ZHONG HUA INTERNATIONAL HOLDINGS LIMITED
中華國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1064

INTERIM REPORT 2023

Contents

Drawing appeared in this report is computerized imaging artwork and does not associate with the Group's existing or potential property development projects.

Corporate Information

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STOCK CODE
The Main Board of The Stock Exchange of Hong Kong Limited:1064

The Board of Directors (the "Directors") of Zhong Hua International Holdings Limited (the "Company") would like to announce the unaudited consolidated results of the Company for the six months ended 30 June 2023 (the "Period"), together with the comparative figures for the corresponding period in 2022, as follows:

FINANCIAL REVIEW

The Company recorded a consolidated revenue of HK$14,752,000 for the Period, representing an increase of approximately 2% compared with the revenue for the corresponding period last year (2022: HK$15,104,000). Profit attributable to ordinary equity holders of the Company for the Period was HK$164,000 (2022: HK$1,051,000).

Adjusted EBITDA

The Adjusted EBITDA of the Company and its subsidiaries (collectively the "Group") for the Period was profit of HK$3,021,000 (2022: HK$4,995,000). Adjusted EBITDA refers to the earnings before interest, tax and depreciation but does not take into account the effect of changes of fair value of investment properties.

Net Profit

The profit before tax of the Group for the Period was HK$2,171,000 (2022: HK$3,118,000) and the loss of the Group for the Period was HK$444,000 (2022: profit of HK$521,000). The results of the Group changed from profit of HK$521,000 for the corresponding period last year to loss of HK$444,000 for the Period was attributable to: (a) the slightly decrease of revenue from HK$15,104,000 for the corresponding period last year to HK$14,752,000 for the Period; and (b) the slightly increase of administrative expenses from HK$11,717,000 for the corresponding period last year to HK$12,087,000 for the Period.

Liquidity and Financial Resources

During the Period, the Group's operations were financed mainly by cash flows generated from business operations and borrowings. The Group's net cash flows from operating activities during the Period were HK$1,541,000 (2022: HK$210,000).

As at 30 June 2023, the Group had cash and bank balances of HK$95,874,000 (31 December 2022: HK$84,874,000) and did not have any bank borrowings.

4 FINANCIAL REVIEW *(Cont'd)*

Liquidity and Financial Resources *(Cont'd)*

As at 30 June 2023, the Group had outstanding borrowings of HK$69,098,000 (31 December 2022: HK$72,297,000) representing by a loan from a director. The Group's exposure to interest rate fluctuation was minimal in the past years.

The Group's gearing ratio during the Period was 0.02 as at 30 June 2023 (31 December 2022: 0.02), calculated based on the Group's loan from a director in an aggregate amount of HK$69,098,000 (31 December 2022: HK$72,297,000) over total assets of HK$4,233,749,000 (31 December 2022: HK$4,415,989,000). The Group maintained a relatively low gearing ratio in the past years.

Assets

As at 30 June 2023, the Group's net current assets, net assets and total assets amounted to HK$12,838,000 (31 December 2022: HK$1,034,000), HK$2,883,771,000 (31 December 2022: HK$3,021,523,000) and HK$4,233,749,000 (31 December 2022: HK$4,415,989,000), respectively.

The Group had two investment properties, one in Chongqing (重慶市) and the other in Guangzhou (廣州市), both in Mainland China. The investment property in Chongqing, which the Group had 100% interest, had carrying amount of HK$369,792,000 (31 December 2022: HK$386,912,000) as at 30 June 2023. The investment property in Guangzhou, which the Group had 25% interest, had carrying amount of HK$3,715,200,000 (31 December 2022: HK$3,887,200,000) as at 30 June 2023.

The Group also had properties situated at Baiyun District (白雲區) and Fangcun District (芳村區) in Guangzhou, all of which were held for sale with book cost of HK$28,018,000 (31 December 2022: HK$29,315,000) as at 30 June 2023.

FINANCIAL REVIEW *(Cont'd)*

Exchange Rate Risk

The Group's principal operations are located in Mainland China while the financial statements of these operating subsidiaries are reported in Renminbi. The Company may expose to exchange rate risk when transactions and financial statements of these operating subsidiaries reported in Renminbi are consolidated to the Company's condensed consolidated financial statements which are reported in Hong Kong dollars. The Group did not take measures such as execution of forward hedging or exchange swap instruments to hedge the potential impact arising from adverse currency fluctuation between Renminbi and Hong Kong dollars in the past years. Given the exchange rates between Renminbi and Hong Kong dollars were not fluctuated materially from time to time in the past years, the Group could reasonably assess the trend of exchange rates between the two currencies in order to reduce its adverse impact to the Company's condensed consolidated financial statements as far as practicable.

Charges on Assets

As at 30 June 2023, none of the Group's assets were pledged.

Basis of Preparation of Accounts

The Company's condensed consolidated financial statements for the six months ended 30 June 2023 were prepared in accordance with the basis of preparation and significant accounting policies and on a going concern basis as stated in note 1 to the condensed consolidated financial statements below.

As at 30 June 2023, the Group had cash and bank balances of about HK$95.9 million and did not have any bank borrowings. As at the same date, the Group had current net assets of about HK$12.8 million and outstanding borrowings of about HK$69.1 million, representing by a loan from a director.

Based on the above and taking into consideration the "Management's Representation" section below, the Directors have reviewed the Group's cash flow projections (with basis and assumptions stated therein) covering a period of not less than twelve months from the date of this report as prepared by the management of the Company (the "Management") and, after making due enquiries and considering the basis of management projection described above, believe that there would be sufficient financial resources to meet the financial obligations as and when they fall due in the coming twelve months from the date of this report.

6 FINANCIAL REVIEW *(Cont'd)*

Basis of Preparation of Accounts *(Cont'd)*

In the event that the Company elects not to control over the Zheng Da Group (as defined below), there will be a major adjustment to the Company's accounting treatment on consolidation to the effect that the Zheng Da Group (as defined below) will be regarded as an associated company with a 25% equity interest instead of a 25% owned subsidiary and such financial impact to the Group, if any, will be reflected in the Company's consolidated financial statements for the subject financial year under review. Further announcement will be made upon decision being made by the Company.

New Issue Pursuant to the Share Option Scheme

On 2 December 2022, it was announced that the Company granted 60 million share options to 12 grantees at an exercise price of HK$0.09 per share pursuant to the Company's share option scheme adopted on 19 December 2012 (the "Share Option Scheme").

55 million share options were exercised prior to 31 December 2022 raising a gross proceed of HK$4.95 million (before expenses). The weighted average share price immediately before the date(s) of exercise of share options during the year ended 31 December 2022 was HK$0.082 per share.

55,000,000 new shares were issued and allotted to the option holders on 9 January 2023. Details of movements of other reserve and share option reserve during the Period are disclosed in the Condensed Consolidated Statement of Changes in Equity in page 32 of the report.

The Share Option Scheme was lapsed on 18 December 2022 but 5,000,000 options granted pursuant thereto remained outstanding and exercisable for a period of three years from the date of grant.

FUND RAISING ACTIVITIES

On 15 April 2020, it was announced that the Company entered into a subscription agreement with Link Tide Investments Limited, a private company incorporated in the British Virgin Islands and an independent third party, in respect of subscription and issue of 108,000,000 new shares in the capital of the Company at an issue price of HK$0.15 per share pursuant to the Company's general mandate granted on 18 June 2019 (the "New Issue"). All conditions precedent as set out in the subscription agreement were satisfied and the New Issue was completed on 27 April 2020.

The net proceeds raised from the New Issue applied up to 30 June 2023 are as follows:

Intended use of the net proceeds as stated in the Company's announcement dated 15 April 2020			Proceeds utilised as at 30 June 2023	Proceeds unutilised as at 30 June 2023	
Category	**Net amount** *(HK$ in million)*	**Percentage**	**Net amount** *(HK$ in million)*	**Remaining amount** *(HK$ in million)*	**Expected schedule of use**
Redevelopment costs of redevelopment project in Guangzhou, Mainland China	12.0	74.5%	–	12.0	On or before 30 June 2024
General working capital	4.1	25.5%	4.1	–	–
Total	**16.1**	**100%**	**4.1**	**12.0**	

The Group held the unutilised net proceeds in short-term deposits with licensed banks as at 30 June 2023.

BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and management businesses in Mainland China and have two major property interests, one in Chongqing (重慶市) and the other in Guangzhou (廣州市).

Guang Yu Square in Chongqing

The Group's property interest in Chongqing is situated at Chaotinmen, Yuzhong District, Chongqing (重慶市渝中區朝天門). With a history of over five centuries and situated in the northeast of Yuzhong District and at the delta of Yangtze River (長江) and Jianing River (嘉寧江), Chaotinmen is the most prominent port in Chongqing for transporting goods and passengers to and from the Three Gorges (三峽). Guang Yu Square (港渝廣場) is located at the junction of Chao Dong Road (朝東路) and Shanxi Sixth Lane (陝西六巷) in Chaotinmen which is within walking distance of about 15 minutes to the Port of the Three Gorges (三峽碼頭) and walking distance of about 20 minutes to Jiafangbei (解放碑), the most prime shopping area in Chongqing as well as with walking distance of about 5 minutes to Raffles City Chongqing (重慶來福仕廣場), the newly developed and most spectacular commercial landmark in Chongqing, and within walking distance of about 10 minutes to Chaotinmen Square (朝天門廣場), which is one of the most famous sightseeing points in Chongqing.

Guang Yu Square is a 15-storey commercial building with a total gross floor area of about 49,400 square metres, out of which the Group owns portion of Basement, Levels 1 to 4, Levels 8, 11 and 14 with total gross floor area of about 24,400 square metres. The property, which has been fully refurbished in 2016, is presently a multi-floor shopping mall focusing in wholesale and retailing of men's wear and footwear. There are about 50-70 shops per level with shop area ranging from 20–60 square metres per shop. Most shops are leased to unsolicited third parties for a term of about one year extended automatically in accordance with prevailing market rental. The shopping mall (the floors owned by the Group) is almost fully occupied and shop turnover rate is maintained at a relatively low level. Given Chaotinmen has been one of the major clothing distribution points in Chongqing for nearby cities and the Three Gorges region (三峽地區) for decades, Guang Yu Square is one of the most popular men's wear and footwear wholesale points in the region.

BUSINESS REVIEW *(Cont'd)*

Guang Yu Square in Chongqing *(Cont'd)*

Following the "Full Scale Resumption to Normal (全面復常)" policies implemented in Mainland China in early March 2023, the business operation of Guang Yu Square had resumed normal and usual since then but both the wholesale and retail markets in Chongqing remained lukewarm. To promote consumption incentives, the operator increased marketing momentum by organizing crazy sale and lucky draw events for its tenants and customers. It was anticipated that the rental revenue would encounter downward pressure in the second half year.

The Re-development Project in Guangzhou

The Group's property interest in Guangzhou is situated at Yuexiu District, Guangzhou (廣州市越秀區). The re-development site, previously named as Metropolis Shoes City (廣州大都市鞋城) is located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Lane (謝恩里) in Yuexiu District which is within walking distance of about 3 minutes to the Old Hall (舊館) of the Canton Fair (廣州交易會), which was once the only export window in Mainland China before its Reform and Open Door Policy (改革開放政策) implemented in 1978 and within walking distance of about 5 minutes to the riverbank of Pearl River (珠江), the icon of Guangzhou.

The Metropolis Shoes City (before operation ceased in August 2019) was a 2-storey non-permanent building with gross floor area of about 14,700 square metres and about 500 shops. With a history of over one century for footwear wholesale business in the region, the Metropolis Shoes City was regarded as the most popular footwear boutique showcase and wholesale centre in Guangzhou.

The Metropolis Shoes City ceased operation in August 2019 for re-development purpose. The Yuexiu District People's Government (越秀區人民政府) expressed that they would use their best endeavors to support the Group's re-development plan.

As to-date, except for one block of building remained not yet surrendered (尚未完成拆遷) and a few shops next to the premise continued to operate business as usual, the re-development site was leased to a third party for licensed carpark operation.

BUSINESS REVIEW *(Cont'd)*

The Re-development Project in Guangzhou *(Cont'd)*

Pending to the surrender of the last block of a 7-storey building being occupied by an individual owner (小業主), the re-development project is intended to be developed into a 22-storey versatile grade A commercial building complex with twin towers and 3-level of basement for wholesale and exhibition hall facilities, office and service apartment uses with ancillary facilities such as carpark and loading/unloading bays with total gross floor area of about 234,000 square metres. It is also planned that the basement of the new building complex will be linked via subway to two metro stations, namely Yide Lu Station (一德路站) and Haizhou Square Station (海珠廣場站).

In early 2021, the State Council re-launched new urban policy directive to encourage re-mapping of commercial zone to residential zone in first-tier cities with an objective of decreasing the over-supply of commercial properties (due to the boom of e-commerce) as well as increasing the supply of residential properties in the market. The Group carried out preliminary feasibility study on this new policy and expected that the investment return of the new development project would be significantly improved if in case part of the re-development could be modified from service apartment to residential property. The Group was confident that the re-mapping policy would be on agenda soon once the consolidation of property development market nationwide was on track.

The property market crisis emerged in late 2021 blew up the property market boom nationwide and its impact remained unrelieved and unavoidably hit the property market sentiment in Guangzhou during the Period. Nevertheless, GZ Zheng Da's (as defined below) re-development plan remained on track as it required very limited capital resources at its planning stage.

According to the latest construction schedule (assuming construction commences in the first quarter of 2024), it is expected that the re-development project will take about four years and be completed by two phases, the first of which will be completed in late 2026 and the second stage will be completed in the first quarter of 2028. Subject to the grant of inspection and safety permits by the relevant regulatory authorities, it is expected that the new commercial complex will commence business and generate rental revenue to the Group at its earliest in early 2027.

BUSINESS REVIEW *(Cont'd)*

The Re-development Project in Guangzhou *(Cont'd)*

The re-development project will be constructed with a budgeted cost of about RMB1,700 million (HK$1,836 million), of which the Group and the related parties will bear 25% and 75% of the total costs, respectively (assumed on the basis that the Group held 25% interest in the re-development project as to-date). Further details of the equity holding (including the related parties) are disclosed in the section headed "Material Acquisition Update" below. It is intended that the construction costs will be financed by bank borrowings (with pledge of the Group's property assets), project financing, equity financing and new funds of potential investors. In certain circumstances the potential contractors and building materials suppliers will advance working capital to the re-development project, which is a common industry practice in Mainland China.

Notwithstanding the re-development project in Guangzhou ceased to contribute significant revenue to the Group in coming years, it is expected that it will continue to generate rental income from a few remaining units not yet demolished and temporarily carpark until the construction work commences.

Shareholders are advised to read the sections headed "Group Structure of GZ Zheng Da", "Alleged 'Liquidation Petition' Against GZ Zheng Da", "Management's Representation", "The Claim Dismissal Order" and "Background of Material Litigations" as disclosed under a separate heading of "Further Information" as disclosed in the Company's annual report for the year ended 31 December 2022 ("Annual Report 2022"). These sections refer to the background information of and certain legal issues about 廣州市正大房地產開發有限公司 (Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da") and Zheng Da Real Estate Development Company Limited ("HK Zheng Da"). GZ Zheng Da is the project company of the re-development site and wholly-owned by HK Zheng Da. Both companies are subsidiaries of the Group.

Properties Held for Sale

The Group had a portfolio of about 190 residential units ranging from 20 square metres to 70 square metres each unit with total gross area of about 11,000 square metres. These residential units were constructed in late 1990s for the purpose of interim resettlement of occupiers who surrendered their units for demolition of the development site in Yuexiu District but remained vacant or available-for-sale to-date. The property sale campaign was halted during 2022 as a result of COVID-19 outbreak dominated by Omicron variant surging in Guangzhou in the third quarter last year. Despite the business and social activities resuming normal nationwide in the first quarter of this year, the secondary property market in Guangzhou remained lukewarm during the first half year.

These properties represent five clusters of residential units situated at Baiyun District (白雲區) and Fangcun District (芳村區) in Guangzhou with convenient traffic access. Given all these units were completed for more than two decades, they are subject to refurbishment before launch for sale in the market. It is expected that these units will be well perceived by the first-time home buyers once they re-gain confidence in property investment.

MATERIAL ACQUISITION UPDATE

The Group was engaged in a material acquisition (the "Acquisition"), details of which were disclosed in the "Material Acquisition Update" section as contained in the Annual Report 2022. Below is the latest development of the Acquisition since 30 March 2023, the date of publication of the Annual Report 2022.

In June 2023, the Group and the related parties executed an extension agreement with a view to allow more time and opportunities for arriving any revised terms for the settlement of, and the consideration for, and completion timetable pertaining to the acquisition of the remaining 75% indirect interest in the re-development project in Guangzhou (as described in detail in the above section) by not later than the revised long stop date which was further deferred to 30 June 2024. The Directors perceived that completion of the remaining tranches of the Acquisition would be in the interests of the Group as a whole. If a revised agreement is concluded, it is anticipated that the Acquisition will be funded by debt financing, equity financing, bank borrowings or a combination of all.

If the Acquisition lapses on 30 June 2024, no party shall be liable to each other. As such, the Group will no longer be deemed control of HK Zheng Da and GZ Zheng Da, its wholly-owned subsidiary (collectively the "Zheng Da Group"), and there will be a major accounting adjustment to the Company's consolidated financial statements for the year ending 31 December 2024 to the effect that the Zheng Da Group will be regarded as an associated company with a 25%-equity interest instead of a 25%-owned subsidiary of the Company. Further announcement will be made upon decision being made by the Company.

UPDATE ON THE ALLEDGED "LIQUIDATION PETITION" AGAINST GZ ZHENG DA

This section is to provide an update of the latest development of the Alleged "Liquidation Petition" against GZ Zheng Da, an indirect subsidiary of the Group.

Background and developments of the Alleged "Liquidation Petition" against GZ Zheng Da were summarized in the sections headed "Group Structure of GZ Zheng Da" and "Alleged 'Liquidation Petition' Against GZ Zheng Da" of the "Further Information" chapter set out in the Annual Report 2022. Shareholders are urged to read the above sections regarding the legalities of the Alleged "Liquidation Petition" in question. Terms used in this section shall adopt the same meanings as defined in the Annual Report 2022.

The Dismissal Order

In mid-May 2021, GZ Zheng Da received a written judgment (民事裁定書) from the Guangdong Provincial Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court"). The written judgment granted an order to the effect that the Liquidation Petition pleaded by 越房私企 was turned down (駁回強制清算申請裁定) (the "Dismissal Order") on the grounds that "there were major disputes between the two parties on the cause(s) of dissolution of the company, major assets of the company and interests in partners' equity and such disputes had neither been affirmed through trial nor arbitration yet (雙方對於廣州正大是否發生解散事由、公司主要財產以及公司權益尚有較大爭議，且爭議至今未經訴訟或者仲裁予以確認)".

In the Dismissal Order, the Guangzhou Court also ascertained that GZ Zheng Da remained "in operation (在業)" and HK Zheng Da had 100% equity interest in GZ Zheng Da.

The Dismissal Order was the first court paper in relation to the Liquidation Petition that GZ Zheng Da had ever received from the Guangzhou Court, over 10 years from the alleged plead made by 越房私企 in 2009. The Dismissal Order, which noted that 越房私企 was not qualified with the pre-requisites for making a liquidation petition against GZ Zheng Da, was then well received by the Company.

In August 2021, 越房私企 submitted an appeal to the Dismissal Order at the Guangdong Province Higher People's Court (廣東省高級人民法院) (the "Guangdong Court") as permissible by law.

UPDATE ON THE ALLEDGED "LIQUIDATION PETITION" AGAINST GZ ZHENG DA *(Cont'd)*

The Recission Order

In mid-June 2023, GZ Zheng Da received a written judgment (民事裁定書) from the Guangdong Court. The written judgment granted an order to the effect that (i) the Dismissal Order granted by the Guangzhou Court be rescinded (撤銷裁定) (the "Rescission Order"); and (ii) the Guangzhou Court was ordered to proceed with the case (指令市中院審理本案).

In the Recission Order, the Guangdong Court concurred with the facts testified by the Guangzhou Court (對市中院查明的事實予以確認) but was of the view that "the equity partners of GZ Zheng Da should exit in order via the liquidation process given that their conflicts are significant and the co-operative objective has lapsed for a prolonged period while the corporate management remains in deadlock. The joint venture partners should follow the legal proceedings of the liquidation process in resolving the related disputes in the specific allocation of the joint venture interests and related matters (廣州正大的股東之間矛盾分歧重大，合作目的早已落空，公司經營管理陷入僵局，應當通過清算程序有序退出。合作雙方對於合作權益具體分配等事項的相關爭議，應在公司清算程序中遁法律途徑解決)".

The Company acknowledged that GZ Zheng Da, as permissible by law, had lodged a re-trial plead (再審申請) at the Highest People's Court (最高人民法院) (the "Highest Court") in Beijing, China in July 2023 to petition for, inter alia, (i) rescinding the Rescission Order granted by the Guangdong Court; and (ii) the case be heard at the Highest Court.

The Company was disappointed by the order made by the Guangdong Court for overriding the ruling made by the Guangzhou Court some two years ago. GZ Zheng Da concurred with the Guangzhou Court's view that major disputes between joint venture partners should be resolved through trial or arbitration instead of via liquidation proceedings.

It was anticipated that if and when the Guangzhou Court re-considered the Liquidation Petition made by 越房私企, it would convene a pre-liquidation briefing (清算前聽証會) in accordance with the PRC prevailing laws and compulsory liquidation regulations, the purpose of which was to brief the interested parties on (i) whether the appellant was qualified to petition; (ii) whether the appellee had triggered the cause of dissolution (解散事由); and (iii) whether the compulsory liquidation petition had complied with relevant legal requirements.

UPDATE ON THE ALLEDGED "LIQUIDATION PETITION" AGAINST GZ ZHENG DA *(Cont'd)*

The Alleged Liquidation Notice

Recently it came to the Company's attention that, inter alia, a public notice pertaining to the compulsory liquidation of Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司強制清算公告) had been posted by a third party namely "the Liquidation Group of Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司清算組)" (the "Alleged Liquidation Notice") in a public domain in Mainland China. In the said notice, it was mentioned that the Guangzhou Court had appointed Guangdong Jinzhen Law Firm (廣東金圳律師事務所) as the liquidation group of GZ Zheng Da pursuant to a plead made by 越房私企 and a directive (指令) granted by the Guangdong Court.

Both GZ Zheng Da and its direct holding company with a 100% equity interest therein, HK Zheng Da, confirmed to the Company that they had not received any notice of summons for pre-liquidation briefing (清算前聽証會), notice of grant of compulsory liquidation (強制清算受理書) nor any compulsory liquidation order (強制清算決定書) from the Guangzhou Court in accordance with the prevailing PRC laws and compulsory liquidation regulations as well as due judicial procedures. In particular, both the Company and GZ Zheng Da cast doubts on the pre-requisites of compulsory liquidation petition (強制清算申請) made by 越房私企 being fulfilled or not, the latter being neither a registered shareholder, nor a creditor, of GZ Zheng Da.

Management's Representation

With reference to the above facts and opinion given by the PRC legal counsel and advisers, the Company, HK Zheng Da and GZ Zheng Da jointly represent as follows:

(i) the Sino partner of GZ Zheng Da remains as 越秀國企 holding 0% equity interest therein based on the record downloaded from the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) (the "Public Report (公示報告)") to-date. A partner holding 0% equity interest in a joint venture or enterprise is not entitled to exercise shareholders' rights pursuant to the provisions of the Companies Laws of The People's Republic of China (中華人民共和國公司法) (the "Companies Laws");

(ii) 越房私企, a private enterprise which was assumed to have acquired certain assets from 越秀國企 in 2006, claimed that it took up the interest in GZ Zheng Da from 越秀國企 but as of to-date 越房私企 was unable to submit any official acquisition record nor official disposal record from 越秀國企 to substantiate its claim in accordance with then legal requirements. To GZ Zheng Da, 越房私企 is not 越秀國企;

UPDATE ON THE ALLEDGED "LIQUIDATION PETITION" AGAINST GZ ZHENG DA *(Cont'd)*

Management's Representation *(Cont'd)*

(iii) with the unanimous consent of the boards of directors of both GZ Zheng Da and HK Zheng Da, its 100% owned shareholder, the joint venture period of GZ Zheng Da had been extended for a further 15 years in 2008 till end of 2023 in accordance with the terms of the relevant joint venture agreement. Hence, as of to-date no cause of company dissolution (公司解散事由) has arisen in GZ Zheng Da to constitute the pre-requisite for compulsory liquidation (強制清算基本前提);

(iv) the registration status (登記狀態) and the authorised representative (法人代表) of GZ Zheng Da as disclosed in the Public Report are "Enterprise in Operation (in Business) (在營(開業)) and Ho Kam Hung, an executive director of the Company, respectively to-date; and

(v) the business of GZ Zheng Da remains normal and usual to-date and hence, the Group has (i) legal equity rights over GZ Zheng Da (via HK Zheng Da); (ii) exposure or rights to variable returns from its involvement with GZ Zheng Da (via HK Zheng Da); and (iii) exercising power over GZ Zheng Da (via HK Zheng Da) in controlling the amount of its returns.

Implications of the Alleged Liquidation Notice

This is the second time GZ Zheng Da encountered a compulsory liquidation plead made by 越房私企, the first of a similar kind was made in 2009 but quashed by the People's Court in 2021. The resurgence of the Alleged Liquidation Notice has taken the Company by surprise as the compulsory liquidation claim (強制清算主張) appears not conformant with the compulsory liquidation regulations and due judicial procedures of the People's Courts.

According to the prevailing compulsory liquidation provisions of the Companies Laws and in brief,

(i) if it is provided under the articles of an enterprise that its operating period can be extended or amended in its articles before expiry, then such enterprise can continue to operate without triggering any cause of dissolution;

(ii) only equity holder(s) with over 10% of the total voting rights of any subject enterprise has/have rights to plead at the People's Court for company dissolution (公司解散);

UPDATE ON THE ALLEDGED "LIQUIDATION PETITION" AGAINST GZ ZHENG DA *(Cont'd)*

Implications of the Alleged Liquidation Notice *(Cont'd)*

(iii) company dissolution is the pre-requisite for compulsory liquidation (公司解散是強制清算的基本前提) (i.e. an enterprise cannot be subject to compulsory liquidation if it remains in operation or not dissolved); and

(iv) a creditor has no right to plead at the People's Courts for compulsory liquidation of an enterprise unless it is first dissolved (先已解散).

According to the Company's audited consolidated accounts for the year ended 31 December 2022 as disclosed in the Annual Report 2022, GZ Zheng Da is not in dissolution and 越房私企 is neither an equity holder, nor a creditor, of GZ Zheng Da.

As such, GZ Zheng Da and HK Zheng Da are seeking legal and professional advice with an objective to:

(i) ascertaining if the Alleged Liquidation Notice was made in accordance with the prevailing PRC laws and compulsory liquidation regulations;

(ii) ascertaining if the legal grounds of compulsory liquidation causes (強制清算事由) pleaded by 越房私企 is substantiated; and

(iii) taking legal, administrative or other practical actions to resolve the said dispute.

With confidence in the People's Courts in handling the compulsory liquidation plead against GZ Zheng Da in a fair and equitable manner, and after taking into consideration the aforesaid facts and legal grounds as well as the opinion given by the PRC legal counsel and advisers, the Company, HK Zheng Da and GZ Zheng Da remain optimistic in resolving the dispute.

However, given that the ultimate ruling of the case rests in the People's Courts in determining with authority the validity and effect of the Alleged Liquidation Notice, GZ Zheng Da will fully accept and observe all court rulings which are granted in accordance with the relevant PRC laws and due judicial procedures. The Company can give no assurance that the People's Courts would concur with the independent legal advice received by GZ Zheng Da. If there is any material development about the Alleged Liquidation Notice, further announcements will be made by the Company as circumstances necessitate.

UPDATE ON THE ALLEDGED "LIQUIDATION PETITION" AGAINST GZ ZHENG DA *(Cont'd)*

Implications of the Alleged Liquidation Notice ***(Cont'd)***

Further details of the Recission Order and the Alleged Liquidation Notice were disclosed in the Company's announcements dated 27 July and 23 August 2023.

MATERIAL LITIGATION UPDATE

Background and developments of the Group's material litigations were summarised in the "Background of Material Litigations" and "Material Litigation Update" sections of the Annual Report 2022. All these cases were instituted more than five years ago.

As advised by the Company's PRC legal counsel, cases (a) and (b) mentioned above are not yet concluded while case (b) may have financial impact to the Group if the rulings are unfavourable to the Group. Both cases did not have new developments during the Period.

The Company's view on these litigation cases expressed in the Annual Report 2022 remains applicable as to-date. The Company remains optimistic in obtaining favorable judgments for both cases.

OUTLOOK

Following the "Full Scale Resumption to Normal (全面復常)" policies implemented in Mainland China and Hong Kong in early March 2023, all restrictions from free cross border travelling between Mainland China and Hong Kong as well as travel aboard have been lifted. It appears that COVID-19 is no longer a public health threat and most business sectors and social activities resume normal gradually in Mainland China and Hong Kong. Latest economic indicators affirmed that the economy in both regions bounced back strongly with persistent momentum.

Following the reshuffle of the State Council, the new administration of Chinese Central Government has made an all-out effort to achieve its economic growth target of "around 5 percent" for 2023 but its economy continued to contend with a raft of hurdles and potential impediments to that goal. Disturbances stemming from a protracted Russia-Ukraine war, lingering tensions with Washington Administration and its allies, potential financial crisis in US and Europe subsequent to the collapse of Silicon Valley Bank and Credit Suisse, and record high inflation rates in Western nations are factors draging the economic growth of China this year. On the other hand, the global money market generally perceives that the US Federal Reserve's interest rate hike will reach its peak in the fourth quarter this year and this expectation may cool down the strong US dollar trend which may also stabilise RMB exchange rate.

OUTLOOK *(Cont'd)*

Being embraced by the increasingly turbulent and chaotic external environment and combatting the above challenges, Li Qiang (李強), the new Chinese Prime Minister, expressed at the Two Sessions (兩會) in March 2023 that the substantial recovery would be the top priority on the economic agenda and further reassured entrepreneurs that the government would consistently support the private sector through "keep opening up (保持開放)". Prime Minister Li also indicated that the administration would adopt four strategies (組合拳), namely macro policies (宏觀政策), boosting demand (擴大需求), modification and innovation (改革創新), and risk management (防範化解風險) to regulate the nationwide economic activities with cautious and prompt response to potential crisis.

In August 2023, the State Council issued a policy paper namely "The Discussion Paper on Further Optimizing the Foreign Investment Environment and Enhancing the Attraction of Foreign Investment (關於進一步優化外商投資環境和加大吸引外商投資力度的意見) (the "24 Measures (廿四條)") which demanded for (i) better mastering both domestic and international environments (更好統籌國內國際兩個大局); (ii) better promoting the advantages of mega scale market of China (充分發揮中國超大規模市場優勢); (iii) attracting and leveraging foreign investment more effectively(更加有效吸引和利用外商投資); and (iv) promoting high level of open door policy (推進高水平對外開放). In the 24 Measures, the Government indicated that they will focus in six aspects, namely (i) increase the leverage of foreign investment (提高利用外資質量); (ii) ensure the foreign enterprises enjoying equivalent treatments for domestic enterprises (保障外商投資企業國民待遇); (iii) enhance protection of foreign investment persistently (持續加強外商投資保護); (iv) enhance the operational efficiency of foreign investment (提高投資運營便利化水平); (v) increase the support of tax incentive schemes (加大財稅支持力度); and (vi) further improve the foreign investment mechanism (完善外商投資促進方式). With these strategies adopted and modified from time to time, the Directors are cautiously optimistic to the stability and prosperity of China economy this year.

As the real estate sector has been reiterated as the "pillar of the national economy (國家經濟支柱)", it is perceived that favorable policies and relaxing guidelines will be continuously launched to ease the confidence crisis of nationwide property market. One of the latest policy launched is "認房不認貸" which can enhance liquidity in the property market to a certain extent. It is expected that the property development market in Mainland China will not prosper until and when the capital supply in this sector is refueled and it will take time for market recovery and confidence regain by investors and end-users. In the medium term, the property development market in Mainland China will be on fast track again once consolidation is achieved under the supervision of the Chinese Central Government.

OUTLOOK *(Cont'd)*

The Key Speech (重要講話) presented by Xi Jinping (習近平), the Chinese President, at the Two Sessions (兩會) in March 2023 emphasised that "Building strong nation must be with reliance on long term prosperity and stability of Hong Kong and Macau (推進強國建設離不開香港、澳門長期繁榮穩定)" and "Move forward "One Country Two Systems" implementation with firm trust (紮實推進"一國兩制"實踐)". The Directors fully support the Central Committee of Chinese Communist Party, under the leadership of Xi Jinping, to building a modernized strong nation with Chinese socialist character (建設具中國社會主義特色的現代化強國) as well as "The Hong Kong Administration to govern in accordance with the Basic Law" (全力支持香港特區政府依法施政).

The Hong Kong Administration has declared that the city became "under control rather than turmoil (由亂入治)". The Directors wish Hong Kong moving on and prospering in the longer term (行穩致遠).

Looking ahead, 2023 remains a tough year but the Directors are optimistic about the economic bounce back in Mainland China and Hong Kong in fourth quarter of the year.

Meantime, the Group will proactively explore other income sources and new business projects in Guangzhou in order to compensate the revenue forgone due to the closure of the wholesale mall since 2019.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2023, the Group had about 24 (31 December 2022: 24) employees. Total staff costs (including directors' remuneration) for the Period amounted to HK$3,599,000 (2022: HK$3,916,000).

Remuneration policies are reviewed regularly by the Directors and by the remuneration committee in respect of remuneration of the directors and senior management, respectively. The Group values all employees and recognises their contributions, and is committed to establishing fair and caring relationship with its employees by offering competitive compensation packages comparable to market benchmarks.

DIRECTORS'/CHIEF EXECUTIVE'S INTERESTS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers (the "ST Code") as set out in Appendix 10 of Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") and which were required to be entered into the register pursuant to Section 352 of the SFO, were as follows:

Long position in shares of the Company

Name of Director and chief executive	Capacity and nature of interest	Number of shares held	Percentage of the Company's share capital
Ho Kam Hung	Through controlled corporation	110,600,000 *(Note)*	14.39%
	Directly beneficially owned	7,000,000	0.91%
		117,600,000	15.30%

Note:

Ho Kam Hung was deemed (by virtue of the SFO) to be interested in these shares in the following capacities:

(i) 10,800,000 shares were held by Morcambe Corporation, a company beneficially owned by him.

(ii) 87,120,000 shares were held by EC Fair Limited, which he had $33^{1}/_{3}$% interest.

(iii) 12,680,000 shares were held by High Rank Enterprises Limited, which he had approximately 31.6% interest.

SHARES IN ASSOCIATED CORPORATIONS OF THE COMPANY

At 30 June 2023, the following Director had interests in the non-voting deferred shares in certain subsidiaries of the Company:

Long position in shares of the associated corporations

Name of director	Name of associated corporation	Relationship with the Company	Shares/equity derivatives	Numbers of shares/equity derivatives Long position	Numbers of shares/equity derivatives Short position	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Ho Kam Hung	Smart Hero (Holdings) Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13
	China Land Realty Investment Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13

All the above mentioned non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the relevant company, or to participate in any distribution on winding-up.

Save as disclosed above, as at 30 June 2023, to the best knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the ST Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors'/Chief Executive's Interests in the Shares of the Company and its Associated Corporations" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, to the knowledge of the Company, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares and underlying share as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares of the Company

Name of shareholders	Capacity and nature of interest	Number of Shares held	Percentage of the Company's share capital
Ye Jia Li *(Note 1)*	Interest of spouse	117,600,000	15.30
Ho Tsam Hung *(Note 2)*	Through controlled corporation	105,600,000	13.74
Ho Pak Hung *(Note 3)*	Through controlled corporation	99,800,000	12.98
Liang Gui Fen *(Note 4)*	Interest of spouse	99,800,000	12.98
EC Fair Limited *(Notes 2 and 3)*	Directly beneficially owned	87,120,000	11.33
Link Tide Investments Limited *(Note 5)*	Through controlled corporation	108,000,000	14.05
Guangshi Harvest Limited *(Note 6)*	Through controlled corporation	108,000,000	14.05
China Guangshi International Investment Holdings Co., Ltd. *(Note 7)*	Through controlled corporation	108,000,000	14.05
新疆光實含弘股權投資管理有限公司	Directly beneficially owned	108,000,000	14.05
Strong Hero Holdings Limited *(Note 8)*	Directly beneficially owned	100,000,000	13.01
Xie Xiaoxiang	Through controlled corporation	100,000,000	13.01

SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Long position in shares of the Company *(Cont'd)*

Notes:

1. Ye Jia Li was deemed (by virtue of Part XV of the SFO) to be interested in these shares in the capacity as the spouse of Ho Kam Hung, a Director.

2. Ho Tsam Hung was deemed (by virtue of Part XV of the SFO) to be interested in these shares in the following capacities:

   (i) 5,800,000 shares were held by Morgan Estate Assets Limited, which was beneficially owned by him.

   (ii) 87,120,000 shares were held by EC Fair Limited, a company which he had $33^1/_3$% interest.

   (iii) 12,680,000 shares were held by High Rank Enterprises Limited, which he had approximately 31.6% interest.

3. Ho Pak Hung was deemed (by virtue of Part XV of the SFO) to be interested in these shares in the following capacities:

   (i) 87,120,000 shares were held by EC Fair Limited, which he had $33^1/_3$% interest.

   (ii) 12,680,000 shares were held by High Rank Enterprises Limited, which he had approximately 31.6% interest.

4. Liang Gui Fen was deemed (by virtue of Part XV of the SFO) to be interested in these shares in the capacity as the spouse of Ho Pak Hung.

5. Link Tide Investments Limited was wholly-owned by Guangshi Harvest Limited.

6. Guangshi Harvest Limited was wholly-owned by China Guangshi International Holdings Co., Ltd.

7. China Guangshi International Holdings Co., Ltd. was wholly-owned by 新疆光實含弘股權投資管理有限公司.

8. Strong Hero Holdings Limited was wholly-owned by Xie Xiaoxiang.

Save as disclosed above, as at 30 June 2023, other than the Directors or chief executive of the Company whose interests are set out in the section headed "Directors'/Chief Executive's Interests in the Shares of the Company and its Associated Corporations" above, no person had registered an interest or short position in the shares or underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

NEW ISSUE PURSUANT TO THE SHARE OPTION SCHEME

On 2 December 2022, it was announced that the Company granted 60 million share options to 12 grantees at an exercise price of HK$0.09 per share pursuant to the terms of the Share Option Scheme.

55 million share options were exercised prior to 31 December 2022 raising a gross proceed of HK$4.95 million (before expenses). The weighted average share price immediately before the date(s) of exercise of share options during the year ended 31 December 2022 was HK$0.082 per share (2022: no share options were exercised).

55,000,000 new shares were issued and allotted to the option holders on 9 January 2023. Details of movements of share capital, share premium account, share option reserve and other reserve in this connection during the Period are disclosed in the Condensed Consolidated Statement of Changes in Equity in page 32 of this report.

The Share Option Scheme was lapsed on 18 December 2022 but 5,000,000 options granted pursuant thereto remained outstanding and exercisable for a period of three years from the date of grant.

INTERIM DIVIDEND

The Directors did not recommend the distribution of interim dividend for the Period (2022: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICE

Throughout the Period, the Company generally complied with the Code on Corporate Governance Practice (the "CG Code") as set out in Appendix 14 of the Listing Rules.

Details of the Company's corporate governance practices were disclosed in the Corporate Governance Report as set out the Annual Report 2022.

As to-date, the board of directors of the Company comprises of five members, i.e. one executive Director, one non-executive Director and three independent non-executive Directors, all of them have been serving on board for more than 10 years.

Pursuant to the CG Code, the Company is required to appoint an additional independent non-executive Director with effect from the conclusion of the Company's annual general meeting held in July 2023 if all existing three independent non-executive Directors, all of whom have served for more than nine years, remained on board by then.

The Nomination Committee considers that all existing three independent non-executive Directors has the character, integrity, ability and expertise to fulfill his/her role as required diligently with contribution to the diversity of the Board. In particular, there is no evidence that long-term service (i.e., over nine years) on the Board as the independent non-executive Directors would have any impact on his/her independence which, on the contrary, is a valuable asset to the Company. To conclude, the Nomination Committee is much appreciated with the performance of all existing three independent non-executive Directors on the Board as well as sitting on three committees of the Board in the past years.

Moreover, the Nomination Committee, after assessing the written confirmations of independence of all existing three independent non-executive Directors, opines that they will remain independent in accordance with Rule 3.13 of the Listing Rules to the extent that they are able to provide independent, balanced and objective views to the Company's affairs.

The Nomination Committee also noted that the number of independent non-executive directors represented 60% of the board of the Company and considered that the present board composition mix exceeded the on-third principle as stipulated under Rule 3.11 (2) of the Listing Rules.

The Board concurs with the Nomination Committee's views and recommendation and considers all existing three independent non-executive Directors will remain independent and in line with the spirit of the CG Code's practice.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the ST Code by the Directors. Having made specific enquiry of the Directors, the Company confirmed that the Directors had complied with required standard set out in the ST Code throughout the Period.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

REVIEW BY THE AUDIT COMMITTEE

The Company's unaudited condensed consolidated financial statements for the Period have been reviewed by the audit committee of the Company.

APPROVAL OF INTERIM REPORT

This interim report was approved by the Directors on 30 August 2023.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**14,752**	15,104
Other income and gains		**229**	526
Administrative expenses		**(12,087)**	(11,717)
Finance costs	*3*	**(723)**	(795)
PROFIT BEFORE TAX	*4*	**2,171**	3,118
Income tax expense	*5*	**(2,615)**	(2,597)
PROFIT/(LOSS) FOR THE PERIOD		**(444)**	521
Attributable to:			
Ordinary equity holders of the Company		**164**	1,051
Non-controlling interests		**(608)**	(530)
		(444)	521
PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
– Basic		**HK cents 0.02**	HK cents 0.15
– Diluted		**HK cents 0.02**	HK cents 0.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**(444)**	521
Other comprehensive expense		
Other comprehensive expense that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(137,308)**	(133,737)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(137,752)**	(133,216)
Attributable to:		
Ordinary equity holders of the Company	**(42,159)**	(39,018)
Non-controlling interests	**(95,593)**	(94,198)
	(137,752)	(133,216)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,647**	3,460
Investment properties		**4,084,992**	4,274,112
Total non-current assets		**4,088,639**	4,277,572
CURRENT ASSETS			
Properties held for sale		**28,018**	29,315
Trade receivables	8	**9,825**	12,334
Prepayments, deposits and other receivables		**11,393**	11,864
Cash and bank balances		**95,874**	84,874
Total current assets		**145,110**	138,387
CURRENT LIABILITIES			
Trade payables	9	**(1,922)**	(2,075)
Other payables and accruals		**(54,547)**	(56,719)
Tax payable		**(75,803)**	(78,559)
Total current liabilities		**(132,272)**	(137,353)
NET CURRENT ASSETS		**12,838**	1,034
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,101,477**	4,278,606

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

	Notes	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Loan from a director		**(69,098)**	(72,297)
Due to a director		**(123,216)**	(113,915)
Long term other payables		**(140,775)**	(146,003)
Deferred tax liabilities		**(884,617)**	(924,868)
Total non-current liabilities		**(1,217,706)**	(1,257,083)
Net assets		**2,883,771**	3,021,523
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*13*	**23,340**	17,840
Reserves	*13*	**808,471**	856,130
		831,811	873,970
Non-controlling interests		**2,051,960**	2,147,553
Total equity		**2,883,771**	3,021,523

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total reserves HK$'000
At 1 January 2023 (Audited)	**17,840**	**12,127***	**1,822***	**80,258***	**80,234***	**572***	**4,950***	**676,167***	**873,970**	**2,147,553**	**3,021,523**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**164**	**164**	**(608)**	**(444)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(42,323)**	**–**	**–**	**–**	**(42,323)**	**(94,985)**	**(137,308)**
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**–**	**(42,323)**	**–**	**–**	**164**	**(42,159)**	**(95,593)**	**(137,752)**
Issuance of shares (note 13)	**5,500**	**1,272**	**(1,822)**	**–**	**–**	**–**	**(4,950)**	**–**	**–**	**–**	**–**
At 30 June 2023 (Unaudited)	**23,340**	**13,399***	**–***	**80,258***	**37,911***	**572***	**–***	**676,331***	**831,811**	**2,051,960**	**2,883,771**
At 1 January 2022 (Audited)	17,840	412,127		80,258	153,479	–	–	273,466	937,170	2,286,206	3,223,376
Profit/(loss) for the period	–	–	–	–	–	–	–	1,051	1,051	(530)	521
Exchange differences arising on translation of foreign operations	–	–	–	–	(40,069)	–	–	–	(40,069)	(93,668)	(133,737)
Total comprehensive income/(expense) for the period	–	–	–	–	(40,069)	–	–	1,051	(39,018)	(94,198)	(133,216)
Share premium reduction	–	(400,000)	–	–	–	–	–	400,000	–	–	–
At 30 June 2022 (Unaudited)	17,840	12,127	–	80,258	113,410	–	–	674,517	898,152	2,192,008	3,090,160

* These reserve accounts comprise the consolidated reserves of HK$808,471,000 (31 December 2022: HK$856,130,000) in the Company's consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES	**1,541**	210
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	**–**	(808)
Increase/(decrease) in an amount due to a director	**14,199**	(26,933)
Net cash flows from/(used in) financing activities	**14,199**	(27,741)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of an item of property, plant and equipment and net cash flows used in investing activities	**(462)**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	**15,278**	(27,531)
Cash and cash equivalents at beginning of period	**84,874**	93,204
Effect of foreign rate changes	**(4,278)**	637
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**95,874**	66,310
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the condensed consolidated statement of financial position	**95,874**	66,310

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure requirements of the Listing Rules and Hong Kong Accounting Standards ("HKAS") 34 – *Interim Financial Reporting* issued by Hong Kong Institute of Certified Public Accountants.

1.1 The condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2022.

1.2 The condensed consolidated financial statements were prepared based on the "Basis of preparation" and "Consolidation of entities in which the Group holds less than a majority of voting rights" as stated in notes 2.1 and 3 to the consolidated financial statements of the Company for the year ended 31 December 2022, respectively.

1.3 The condensed consolidated financial statements were prepared on a going concern basis with reference to the "Basis of Preparation of Accounts" presented in the section headed "Financial Review" and the column headed "Management's Representation" made in the section headed "Update on the Alleged "Liquidation Petition' against GZ Zheng Da" stated in the "Management Discussion and Analysis" below. On this basis, the Directors have reviewed the Group's cash flow projections (with basis and assumptions stated therein) covering a period of not less than twelve months from the date of this report as prepared by the Management and, after making due enquiries and considering the basis of management projections described above, believe that there would be sufficient financial resources to meet the financial obligations as and when they fall due in the coming twelve months from the date of this report.

1.4 The condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment properties that are measured at fair value. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised standards effective as of 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The adoption of these new and revised HKFRSs did not have material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and two reportable operating segments are as follows:

(a) the property investment segment, which invests in properties located in Mainland China for generating potential income from letting; and

(b) the corporate and other segment, which provides management services to group companies.

The accounting policies of the operating segments are the same as those described in the Company's consolidated financial statements for the year ended 31 December 2022.

No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

The following table presents revenue and results information on the Group's operating segments:

For the six months ended 30 June

	Property investment		Corporate and others		Total	
	2023 (Unaudited) *HK$'000*	2022 (Unaudited) *HK$'000*	**2023 (Unaudited) *HK$'000***	2022 (Unaudited) *HK$'000*	**2023 (Unaudited) *HK$'000***	2022 (Unaudited) *HK$'000*
Segment revenue:						
Sales to external customers	**14,752**	15,104	**–**	–	**14,752**	15,104
Segment results	**10,229**	10,356	**(7,564)**	(6,969)	**2,665**	3,387
Other income and gains					**229**	526
Finance costs					**(723)**	(795)
Profit before tax					**2,171**	3,118
Income tax expense					**(2,615)**	(2,597)
Profit/(loss) for the period					**(444)**	521

Information about major customers

For the Period, there was only one single customer (2022: one) with transactions exceeded 10% of the Group's total revenue and its contribution amounted to HK$14,752,000 (2022: HK$15,104,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

3. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Loan from a director	**723**	774
Lease liability	**–**	21
	723	795

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**127**	136
Depreciation of right-of-use asset	**–**	946
Interest income	**(91)**	(428)

5. INCOME TAX

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – elsewhere		
Charge for the period	**1,819**	1,745
Deferred	**796**	852
Total tax charge for the period	**2,615**	2,597

No provision for Hong Kong profits tax had been made as the Group did not generate any taxable profits in Hong Kong during the Period (2022: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The subsidiaries established in Mainland China are subject to income taxes at the rate of 25% (2022: 25%).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2022: Nil).

7. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic profit per share for the Period is based on the profit attributable to ordinary equity holders of the Company of HK$164,000 (2022: HK$1,051,000) and the number of ordinary shares 768,616,520 (2022: 713,616,520) in issue during the Period.

During the six months ended 30 June 2023 and 2022, the Group had no potentially dilutive ordinary shares in issue.

8. TRADE RECEIVABLES

An ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**9,825**	**100**	12,334	100

The Group generally grants a credit term of 3 months to 12 months to its customers.

The ageing of the Group's trade receivables is based on the date of recognition of revenue. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

9. TRADE PAYABLES

An ageing analysis of the Group's trade payables at the end of the reporting period is as follows:

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
More than 1 year	**1,922**	**100**	2,075	100

The ageing of the Group's trade payables is based on the dates of the goods received or services rendered. The trade payables are non-interest-bearing.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

10. COMMITMENTS

At the end of the reporting period, the Group had contracted, but not provided for commitments in respect of construction works relating to investment properties amounting to approximately HK$1,413,000 (31 December 2022: HK$1,478,000).

11. LITIGATIONS

Details of the Group's material litigations are disclosed in the "Management Discussion and Analysis" section of this report.

12. RELATED PARTY TRANSACTIONS

In addition to the guarantee, related party transactions and balances with related parties as detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Period:

(a) The Group also incurred an interest expense of HK$723,000 (30 June 2022: HK$774,000) in respect of a loan from a director during the Period. Currently, the interest rate of that loan from a director is 2% (30 June 2022: 2%) per annum.

(b) A license fee of HK$867,000 (30 June 2022: Nil) was incurred by a subsidiary of the Company for the rights to use the office (without exclusivity) in Hong Kong on a cost basis licensed by a private company controlled by an executive director of the Company. The above transaction constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules. The Directors are of the opinion that the transaction was conducted in the ordinary course of business of the Group.

13. NEW ISSUE PURSUANT TO THE SHARE OPTION SCHEME

On 2 December 2022, it was announced that the Company granted 60 million share options to 12 grantees at an exercise price of HK$0.09 per share pursuant to the terms of the Share Option Scheme.

55 million share options were exercised prior to 31 December 2022 raising a gross proceed of HK$4.95 million (before expenses). The weighted average share price immediately before the date(s) of exercise of share options during the year ended 31 December 2022 was HK$0.082 per share (2022: no share options were exercised).

55,000,000 new shares were issued and allotted to the option holders on 9 January 2023. Details of movements of share capital, share premium account, share option reserve and other reserve in this connection during the Period are disclosed in the Condensed Consolidated Statement of Changes in Equity in page 32 of this report.

The Share Option Scheme was lapsed on 18 December 2022 but 5,000,000 options granted pursuant thereto remained outstanding and exercisable for a period of three years from the date of grant.