at 31 December 2021 are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	942
Interest in an associate	534,629
Right-of-use assets	9,710
Trade and other receivables	251,849
Amount due from an associate	363,573
Properties under development for sale	1,938,996
Cash and bank balances	342,497
Current tax assets	34
	<hr/>
<b>Total assets classified as held for sale before fair value loss</b>	<b>3,442,230</b>
	<hr/> <hr/>
Trade and other payables	285,553
Contract liabilities	848,583
Borrowings	1,362,133
Deferred taxation	47,801
Lease liabilities	10,641
	<hr/>
<b>Liabilities associated with assets classified as held for sale</b>	<b>2,554,711</b>
	<hr/> <hr/>
<b>Total non-controlling interest</b>	<b>19,752</b>
	<hr/> <hr/>
Net asset less non-controlling interest	867,767
	<hr/> <hr/>
Consideration of disposal group	766,211
	<hr/>
Fair value loss on non-current assets held for sale (note 8)	(101,556)
	<hr/> <hr/>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the twelve months ended 31 December 2021***19. NON-CURRENT ASSETS HELD FOR SALE (Continued)**

Interest in an associate is the carrying amount of CITIC Jinyu stated in note 12.

Borrowings consist of secured bank loans and unsecured other loans of approximately HK\$711,835,000 and HK\$650,298,000 respectively, and the terms are same as stated in note 16.

At 31 December 2021, cumulative expense attributable to owners of the Company recognised in other comprehensive loss relating to the disposal group classified as held for sale amounted to HK\$3,769,000.

**20. CONTINGENT LIABILITIES**

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (31 December 2020: Nil).

**21. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in these Interim Financial Statements, the Group had no other transactions and balances with its related parties during the period ended 31 December 2021 (31 December 2020: Nil).

**22. APPROVAL OF FINANCIAL STATEMENTS**

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 28 February 2022.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

#### Results for the period

Revenue of the Group for the twelve months ended 31 December 2021 amounted to approximately HK\$130,340,000, which represented a decrease of approximately HK\$24,352,000 or 15.7% as compared to approximately HK\$154,692,000 in the corresponding period in 2020.

The consolidated loss of the Group for the twelve months ended 31 December 2021 amounted to approximately HK\$322,933,000 as compared to the loss of approximately HK\$67,192,000 in the corresponding period in 2020.

The following is the review of the business of the Group for the twelve months ended 31 December 2021 and the outlook of the Group's business in the first half of 2022.

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

Revenue of the healthcare and household business decreased to approximately HK\$125,505,000 for the twelve months ended 31 December 2021, representing a decrease of approximately HK\$24,263,000 or 16.2% as compared to approximately HK\$149,768,000 recorded during the corresponding period in 2020. The decrease was mainly caused by global shipping disruption and shockwave of variants of Covid-19 across different economies. Sales was impacted in the early parts of the year but as economic recovery in major overseas markets, most customers began filling up inventory from the second quarter of 2021.

Gross profit margin for the segment decreased from 29.9% for the twelve months ended 31 December 2020 to 23.5% for the period under review, which was mainly due to the delay in shipment as mentioned above and tight production schedule as customers start restocking their inventory during the period under review. Inflation pressure in the cost of raw materials also resulted in decrease in gross profit. The decrease in revenue reflected in gross profit decreased to approximately HK\$24,703,000 in the period under review (2020: HK\$39,848,000). Overall, the Group's healthcare and household business recorded a segmental loss of approximately HK\$25,728,000 for the twelve months ended 31 December 2021 as compared to a segmental profit of approximately HK\$1,929,000 in the corresponding period in 2020

#### Money lending business

The segment revenue being interest income from the Group's money lending business for the twelve months ended 31 December 2021 was approximately HK\$4,835,000 (2020: HK\$4,924,000). Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7% per annum to 24% per annum. Total loan receivables as at 31 December 2021 was approximately HK\$46,292,000 (31 December 2020: HK\$69,625,000) after reviewing the risk of default of individual borrowers and making an impairment allowance of HK\$3,166,000. (31 December 2020: HK\$3,166,000). In view of the recent market sentiment, the Group does not expect further growth in its money lending business in 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Coal mining business

During the period under review, there was no mining production at the Group's coal mine project in Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine"), no revenue was recognised from the coal mining business for the twelve months ended 31 December 2021.

No capital expenditure was incurred on mining infrastructure as there was no development activity during the twelve months ended 31 December 2021. Operating expenses related to the Group's mining business charged to the statement of profit or loss and other comprehensive income were mainly administrative expenses amounted to approximately HK\$934,000 for the twelve months ended 31 December 2021 (2020: HK\$2,159,000). The decrease in expenses during the period under review was caused by the streamlining of operations. During the period under review, the rights have been renewed for 10 years up to December 2029.

The coal resource estimates as at 31 December 2021 were as follows:

JORC Category	Coal Resource Estimate		Change in %	Reason of change
	<i>(in thousand tonnes)</i>			
	As at 31 December 2021	As at 31 December 2020		
Measured	8,705	8,705	Nil	N/A
Indicated	11,537	11,537	Nil	N/A
Inferred	6,097	6,097	Nil	N/A
	<b>26,339</b>	<b>26,339</b>		

As no exploration and mining activity had been carried out during the twelve months ended 31 December 2021, there was no material change to the PT Bara Mine since the end of 2020 and the coal resources estimates as at 31 December 2021 were the same as those recorded as at 31 December 2020. No review of the coal resources was carried out during the twelve months ended 31 December 2021.

The carrying amount of the exploration and evaluation assets is reviewed for impairment annually. The last valuation of PT Bara Mine was done at the beginning of 2021 by Graval Consulting Limited and an impairment loss of approximately HK\$34,030,000 was recognised for the year ended 31 December 2020 being the recoverable amount of the PT Bara Mine less than its carrying amount as at 31 December 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Primary land development

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

As disclosed in the 2019 annual report of the Company, the operations of all property development projects for Luanping County, including the Luanping Project, were suspended by the local government due to ecological environmental issues. As such, during the period under review, only one land auction was carried out. The area of the land plot is 6.255 Mu and the price of land is approximately RMB5,200,000. Also, the government authority returned fund of approximately RMB42,500,000 to the project company for previous land auction.

As at 31 December 2021, the outstanding loans in respect of the Luanping Project that were due for repayment amounted to RMB776.5 million and loans in the principal amount of RMB386.5 million and RMB49 million will fall due by the end of 2022 and 2024, respectively. The delay in land auction for the Luanping Project has resulted in cash flow issue for the operation of the project. The Company understood from the government authority that the timing of full resumption of land auctions is uncertain given the prolonged prevalence of the Covid-19 epidemic and the changing regulatory landscape. The cash flow of the Luanping Project was also hit by the deleverage of property development enterprises implemented by the state during the second half of 2020. In view of the above and the uncertainty in the PRC property market, the Company has entered into an agreement to dispose the Luanping Project and details regarding the disposal are to be discussed below.

### Property development

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

The name of the Dongguan Project is CITIC·Cloud Courtyard\* (中證•雲庭), which is located at the Nancheng District, Dongguan City. It is the area with the most mature supporting facilities and scarce housing supply in Dongguan City. The Dongguan Project is a small scale property development project which includes the development of two composite buildings comprising residential units and commercial units with GFA of approximately 23,410 sq.m. and 4,897 sq.m., respectively, and 178 car parking lots. The construction of the project is still in progress and planned for delivery before June 2022. Dongguan Project Company has already obtained the pre-sale permits of the entire project.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

- a total gross floor area of 18,209 square meters with amount of approximately RMB631,439,310 have been sold;
- building construction have been completed;
- electromechanical engineering and gas installation have been completed;
- the fine decoration of the residential portion has been basically completed and entered the final stage.

The name of the Nanjing Project is Spring Breeze\* (“泉悦春风”), which is located at Naishan ecological scenic area, Long Pao New City, Jiangbei New Area, Nanjing. The Nanjing Project is a large scale property development project comprises three phases which include the development of low-rise comprehensive residential units, commercial buildings, hotel and other ancillary facilities covering a total gross floor area of approximately 340,000 sq.m. The construction work of the first phase of the project is still in progress and has been delayed as a result of the Covid-19 epidemic. The project company has not yet commenced the construction of the remaining phases of the project. The Nanjing Project Company has already obtained the pre-sale permits and launched the pre-sale of residential units covering a total GFA of approximately 43,464 sq.m.

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

- Contracts have been signed for 16 units (gross floor area of 2,339.25 square meters with amount of approximately RMB54,870,000);
- 37 units have been subscribed (gross floor area of 4,262.55 square meters with amount of approximately RMB105,810,000);
- Cover of the first phase residential units have been completed by 90%;
- the construction of the main entrance landscape, hot spring experience area, sample house and landscape completed.

In August 2020, the People’s Bank of China and the China Banking and Insurance Regulatory Commission announced that they intended to require domestic banks to limit the ratio between outstanding property loans and total RMB loans. The banks have since then become more stringent in granting mortgages, with the consequential effects that potential buyers have been discouraged from purchasing property; and some buyers have had difficulties in settling payment for the property units especially in face of the Covid-19 epidemic. Due to the tightening of home mortgage approval in the PRC, the cashflow of these projects were being adversely affected during the period under review and the proceeds from the sales of properties of these projects generated so far were not sufficient to settle the outstanding loans which have been overdue as at 31 December 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

In view of the tightening of home mortgages approval and the unsatisfactory sale performance of these projects, the Company intends to dispose the entire issued share capital of Hong Kong Zhongzheng City Investment Limited (“Investment Company”, together with its subsidiaries, the “Disposal Group”), which is a wholly-owned subsidiary of the Company holding Luanping project, Nanjing Project and Dongguan Project and was acquired from Hong Kong Zhongzheng Huijing Limited (“HK Huijin”) in 2019. On 25 May 2021 and 25 August 2021, a memorandum of understanding (“MOU”) and a supplemental MOU were entered into between the Company and HK Huijin in relation to the possible disposal. On 24 September 2021, a conditional sale and purchase agreement was entered into among the Company, Grand Prominent International Limited (“GPI”, a wholly-owned subsidiary of the Company), HK Huijin, and Qianhai Zhongzheng (full name 深圳市前海中證城市發展管理有限公司, the parent company of HK Huijin) (“Disposal Agreement”).

The salient terms of the Disposal Agreement are as follows:

- (i) GPI agreed to sell to HK Huijin the entire equity interests it holds in the Investment Company, being the Sale Shares;
- (ii) in consideration for GPI agreeing to sell the Sale Shares, HK Huijin and/or Qianhai Zhongzheng and/or parties procured by Qianhai Zhongzheng (as the case may be) will, on the Completion Date, make cash payment and payments in kind to GPI as follows:
  - (a) payment of HK\$308,432,023 in cash by HK Huijin to GPI;
  - (b) the assignment by Qianhai Zhongzheng of the P-Note of RMB200,000,000 (the promissory note previously issued by the Company to Qianhai Zhongzheng under the acquisition of the Dongguan Project Company and the Nanjing Project Company from it) (equivalent to approximately HK\$240,000,000) to the Company (as nominee of GPI) for cancellation and set-off; and
  - (c) the transfer of the 1st Acquisition Consideration Shares by Goldstone and Zhongzheng Investment (as procured by HK Huijin and Qianhai Zhongzheng) to the Company (as nominee of GPI). (The 1st Acquisition Consideration Shares represents approximately 18.08% of the total number of existing issued Shares of the Company, which was issued by the Company in 2019 as part of the consideration of the acquisition of the then entire issued share capital of the Investment Company by GPI from HK Huijin.); and
- (iii) the loans provided by the Group to the Disposal Group in the aggregate principal amount of approximately HK\$139 million (the “Disposal Group Loans”) outstanding as at the date of the Disposal Agreement and the interest accrued up to the date of repayment shall be settled within two months from the Completion Date.

## MANAGEMENT DISCUSSION AND ANALYSIS

Upon Completion, the Investment Company will cease to be a subsidiary of the Company and the financial results of the members of the Disposal Group will no longer be consolidated into the financial statements of the Group. And none of Qianhai Zhongzheng, Goldstone, Zhongzheng Investment, HK Huijin and/or their associates will continue to hold any of the 1st Acquisition Consideration Shares or the P-Note.

Immediately after Completion having taken place, the P-Note will be set-off or otherwise eliminated and cancelled on a group consolidated basis between GPI and the Company, and the 1st Acquisition Consideration Shares will be repurchased and cancelled by the Company in compliance with the applicable laws, rules and regulations.

The net cash proceeds after deduction of the related expenses from the Disposal of HK\$7.5 million are estimated to be HK\$300,932,023. Pursuant to the terms of the Disposal Agreement, the Disposal Group Loans in the aggregate principal amount of HK\$139,099,000 will be repaid to the Company within two months from the Completion Date. The Company intends to apply the total net cash proceeds of HK\$440,031,023 (excluding the accrued interest which will be repaid together with the principal amount of the Disposal Group Loans) as to (i) HK\$250,000,000 for the repayment of the Company Debt owed to Mr. Lim (a substantial shareholder and non-executive Director) by the Company as more particularly described below; (ii) HK\$110,000,000 for the development of the healthcare and household business of the Group; (iii) HK\$20,000,000 for the repayment of part of the borrowings of the Remaining Group; and (iv) the remaining balance of HK\$60,031,023 for general working capital or settlement of the unpaid accrued interest of the Company Debt. The amount of accrued interest payable on the Disposal Group Loans to be received by the Company will be used as general working capital of the Remaining Group.

Upon Completion, the Remaining Group will be principally engaged in manufacturing and trading of healthcare and household products, money lending business and coal mining business.

Details of the Disposal are set out in the Circular dated 12 November 2021, and the Company has obtained the approval of the ordinary resolution(s) for approving the Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders at the SGM by way of poll on 2 December 2021.

As disclosed in the Circular, Completion is conditional upon fulfillment (or waiver, as the case may be) of the conditions precedent of the Disposal Agreement on or before 31 December 2021 or such later date as the parties may agree in writing (the “Long Stop Date”). As additional time is required for the fulfillment of the conditions precedent of the Disposal Agreement, the parties to the Disposal Agreement have entered into a supplemental agreement dated 31 December 2021 to extend the Long Stop Date to 28 February 2022.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 28 February 2022, all of the conditions precedent to the Disposal Agreement were fulfilled or waived (as the case may be). However, as additional time is required for the parties to prepare for the Completion, the parties to the Disposal Agreement entered into a second supplemental agreement, pursuant to which, the parties agreed to extend the Completion Date to 31 May 2022 or such other date as the parties to the Disposal Agreement may agree.

Based on the currently available information, in the preliminary view of the management of the Company, if the disposal is completed, there will be a loss on the disposal of approximately HK\$101,556,000.

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

The development plan of the first phase of proposed commercial development at Port Dickson, Malaysia has already been submitted to the relevant government agencies for approval and the part of the plan that related to the building of berths has already been approved. The local management are awaiting for other part of the development plan to be approved before deciding how to proceed with it. Based on the latest development plan, the first phase of the proposed development is estimated to be completed in around 2022 while the second phase of the proposed development should be completed in 2023. A hotel of approximately 300 guests rooms with 10% suites and approximately 4,000 square meters of meeting space is planned to be developed and managed by Hard Rock Hotel for a term of 20 years. The temporary building layout plan for the first phase includes open parking, sales gallery, hotel (as mentioned), show unit, retails, event space, glamping site and outdoor garden. On 11 August 2021, submission of earthwork was made to the Engineering Department of Port Dickson Municipal Council. Due to the Covid-19 epidemic, the development of the project has been seriously affected and no significant progress has been made during the period under review.

### **Others**

The Group recorded a loss of approximately HK\$322,933,000 for the twelve months ended 31 December 2021 as compared to a loss of approximately HK\$67,192,000 in the corresponding period in 2020.

The deterioration of the financial performance was mainly attributable the loss from discontinued operations recorded by the Group of approximately HK\$256.2 million for the twelve months ended 31 December 2021 as compared with a profit of approximately HK\$6.5 million for the twelve months ended 31 December 2020. Such loss from discontinued operations is arisen from the disposal of the entire issued share capital of the Investment Company (the "Disposal") pursuant to the Disposal Agreement. Upon completion of the Disposal, the Group will discontinue such businesses. The change from profit to loss from the discontinued operations was mainly due to (i) the estimated loss on the Disposal of approximately HK\$101.6 million for 2021 (2020: Nil), being the difference between the fair value of the consideration of the Disposal and the net asset value of the Disposal Group as at 31 December 2021; (ii) the absence of gain on bargain purchase recognised for 2020 of approximately HK\$42.8 million; (iii) the increase in administrative and operating expenses for 2021 as a result of the pre-sale of the properties; and (iv) the increase in the share of loss of the associates.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECT

Since sales showed a decrease in 2021, the Group is cautious about the outlook of the global consumer market in the year 2022 as escalating trade war between the USA and the PRC shows no signs of easing. Also, the impact of Covid-19 epidemic seems to continue in the foreseeable future. On the other hand, the Group will continue to improve productivity and operational efficiency to lower production costs.

The Group has entered into commercial agreement with a leading global healthcare brand on an electric groomer project, after passing Supplier Sustainability Performance audit in August 2021, and upon completion of final assessments in our technical capability and financial sustainability in March 2022, project award will likely take place. The project involves approximately HK\$312,000,000 sales spanning over 3 years. 2 new projects from Perrigo for adults electric toothbrushes and UV sanitizer have been awarded to the Group in August 2021. Mass production has begun in January 2022, and total annual sales projection is approximately HK\$71,000,000. Sales of children electric toothbrushes have rebounded strongly from the second half 2021, P&G toothbrush will be running full production capacity during April to July 2022, order bookings from Perrigo have reached pre-Covid period. A new children smart toothbrush using motion sensor technology is under product design stage, it is targeted for Walmart US and shipment is expected during the fourth quarter 2022. The Group will continue to expand resources in the research and development capabilities in coping with increasing technical needs from our customers and to be able to stay on top of the competition. Adopting revolutionary product designs gear for automation in production optimizing greatest cost efficiency in output and quality.

### LIQUIDITY AND FINANCIAL RESOURCES

#### Cash position

As at 31 December 2021, the Group had cash and bank deposits of approximately HK\$4,165,000 (31 December 2020: HK\$177,095,000) with a foreign currency deposits denominated in Renminbi amounted to approximately HK\$521,000 (31 December 2020: HK\$169,810,000).

#### Current ratio

As at 31 December 2021, the Group had net current assets of approximately HK\$309,707,000 (31 December 2020: HK\$462,568,000) and current ratio (being current assets over current liabilities) of 1.10 (31 December 2020: 1.26).

#### Debts and borrowings

As at 31 December 2021, the Group had total debts and borrowings of approximately HK\$314,027,000 (31 December 2020: HK\$1,382,133,000) which mainly comprised of shareholder loan, unsecured loan from financial institutes and secured bank loan.

#### Gearing ratio

The Group's gearing ratio being total debt over total equity is 28.9% (31 December 2020: 97.0%).



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

### **Employees and remuneration policy**

As at 31 December 2021, the Group had 20 employees (2020: 29) in Hong Kong, 593 employees (2020: 671) in the PRC and 1 employee (2020: 1) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

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

Save as disclosed above, there are no important events affecting the Group which have occurred after the end of the financial period for the twelve months ended 31 December 2021 and up to the date of this report.

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

Save as disclosed in the section headed "Prospects" in this report, there were no other future plans for material investments or acquisition of capital assets as at 31 December 2021.

## OTHER INFORMATION

### REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Company (the “Audit Committee”) has reviewed and discussed with the management the unaudited interim financial statements for the twelve months ended 31 December 2021. The unaudited interim financial statements for the twelve months ended 31 December 2021 were approved and authorised for issue by the Board of Directors on 28 February 2022.

### INTERIM DIVIDEND

The Board does not recommend any interim dividend for the twelve months ended 31 December 2021 (twelve months ended 31 December 2020: Nil).

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

As at 31 December 2021, except for Mr. Leung Chung Shan, the chairman and executive Director of the Company, Mr. Lim Kim Chai, the non-executive Director of the Company and Mr. Qiu Qing, being an executive Director and the CEO of the Company, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

The interests of Mr. Leung Chung Shan, Mr. Lim Kim Chai and Mr. Qiu Qing in shares of the Company as at 31 December 2021 was disclosed in the section titled “Substantial Shareholders’ and Other Persons Interests and Short Positions in Shares and Underlying Shares.”

### SHARE OPTION SCHEME

The Company has an option scheme which was approved in a Shareholders’ special general meeting on 31 August 2015 (“Share Option Scheme 2015”). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2015 were set out in the Company’s circular on 14 August 2015. No share options were granted or exercised during the twelve months ended 31 December 2021 under Share Option Scheme 2015.

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

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

## OTHER INFORMATION

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

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

As at 31 December 2021, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

#### Long positions of substantial shareholders in the shares and underlying shares

Name of shareholders	Capacity	Number of shares held	Approximate % of shareholding <sup>1</sup>
Leung Chung Shan <sup>2</sup>	Beneficial owner	4,233,534,634	39.48%
Shek Ying <sup>3</sup>	Interest of spouse	4,233,534,634	39.48%
Lim Kim Chai, J.P. <sup>4</sup>	Beneficial owner	1,569,420,951	14.64%
Qiu Qing <sup>5,6</sup>	Beneficial owner	1,259,861,773	11.75%
Shenzhen Tianji Nanlian Investment Partnership (Limited Partnership)* 深圳市天基南聯投資合夥企業(有限合夥) ("TJNL")	Interest of controlled corporation	1,259,861,773	11.75%
Hong Kong Zhongzheng Investment Co. Ltd.	Interest of controlled corporation	1,259,861,773	11.75%
CITIC Securities CO., Ltd. <sup>7</sup> ("CITIC")	Interest of controlled corporation	678,387,108	6.33%

\* For identification purpose only

## OTHER INFORMATION

### *Notes*

1. Based on 10,721,666,832 shares of the Company in issue as at 31 December 2021.
2. Mr. Leung Chung Shan is the chairman and executive Director of the Company.
3. Ms. Shek Ying, being the spouse of Mr. Leung Chung Shan, is deemed to be interested in Mr. Leung Chung Shan's interest in the Company by virtue of the SFO.
4. Mr. Lim Kim Chai, J.P. is the non-executive Director of the Company.
5. The 1,259,861,773 shares which were deemed to be interested by Mr. Qiu Qing were held by Hong Kong Zhongzheng Investment Co. Ltd., for which TJNL has 38.46% interest and then Mr. Qiu Qing has 64% interest in TJNL.
6. Mr. Qiu Qing is an executive Director of the Company.
7. CITIC holds 100% direct interest in GoldStone Investment Co., Ltd\* (金石投资有限公司) and accordingly deemed to have an interest in the shares held by GoldStone Investment Co., Ltd\*.

Save as disclosed above, as at 31 December 2021, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the twelve months ended 31 December 2021.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the twelve months ended 31 December 2021.

### **CORPORATE GOVERNANCE CODE**

The Company has complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the twelve months ended 31 December 2021, with the exception for Provision A.4.1 which provides that non-executive Directors should be appointed for a specific term and subject to re-election. None of the independent non-executive Directors of the Company is appointed for a specific term but all are subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. As Directors' appointment will be reviewed when they are due for re-election, the Company is of the view that this meets the same objectives of the said code provision.

## OTHER INFORMATION

### AUDIT COMMITTEE

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

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

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

Hong Kong, 28 February 2022

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