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 EIGHTEEN MONTHS ENDED 30 JUNE 2022

Reference is made to (i) the announcements of Zhongzheng International Company Limited (the "**Company**") dated 3 October 2022, 30 November 2022, 27 January 2023, 27 February 2023 and 24 April 2023 in relation to, among others, the delay in publication of the announcement in respect of preliminary results for the eighteen months ended 30 June 2022 (the "**Period**"); and (ii) the announcement of the Company dated 19 October 2022 in relation to the unaudited results of the Company for the Period (the "**2022 Unaudited 18-Month Results**").

The board (the "**Board**") of directors of the Company (the "**Directors**") is pleased to present the preliminary results of the Company for the Period ("**2022 Preliminary 18-month Results**"), together with the comparative figures for the twelve months period ended 31 December 2020. 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 Period 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 Period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the eighteen months ended 30 June 2022

	Notes	**1 January 2021 to 30 June 2022** *HK$'000*	Year ended 31 December 2020 *HK$'000*
Revenue		**202,822**	149,768
Interest revenue		**6,173**	4,924
Total revenue	3	**208,995**	154,692
Cost of sales		**(154,081)**	(109,920)
Gross profit		**54,914**	44,772
Other income and other gains and losses	4	**17,491**	6,286
Selling and distribution expenses		**(6,858)**	(6,699)
Administrative expenses		**(167,475)**	(103,534)
Loss from operations		**(101,928)**	(59,175)
Impairment loss on exploration and evaluation assets		**(107,970)**	(34,030)
Gain on bargain purchase		**–**	42,765
Impairment of loan and interest receivables		**(30,628)**	(166)
Share of results of associates		**(85,310)**	1,243
Finance costs	6	**(36,472)**	(18,638)
Loss before tax		**(362,308)**	(68,001)
Income tax (expense)/credit	7	**(3)**	809
Loss for the period/year	8	**(362,311)**	(67,192)
Loss for the period/year attributable to:			
Owners of the Company		**(347,517)**	(53,788)
Non-controlling interests		**(14,794)**	(13,404)
		(362,311)	(67,192)

	Note	1 January 2021 to 30 June 2022 HK$'000	Year ended 31 December 2020 HK$'000
Loss for the period/year		**(362,311)**	(67,192)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(11,332)**	21,412
Share of associates exchange differences on translating foreign operations		**(39,649)**	29,092
Items that will not be reclassified to profit or loss:			
Gain on property revaluation		**4,449**	3,084
Other comprehensive (loss)/income for the period/year, net of tax		**(46,532)**	53,588
Total comprehensive loss for the period/year		**(408,843)**	(13,604)
Total comprehensive loss for the period/year attributable to:			
Owners of the Company		**(394,046)**	(3,738)
Non-controlling interests		**(14,797)**	(9,866)
		(408,843)	(13,604)
Loss per share	10		
Basic (cents per share)		**(3.24)**	(0.50)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	**At 30 June 2022** *HK$'000*	At 31 December 2020 *HK$'000*
Non-current assets			
Exploration and evaluation assets	11	**–**	107,970
Property, plant and equipment		**70,536**	68,854
Right-of-use assets		**9,678**	26,616
Interests in associates	12	**1,075,705**	1,200,663
Loans and interests receivables	13	**6,431**	–
		1,162,350	1,404,103
Current assets			
Inventories	14	**34,930**	19,073
Properties under development for sales	15	**1,349,567**	1,559,362
Properties held for sales	15	**702,754**	–
Trade and other receivables	16	**336,783**	303,521
Loans and interests receivables	13	**12,853**	89,674
Amounts due from associates		**354,449**	161,941
Current tax assets		**938**	938
Bank and cash balances		**167,450**	177,095
		2,959,724	2,311,604
Current liabilities			
Trade and other payables	17	**(1,255,242)**	(560,120)
Promissory note	18	**(234,484)**	(237,663)
Lease liabilities		**(4,613)**	(10,763)
Borrowings		**(1,021,135)**	(691,097)
Shareholders loans		**(290,600)**	(343,376)
Current tax liabilities		**(5,929)**	(6,017)
		(2,812,003)	(1,849,036)
Net current assets		**147,721**	462,568
Total assets less current liabilities		**1,310,071**	1,866,671

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eighteen months ended 30 June 2022

1. GENERAL INFORMATION

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

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

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

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

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

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

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting 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.

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

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

Note:

Disaggregation of revenue from contracts with customers:

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

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

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

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	1 January 2021 to 30 June 2022	Year Ended 31 December 2020
	HK$'000	*HK$'000*
Income from scrap sales	**959**	595
Interest income	**6,862**	1,614
Government grants	**–**	1,316
Interest income from an associate	**18,571**	–
Waiver of loan interest receivables *(note 13)*	**(6,834)**	–
Discounting of loan and interest receivables *(note 13)*	**(3,672)**	–
Gain/(loss) on disposals of property, plant and equipment	**32**	(972)
Others	**1,573**	3,733
	17,491	6,286

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 (31 December 2020: five) reportable segments: property development, manufacturing and sales of healthcare and household products, coal mining business, money lending business and primary land development.

Segment profits or losses do not include net gain/loss on fair value of investment at fair value through profit or loss, impairment of loan receivables, gain on bargain purchase, impairment loss on exploration and evaluation assets and unallocated corporate income and expenses. Segment assets do not include investment at fair value through profit or loss and other unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments and deferred tax assets.

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

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

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

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

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

Geographical information:

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

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

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

Revenue from major customers:

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

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

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

6. FINANCE COSTS

	1 January 2021 to 30 June 2022	Year Ended 31 December 2020
	HK$'000	*HK$'000*
Interest on other loans	**32,969**	29,944
Interest on bank loans and overdraft	**83,098**	1,552
Interests on shareholders loans	**23,855**	13,031
Loss on early settlement of shareholders loans	**–**	2,818
Leases interests	**2,494**	1,237
	142,416	48,582
Less: interest capitalised in properties under development for sale	**(105,944)**	(29,944)
	36,472	18,638

7. INCOME TAX (EXPENSE)/CREDIT

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

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong (year ended 31 December 2020: Nil).

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

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

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

8. LOSS FOR THE PERIOD/YEAR

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

	1 January 2021 to 30 June 2022	Year Ended 31 December 2020
	HK$'000	*HK$'000*
Auditor's remuneration	**1,400**	930
Cost of inventories sold#	**154,081**	109,920
Depreciation - property, plant and equipment	**6,654**	4,691
Depreciation - right of use assets	**16,946**	10,187
Waiver of loan interest receivables	**6,834**	–
Discounting of loan and interest receivables	**3,672**	–
Impairment on exploration and evaluation assets	**107,970**	34,030
Impairment of loan receivables *(note 13)*	**25,353**	–
Impairment of loan interest receivables *(note 13)*	**5,275**	166
Net exchange losses	**1,086**	740
Short term lease expenses	**131**	2,522
Research and development costs	**67**	52
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**102,505**	75,872
– Retirement benefits scheme contributions	**2,537**	553
	105,042	76,425

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

9. DIVIDENDS

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

10. LOSS PER SHARE

Basic loss per share

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

Diluted loss per share

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

11. EXPLORATION AND EVALUATION ASSETS

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

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

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

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

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

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

12. INTERESTS IN ASSOCIATES

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

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

Name	**Chengde CITIC Securities Jinyu Investment Development Co., Ltd ("CITIC Jinyu")**		**Pacific Memory SDN BHD**	
Principal place of business/ country of incorporation	PRC		Malaysia	
Principal activity	Primary land development		Properties development in Malaysia	
% ownership interest	42.5%		35%	
	30 June 2022 ***HK$'000***	31 December 2020 *HK$'000*	**30 June 2022** ***HK$'000***	31 December 2020 *HK$'000*
Non-current assets	**3,642,265**	3,676,593	**–**	–
Current assets	**566,668**	607,269	**2,266,783**	2,441,036
Non-current liabilities	**(326,200)**	(357,588)	**(530,073)**	(570,903)
Current liabilities	**(2,798,284)**	(2,727,641)	**(77,214)**	(78,202)
Net assets (net of non-controlling interests)	**941,146**	1,123,073	**1,659,496**	1,791,931
Group's share of net assets	**399,987**	477,306	**580,824**	627,176
	1 January 2021 to 30 June 2022 ***HK$'000***	Year ended 31 December 2020 *HK$'000*	**1 January 2021 to 30 June 2022** ***HK$'000***	Year ended 31 December 2020 *HK$'000*
Revenue	**11,529**	199,134	**–**	–
(Loss)/profit for the period/year	**(219,689)**	6,270	**(4,465)**	(3,299)
Other comprehensive (loss)/income	**(5,425)**	34,907	**(127,970)**	42,231
Total comprehensive (loss)/income	**(225,114)**	41,177	**(132,435)**	38,932

13. LOANS AND INTERESTS RECEIVABLES

	30 June 2022	31 December 2020
	HK$'000	*HK$'000*
Loans receivables	**49,291**	72,791
Discounting *(note 4)*	**(3,315)**	–
Impairment allowance	**(28,353)**	(3,000)
	17,623	69,791
Interests receivables	**14,293**	20,049
Waiver of loan interest receivables *(note 4)*	**(6,834)**	–
Discounting *(note 4)*	**(357)**	–
Impairment allowance	**(5,441)**	(166)
	1,661	19,883
	19,284	89,674
Analysed for reporting purposes as:		
– Non-current assets	**6,431**	–
– Current assets	**12,853**	89,674
	19,284	89,674

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

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

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

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

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

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

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

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

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

14. INVENTORIES

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

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

(a) Properties under development for sales

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

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

(b) Properties held for sales

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

16. TRADE AND OTHER RECEIVABLES

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

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

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

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

Trade receivables and bills receivables

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

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

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

As at 30 June 2022, no trade receivables and bills receivables (31 December 2020: approximately HK$677,000) are assigned to a bank for a factoring loan facility.

17. TRADE AND OTHER PAYABLES

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

a. Trade payables and bills payables

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

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

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

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

d. Contract liabilities

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

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

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

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

Significant changes in contract liabilities during the period/year:

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

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

18. PROMISSORY NOTE

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

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

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

19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had no other transactions and balances with its related parties during the period/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 and the following is an extract of the auditors' report on the Group's consolidated financial statements for the Period. The auditors' report will be contained in the annual report of the Company for the Period to be published by the Company on or before 31 May 2023.

"Qualified Opinion

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

Basis for Qualified Opinion

1. Exploration and evaluation assets

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

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

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

3. Properties under development for sales and prepayments

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

4. ***Other receivable***

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

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

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

Material Uncertainty Related to Going Concern

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

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

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

In respect of the qualified opinion

1. Exploration and evaluation assets

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

View of the Management

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

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

View of Audit Committee

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

The Company's proposed plan to address the qualified opinion

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

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

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

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

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

View of the management of the Company

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

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

* *For identification purpose only*

View of Audit Committee

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

The Company's proposed plan to address the qualified opinion

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

3. Properties under development for sales and prepayments

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

View of the management of the Company

Despite the present status of the Nanjing Project Company, as the related bank borrowings are fully secured by pledged assets of the Nanjing Project Company, the Group has been actively discussing with the bank with a view to agreeing on a new repayment plan and is optimistic about the outcome. Given this, the Management believes that no impairment shall be made to the properties under development for sales and the relevant prepayment.

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

View of Audit Committee

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

The Company's proposed plan to address the qualified opinion

The Management will continue to negotiate with the bank and creditors to renew and extend the repayments of the borrowings, and obtain sufficient fundings to resume the construction work of the project.

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

4. Other receivable

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

View of the management of the Company

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

View of Audit Committee

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

The Company's proposed plan to address the qualified opinion

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

In respect of the material uncertainty related to going concern

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

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

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

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

(iii) the bank borrowing of approximately HK$201.3 million in relation to the Nanjing Project – it is fully secured by individual and corporate guarantees of the related parties of the subsidiary, member of the Group and certain land use rights relating to the Nanjing Project. The Group has partially settled the bank borrowing of approximately HK$34.6 million. For the remaining parts, the Group has been actively negotiating with the bank on a new repayment plan. It is believed that the Company would be able to reach a settlement plan with the bank by 30 June 2023;

(iv) the factoring financing of HK$46.9 million in relation to the Dongguan Project – the amount was fully repaid;

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

(vi) the borrowing of approximately HK$11.7 million in relation to the Dongguan Project – the Group is actively communicating with the creditor and expects to reach a settlement plan with the creditor by 30 June 2023;

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

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

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

The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve-month period from the date of this 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, and accordingly, 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 Period

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

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

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

Manufacture and sale of healthcare and household products

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

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

Money lending business

The Group's money lending segment generated of approximately HK$6,173,000 for the Period (the twelve months ended 31 December 2020: HK$4,924,000). Depending on the nature and terms and conditions of each loan, the interest rate ranged from 7% per annum to 24% per annum. As of 30 June 2022, the total loans and interests receivables were approximately HK$19,284,000 (as at 31 December 2020: HK$89,674,000), after making an impairment allowance of HK$33,794,000 (as at 31 December 2020: HK$3,166,000).

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

In February 2023, the Group entered into settlement agreements with three other borrowers. The Group has waived 100% of the interest receivables of approximately HK$2,962,000 for one borrower and the principal amount of HK$6,000,000 was settled in full by that borrower in March 2023. As regards the remaining two borrowers with total outstanding loan principal and interest of approximately HK$15,500,000 and HK$5,531,000 respectively, 70% interest receivables amounted to approximately HK$3,872,000 were waived and no future interest will be charged by the Group. 10% of the outstanding loan principal and interest receivables amounted to approximately HK$1,740,000 were repaid in February 2023 upon entering into the settlement agreements. The remaining loan principal and interest receivables will be repayable by three annual installments in January 2024, 2025 and 2026.

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

In view of the recent market sentiment, the Group does not expect further growth in its money lending business for the twelve months ending 30 June 2023.

Coal mining business

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

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

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

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

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

	Coal Resource Estimate *(in thousand tonnes)*			
JORC Category	**As at 30 June 2022**	As at 31 December 2020	**Change in %**	**Reason of change**
Measured	**8,705**	8,705	Nil	N/A
Indicated	**11,537**	11,537	Nil	N/A
Inferred	**6,097**	6,097	Nil	N/A
	26,339	26,339		

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

Primary land development

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

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

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

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

Property development

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

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

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

– a total gross floor area of 18,802 square meters with amount of approximately RMB652,552,053 have been sold;

– construction has been completed;

– the fine decoration has been basically completed;

– the project planning acceptance has been completed;

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

– the civil air defense acceptance has been completed;

The Nanjing Project is called Spring Breeze* ("泉悅春風") and, 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 and includes the development of low-rise comprehensive residential units, commercial buildings, hotel and other ancillary facilities covering a total gross floor area of approximately 340,000 sq.m. Although 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., since August 2022, due to a funding shortage and Covid-19 pandemic, the construction work of the first phase of the project was suspended. The project company has not yet commenced the construction of the remaining phases of the project.

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

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

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

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

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

Subsequent to end of the Period, the secured bank loans (amounted to approximately HK$407,394,000 as at 30 June 2022) of the Nanjing Project Company was not repaid when fell due. The loan is fully secured by the pledged assets and the Group has been actively negotiating with the bank on a new repayment plan. It is expected that an extension agreement is likely to be reached between the bank and the Nanjing Project Company by 30 June 2023.

Update on the proposed commercial development at Port Dickson, Malaysia

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

Prospect

Healthcare and household products business

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

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

Money lending business

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

Primary land development and property development business

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

Coal mining business

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

Liquidity and financial resources

Cash position

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

Current ratio

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

Debts and borrowings

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

Gearing ratio

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

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

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

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

Fund raising activities

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

Significant investments held, material acquisitions and disposal of subsidiaries

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

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

Pledge of assets

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

Material contingent liabilities

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

Employees and remuneration policy

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

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

Termination of the very substantial disposal

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

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

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

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

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

Recoverability of the Receivable of HK$86.4 million

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

DIVIDENDS

The Board does not recommend any dividend for the Period (twelve months ended 31 December 2020: 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 eighteen months ended 30 June 2022.

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 Period as set out in the preliminary announcement have been agreed by the Auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Period. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 Period, 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.

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

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

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

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

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

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

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

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

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

Material changes on consolidated statement of financial position

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

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

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

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

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

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

DISCLOSURE OF INFORMATION

The electronic version of this announcement will be published on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (http://www.hkex.com.hk) and the website of the Company. The annual report of the Company for the Period, containing all the information required by Appendix 16 to the Listing Rules, will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 October 2022 at the request of the Company. As all the conditions as set out in the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 8 May 2023 on the Stock Exchange. For details of the fulfilment of resumption conditions, please refer to separate announcement published by the Company on 5 May 2023.

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

Hong Kong, 5 May 2023

As at the date of this announcement, 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.

* *For identification purpose only*