



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 2020



Contents

2 CORPORATE INFORMATION

3 MANAGEMENT DISCUSSION AND ANALYSIS

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14	Condensed Consolidated Income Statement
15	Condensed Consolidated Statement of Comprehensive Income
16	Condensed Consolidated Statement of Financial Position
18	Condensed Consolidated Statement of Changes in Equity
19	Condensed Consolidated Statement of Cash Flows
20	Notes To Condensed Consolidated Financial Statements

27 DISCLOSURE OF INTERESTS

32 OTHER DISCLOSURE PURSUANT TO LISTING RULES

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

BOARD OF DIRECTORS

Executive Director

Ho Kam Hung

Non-Executive Director

Young Kwok Sui

Independent Non-Executive Directors

Wong Kui Fai

Wong Miu Ting, Ivy

Tam Kong, Lawrence

COMPANY SECRETARY

Chun Wai Yin

(appointed on 1 February 2020)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2911, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Central
Hong Kong

PRINCIPAL OFFICE IN MAINLAND CHINA

Level 14, Gang Yu Square
Chiaodong Road
Chiaotianmen
Chongqing

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong Law
ReedSmith Richards Butler
17th Floor One Island East
18 Westlands Road
Quarry Bay
Hong Kong

As to Bermuda Law

Conyers Dill & Pearman
29th Floor One Exchange Square
8 Connaught Place
Central
Hong Kong

PROPERTY VALUERS

Savills Valuation and Professional Services
Limited
12th Floor Cityplaza One
1111 King's Road
Taikoo Shing
Hong Kong

Vigers Appraisal and Consulting Limited
27th Floor Standard Chartered Tower
Millennium City 1
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS

Wing Hang Bank (China) Limited,
Guangzhou Branch
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54 Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.zhonghuagroup.com

STOCK CODE

1064

Management Discussion and Analysis

FINANCIAL REVIEW

Zhong Hua International Holdings Limited (the "Company") recorded a consolidated revenue of HK\$11,809,000 for the six months ended 30 June 2020 (the "Period") representing a decrease of approximately 56% compared with the revenue for the same period last year (2019: HK\$26,766,000). Net loss attributable to ordinary equity holders of the Company for the Period was HK\$1,767,000 (2019: profit of HK\$525,000). The decrease of the Company's consolidated revenue during the Period was attributable to the closure of the wholesale centre in Guangzhou, Mainland China in mid-August 2019.

Net Loss

The loss before tax of the Company and its subsidiaries (altogether the "Group") for the Period was HK\$2,619,000 (2019: profit of HK\$9,470,000) and the loss of the Group for the Period was HK\$4,674,000 (2019: profit of HK\$5,266,000). The Group's loss for the Period was attributable to the decrease in revenue from HK\$26,766,000 for the six months ended 30 June 2019 to HK\$11,809,000 for the Period. The Group's administrative expenses incurred for the Period was HK\$11,853,000 while same expenses incurred for the six months ended 30 June 2019 was HK\$14,386,000, representing a decrease of approximately 18%.

Liquidity and Financial Resources

During the Period, the Group's operations were financed mainly by cash flows generated from business operations, borrowings and net proceeds raised from new issue. The Group's net cash flows from operating activities during the Period were HK\$14,049,000 (2019: HK\$2,967,000).

As at 30 June 2020, the Group had cash and bank balances of HK\$83,086,000 (31 December 2019: HK\$77,268,000) and did not have bank borrowings.

As at 30 June 2020, the Group had outstanding borrowings of HK\$70,562,000 (31 December 2019: HK\$72,927,000) comprising lease liability of HK\$184,000 (31 December 2019: HK\$1,269,000) and a loan from a director in an amount of HK\$70,378,000 (31 December 2019: HK\$71,658,000). According to its respective terms, the lease liability is repayable within one year or on demand. 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 2020 (31 December 2019: 0.02), calculated based on the Group's lease liability and loan from a director in an aggregate amount of HK\$70,562,000 (31 December 2019: HK\$72,927,000) over total assets of HK\$4,215,687,000 (31 December 2019: HK\$4,299,524,000). The Group maintained a relatively low gearing ratio in the past years.

Management Discussion and Analysis

FINANCIAL REVIEW *(Cont'd)*

Assets

As at 30 June 2020, the Group's net current assets, net assets and total assets amounted to HK\$19,916,000 (31 December 2019: HK\$25,027,000), HK\$2,873,221,000 (31 December 2019: HK\$2,914,869,000) and HK\$4,216,017,000 (31 December 2019: HK\$4,299,524,000), respectively.

The Group had two investment properties, one in Chongqing and the other in Guangzhou, both in Mainland China. The investment property in Chongqing, which the Group had 100% interest, had carrying amount of HK\$391,160,000 (31 December 2019: HK\$398,272,000) as at 30 June 2020. The investment property in Guangzhou, which the Group had 25% interest, had carrying amount of HK\$3,685,000,000 (31 December 2019: HK\$3,752,000,000) as at 30 June 2020.

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\$34,204,000 (31 December 2019: HK\$34,826,000) as at 30 June 2020.

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 2020, the Group had repaid all its bank loans but certain assets of the Group pledged to secure such banking facilities were not yet released as at the date of this report.

Management Discussion and Analysis

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 (the "New Issue"). These new shares, if issued, would represent (i) approximately 17.8% of then issued share capital of the Company; and (ii) approximately 15.1% of then issued share capital of the Company as enlarged by 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. Accordingly, 108,000,000 new shares, representing approximately 15.1% of then issued share capital of the Company (as enlarged by the New Issue) were issued and allotted to Link Tide Investments Limited at an issue price of HK\$0.15 per share under the Company's general mandate on 27 April 2020.

The gross proceeds of the New Issue were HK\$16.2 million. The net proceeds (after deducting all applicable costs and expenses of the subscription) of approximately HK\$16.1 million from the New Issue were intended to be applied as HK\$12 million towards to the re-development costs of the development project in Guangzhou, Mainland China and the balance of approximately HK\$4 million as general working capital purposes of the Group.

Further details of the New Issue were disclosed in the Company's announcements dated 15 April 2020 and 27 April 2020.

The net proceeds applied up to 30 June 2020 and in accordance with the proposed applications set out in the Company's announcement dated 15 April 2020 are as follows:

	Net proceeds (HK\$ million)		
	Available	Utilised	Unutilised
Redevelopment costs of redevelopment project in Guangzhou, Mainland China	12.0	–	12.0
General working capital	4.1	2.8	1.3
	<u>16.1</u>	<u>2.8</u>	<u>13.3</u>

The Group held the unutilised net proceeds in short-term deposits with a bank in Hong Kong as at 30 June 2020.

Management Discussion and Analysis

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 and 11 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 renewable automatically 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 for decades, Guang Yu Square is one of the most popular men's wear and footwear wholesale points in the region.

Management Discussion and Analysis

BUSINESS REVIEW (Cont'd)

Guang Yu Square in Chongqing (Cont'd)

Following the commencement of business of the Raffles City Chongqing (owned and operated by third parties) in late 2019, Guang Yu Square extended business hours from 4 pm to 8 pm for attracting more walk-in customers. Barring from temporary closure of the shopping mall as interrupted by the COVID-19 pandemic, the business operation of Guang Yu Square had resumed to usual and normal since late April 2020.

Redevelopment Project in Guangzhou

The Group's property interest in Guangzhou is situated at Yuexiu District, Guangzhou (廣州市越秀區). 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 the 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. With a history of over one century for footwear wholesale business in the region, the Metropolis Shoes City was the most popular footwear boutique showcase and wholesale centre in Guangzhou.

In order to support the Renovation Scheme for Old Zones in Guangzhou (廣州市老城區改造提升工程) promulgated by the Guangzhou Municipal People's Government (廣州市人民政府) and the Upgrade Programme of Jiefang Road South for the 70th National Day Celebration (迎賀建國七十週年美化解放南路一帶外貌設施) implemented by the Yuexiu District People's Government (越秀區人民政府) (the "Yuexiu Government"), the Metropolis Shoes City ceased operation in August 2019 for re-development purpose. The Yuexiu Government expressed that they would use their best endeavors to support the subject re-development plan.

Management Discussion and Analysis

BUSINESS REVIEW (Cont'd)

Redevelopment Project in Guangzhou (Cont'd)

With the collaboration of the Yuexiu Government and the Group, most of the tenants of the Metropolis Shoes City were relocated to another vacant mall (owned and operated by third parties) within the same district in November 2019. As to-date, except for a few shops next to the mall continued to operate business as usual, the mall was demolished and the development site was leased to a third party as temporary carpark.

The re-development project is at its planning stage and 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). It is the present intention of the Group that the new commercial complex, if completed, will be held for long-term investment purpose. Despite the planning work was interrupted by the COVID-19 pandemic in February and March 2020, negotiations with various governmental authorities are underway with an aim to mapping out a final re-development plan in 2021.

According to the latest construction schedule, it is expected that the development project will take about four years and be completed by two phases, the first of which will be completed in mid 2023 and the second stage will be completed in mid 2025. 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 2024.

The development project will be constructed with a budgeted cost of about RMB1,700 million (HK\$1,870 million), of which the Group and the other stakeholders (who jointly hold 75% interest) will bear 25% and 75% of the total costs, respectively (assumed on the basis that the Group held 25% interest in the development project as at the date of this report). Further details of the equity holding (including the other stakeholders who jointly hold 75% interest) 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 development project, which is a common industry practice in Mainland China.

Management Discussion and Analysis

BUSINESS REVIEW (Cont'd)

Redevelopment Project in Guangzhou (Cont'd)

Notwithstanding the 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, temporarily carpark and festival bazaar in 2020 until the construction work commences. The subject asset will remain as an investment property under Hong Kong Accounting Standard 40 – *Investment Property* and be measured at its fair value with changes in fair value recognised in the Group's financial statements for subsequent financial years. It is expected that the new commercial complex will be held for earning rentals and capital appreciation purposes upon completion.

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 last year.

Properties Held for sale

The Group had a portfolio of about 220 residential units ranging from 20 square metres to 70 square metres each unit with total gross area of about 12,880 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 unoccupied as to-date.

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.

Management Discussion and Analysis

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 Company’s annual report for the year ended 31 December 2019 (the “Annual Report 2019”). Below is the latest development of the Acquisition since 17 April 2020, the date of publication of the Annual Report 2019.

In June 2020, the Group and the related vendors executed an extension agreement to explore opportunity to arrive any revised terms for the settlement of and the consideration for, and completion timetable in relation to the acquisition of the remaining 75% indirect interest in the redevelopment project in Guangzhou (as described in detail in the above section) not later than the revised long stop date which was further deferred to 30 June 2021. If a revised agreement is concluded, it is anticipated that the Acquisition will be financed by debt financing, equity financing, bank borrowings or a combination of the three kinds.

If in case the Acquisition lapses on 30 June 2021, no party shall be liable to each other. If this happens, the Group will no longer deem control over Zheng Da Real Estate Development Company Limited (“HK Zheng Da”) and its wholly-owned subsidiary and there will be a major accounting adjustment to the consolidated financial statements of the Company for the year ending 31 December 2021 to the effect that HK Zheng Da will be regarded as an associated company with a 25% equity interest but not a 25%-owned subsidiary of the Company. Further announcement will be made once a concrete decision is made by the Group.

MATERIAL LITIGATION UPDATE

The Group’s litigations, among of which three cases are considered as material but remain not yet closed or fully settled to-date, were summarised in the “Material Litigations” section as contained in the Annual Report 2019. All these cases were instituted at least some five years ago. Cases (a), (b) and (d) are not yet closed and may have financial impact to the Group if the rulings are unfavourable to the Group. Cases (c) and (e) were concluded and their financial impact had been fully provided or reflected in the Company’s financial statements for previous financial years and the information reported herein are for disclosure purpose only.

The aforesaid litigation cases did not have new developments during the Period except for case (b) which is reported as follows:

Management Discussion and Analysis

MATERIAL LITIGATION UPDATE *(Cont'd)*

In April 2020, Chongqing Smart Hero Real Estate Development Company Limited (重慶超霸房地產開發有限公司) ("CO Smart Hero"), an indirect wholly-owned subsidiary of the Company, filed a judicial review (復審) at Chongqing Municipal Higher People's Court (重慶市高級人民法院) based on the legal ground that the Chongqing Municipal Fifth Intermediate People's Court (重慶市第五中級人民法院) misinterpreted the fundamental facts of the subject down payment terms in dispute and applied inappropriate legal principles in its rulings. As at the date of this report, the judicial review was not yet heard.

Taking into account the facts and legal grounds substantiated from previous petition and the opinion given by the PRC legal counsel, the Company remains optimistic in obtaining a favourable judgement in the judicial review.

Other than the above, the Company's view on these litigation cases expressed in April 2020 remain applicable as at the date of this report. The Company remains optimistic in obtaining favorable judgements in cases (a) and (d).

ALLEGED "LIQUIDATION PETITION" AGAINST GZ ZHENG DA

Shareholders are advised to read the "Alleged 'Liquidation Petition' against GZ Zheng Da" section as contained in the Annual Report 2019 which referred to an alleged "Liquidation Petition" against Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司), a wholly-owned subsidiary of HK Zheng Da, which is a 25% subsidiary of the Group. The subject matter did not have new developments during the Period.

OUTLOOK

The challenges arising from the COVID-19 pandemic in Mainland China and Hong Kong are unprecedented as the Group's principal operations in Mainland China have ceased in compliance with state orders since Chinese New Year while most staff are restricted from travelling freely in Mainland China and cross border to/from Hong Kong. In view of the severity of the outbreak, it is necessary and appropriate to accord priority to the health and safety of all personnel when performing their duties.

Following the COVID-19 cases dropping to a level under-control as per official statistics in Mainland China (except for the Hubei Province) in late February 2020, the Group's operation in Guangzhou resumed limited operation in mid February 2020 while operation in Chongqing resumed pilot operation in mid March 2020, both in accordance with the business resumption permits granted by local governments. The downpour and flooding in Chongqing since late July 2020 also hit the newly recovered business activities in most of the region but not Guang Yu Square for the sake of its relatively advantageous geographical location. The directors of the Company (the "Directors") are striving with its staff to adhere to stringent hygiene standards in offices and shopping areas with a view to catching up the revenue that has fallen behind budget.

Management Discussion and Analysis

OUTLOOK (Cont'd)

To alleviate the adverse impact of the outbreak and economic crackdown nationwide in the first half of the year, the Central Government of China recently reiterated “形成以國內大循環為主體，國內國際雙循環相互促進的新發展格局 (to establish the new development spectrum with mega domestic economy loop as backbone and inter-propelled by the twin domestic and international economy loops)”. The Directors believe that this may help to boost both the productivity of private sector (民企) and domestic consumer market (內需市場), which in turn will serve to benefit the Group's business as a whole.

The Sino-US Trade Agreement Phase I was concluded in January 2020 and both countries recently expressed that the execution of the said agreement was on the track. However, the Sino-US political tension remains uneased at this stage and the Directors will continue to monitor the situation closely with a view to minimising any adverse impact on the Group's businesses.

In Hong Kong, the new Hong Kong National Security Law was promulgated by the Standing Committee of National People's Congress of China in July 2020. The Hong Kong Administration are adamant that the newly enacted national security law and the possible sanctions and other actions to be taken by Western governments in response will have a limited impact on the economy of the city. The Directors believe that this enactment will safeguard the “One Country Two Systems” in the longer term (捍衛一國兩制恆久致遠). The Directors love China and Hong Kong (愛國愛港) and support the Hong Kong Administration to govern in accordance with the Basic Law (支持香港特區政府依法施政).

With strong assets backing and extremely low gearing level, the Directors will lever these advantages to finance the Group's re-development project in Guangzhou as well as explore new business opportunities in 2020 and 2021. The Directors will also strengthen its management expertise and redeploy the Group's resources for meeting these new challenges.

Looking ahead, 2020 will be a tough year but the Directors remain optimistic about the economic bounce back in Mainland China and Hong Kong in the second half year.

Management Discussion and Analysis

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2020, the Group had about 40 (31 December 2019: 40) employees. Total staff costs (including directors' remuneration) for the Period amounted to HK\$4,042,000 (2019: HK\$4,400,000).

Remuneration policies are reviewed regularly by the Directors and by the remuneration committee in respect of remuneration of senior management and the Directors, 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.

Unaudited Condensed Consolidated Financial Statements

The Directors would like to announce the unaudited consolidated results of the Company for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
	Notes		
Revenue	2	11,809	26,766
Other income and gains		196	218
Administrative expenses		(11,853)	(14,386)
Finance costs	3	(2,771)	(3,128)
PROFIT/(LOSS) BEFORE TAX	4	(2,619)	9,470
Income tax expense	5	(2,055)	(4,204)
PROFIT/(LOSS) FOR THE PERIOD		(4,674)	5,266
Attributable to:			
Ordinary equity holders of the Company		(1,767)	525
Non-controlling interests		(2,907)	4,741
		(4,674)	5,266
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
– Basic		HK(0.27) cents	HK0.09 cents
– Diluted		HK(0.27) cents	HK0.09 cents

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit/(loss) for the period	(4,674)	5,266
Other comprehensive expense		
<i>Other comprehensive expense that may be reclassified to the income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(53,075)	(27,066)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(57,749)	(21,800)
Attributable to:		
Ordinary equity holders of the Company	(17,797)	(7,593)
Non-controlling interests	(39,952)	(14,207)
	(57,749)	(21,800)

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	3,988	4,187
Right-of-use asset	173	1,212
Investment properties	4,076,160	4,150,272
Total non-current assets	<u>4,080,321</u>	<u>4,155,671</u>
CURRENT ASSETS		
Properties held for sale	34,204	34,826
Trade receivables	5,736	19,135
Prepayments, deposits and other receivables	12,670	12,624
Cash and bank balances	83,086	77,268
Total current assets	<u>135,696</u>	<u>143,853</u>
CURRENT LIABILITIES		
Trade payables	(1,920)	(1,956)
Other payables and accruals	(58,205)	(59,014)
Tax payable	(55,471)	(56,587)
Lease liability	(184)	(1,269)
Total current liabilities	<u>(115,780)</u>	<u>(118,826)</u>
NET CURRENT ASSETS	<u>19,916</u>	<u>25,027</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,100,237</u>	<u>4,180,698</u>

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Note</i>	
NON-CURRENT LIABILITIES		
Loan from a director	(70,378)	(71,658)
Due to a director	(151,139)	(171,636)
Long term other payables	(128,707)	(130,554)
Deferred tax liabilities	(876,792)	(891,981)
	<u>(1,227,016)</u>	<u>(1,265,829)</u>
Total non-current liabilities	(1,227,016)	(1,265,829)
Net assets	<u>2,873,221</u>	<u>2,914,869</u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	17,840	15,140
Reserves	820,508	824,904
	<u>838,348</u>	840,044
Non-controlling interests	2,034,873	2,074,825
	<u>2,873,221</u>	<u>2,914,869</u>
Total equity	<u>2,873,221</u>	<u>2,914,869</u>

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital (Unaudited) <i>HK\$'000</i>	Share premium account (Unaudited) <i>HK\$'000</i>	Contributed surplus (Unaudited) <i>HK\$'000</i>	Exchange fluctuation reserve (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>	Non-controlling interests (Unaudited) <i>HK\$'000</i>	Total reserves (Unaudited) <i>HK\$'000</i>
At a January 2020 (Audited)	15,140	398,726	80,258	72,689	273,231	840,044	2,074,825	2,914,869
Loss for the period	-	-	-	-	(1,767)	(1,767)	(2,907)	(4,674)
Exchange differences arising on translation of foreign operations	-	-	-	(16,030)	-	(16,030)	(37,045)	(53,075)
Total comprehensive expense for the period	-	-	-	(16,030)	(1,767)	(17,797)	(39,952)	(57,749)
Issue of shares (note 14)	2,700	13,500	-	-	-	16,200	-	16,200
Share issue expense (note 14)	-	(99)	-	-	-	(99)	-	(99)
At 30 June 2020 (Unaudited)	17,840	412,127	80,258	56,659	271,464	838,348	2,034,873	2,873,221
At 1 January 2019 (Audited)	15,140	398,726	80,258	96,804	291,736	882,664	2,174,758	3,057,422
Profit for the period	-	-	-	-	525	525	4,741	5,266
Exchange differences arising on translation of foreign operations	-	-	-	(8,118)	-	(8,118)	(18,948)	(27,066)
Total comprehensive expense for the period	-	-	-	(8,118)	525	(7,593)	(14,207)	(21,800)
At 30 June 2019 (Unaudited)	15,140	398,726	80,258	88,686	292,261	875,071	2,160,551	3,035,622

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
	Note	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		14,049	2,967
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	14	16,200	–
Share issue expenses	14	(99)	–
Repayments of bank loans		–	(3,409)
Principal portion of lease payments		(1,104)	(1,104)
Increase/(decrease) in an amount due to a director		(21,916)	(6,826)
Net cash flows used in financing activities		(6,919)	(11,339)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,130	(8,372)
Cash and cash equivalents at beginning of period		77,268	89,169
Effect of foreign rate changes		(1,312)	(719)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		83,086	80,078
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		83,086	80,078
Time deposits		–	2,322
Cash and bank balances as stated in the condensed consolidated statement of financial position		83,086	82,400
Time deposits with original maturity of more than three months when acquired		–	(2,322)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		83,086	80,078

Unaudited Condensed Consolidated Financial Statements

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 2020 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standards ("HKAS") 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2019.

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 2019, except for the adoption of the following new and revised standards effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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.

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 financial statements for the year ended 31 December 2019.

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

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2. OPERATING SEGMENT INFORMATION (Cont'd)

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	11,809	26,766	-	-	11,809	26,766
Segment results	7,007	19,765	(7,051)	(7,385)	(44)	12,380
Other income and gains					196	218
Finance costs					(2,771)	(3,128)
Profit/(loss) before tax					(2,619)	9,470
Income tax expense					(2,055)	(4,204)
Profit/(loss) for the period					(4,674)	5,266

Information about major customers

For the Period, there was only one single customer (2019: four) with transactions exceeded 10% of the Group's total revenue and its contribution amounted to HK\$11,495,000 (2019: HK\$26,766,000).

3. FINANCE COSTS

For the six months
ended 30 June

	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on:		
Bank loans	-	170
Loan from a director	2,752	2,877
Lease liability	19	81
	2,771	3,128

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	124	130
Depreciation of right-of-use asset	1,039	1,039
Interest income	(109)	(123)
	<u>1,054</u>	<u>1,046</u>

5. INCOME TAX

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current – elsewhere		
Charge for the period	1,280	3,395
Deferred	775	809
	<u>2,055</u>	<u>4,204</u>
Total tax charge for the period		

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 (2019: 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% (2019: 25%).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2019: Nil).

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

7. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share for the Period is based on the loss attributable to ordinary equity holders of the Company of HK\$1,767,000 (2019: profit of HK\$525,000) and the weighted average number of 644,187,949 (2019: 605,616,520) ordinary shares in issue during the Period.

During the six months ended 30 June 2020 and 2019, 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 2020 (Unaudited)		31 December 2019 (Audited)	
	HK\$'000	Percentage	HK\$'000	Percentage
Within 6 months	5,736	100	12,320	64
More than 6 months	-	-	6,815	36
	<u>5,736</u>	<u>100</u>	<u>19,135</u>	<u>100</u>

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 2020 (Unaudited)		31 December 2019 (Audited)	
	HK\$'000	Percentage	HK\$'000	Percentage
More than 1 year	<u>1,920</u>	<u>100</u>	<u>1,956</u>	<u>100</u>

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. PLEDGE OF ASSETS**

At 30 June 2020 and 31 December 2019, certain investment properties and trade receivables of the Group were pledged to secure banking facilities utilised by the Group and an independent third party. In addition, the Company and one of its substantial shareholders also granted guarantees to these banking facilities.

As at 30 June 2020, the banking facilities utilised by an independent third party was nil (31 December 2019: HK\$6,658,000).

As at 30 June 2020, the amount of investment properties and trade receivables under pledge were HK\$391,160,000 (31 December 2019: HK\$398,172,000) and HK\$5,736,000 (31 December 2019: HK\$19,135,000), respectively.

11. 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\$1,439,000 (31 December 2019: HK\$1,465,000).

12. LITIGATIONS

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

13. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances with related parties as detailed elsewhere in the condensed consolidated financial statements, the Group also incurred an interest expense of HK\$2,752,000 (30 June 2019: HK\$2,877,000) in respect of a loan from a director during the Period. Currently, the interest rate of that loan from a director is 7.821% (30 June 2019: 7.821%) per annum.

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

14. SHARE CAPITAL

Shares

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Authorised:		
4,000,000,000 (31 December 2019: 4,000,000,000) ordinary shares of HK\$0.025 (31 December 2019: HK\$0.025) each	100,000	100,000
Issued and fully paid:		
713,616,520 (31 December 2019: 605,616,520) ordinary shares of HK\$0.025 (31 December 2019: HK\$0.025) each	17,840	15,140

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 January 2020	605,616,520	15,140
Issue of shares (Note)	108,000,000	2,700
At 30 June 2020	713,616,520	17,840

There were no movements in the Company's issued ordinary share capital and share premium during the period ended 30 June 2019.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**14. SHARE CAPITAL (Cont'd)**

Note:

On 27 December 2019, it was announced that the Company entered into a subscription agreement with an independent third party in respect of subscription and issue of 120,000,000 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. Pursuant to the terms of the subscription agreement, both the Company and the subscriber should have no claims against each other except for any antecedent breaches of any obligation under therein if in case completion of the subscription did not take place by 31 March 2020. Subscription did not take place by 31 March 2020 and the subscription agreement was lapsed accordingly.

On 15 April 2020, it was announced that the Company entered into another 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. These new shares, if issued, would represent (i) approximately 17.8% of then issued share capital of the Company; and (ii) approximately 15.1% of the then issued share capital of the Company as enlarged by the issue of the new shares. All conditions precedent as set out in the subscription agreement were satisfied and the subscription was completed on 27 April 2020. Accordingly, 108,000,000 new shares, representing approximately 15.1% of then issued share capital of the Company (as enlarged by the issue of new shares) were issued and allotted to Link Tide Investments Limited at an issue price of HK\$0.15 per share under the Company's general mandate on 27 April 2020.

Further details of the above were disclosed in the Company's announcements dated 27 December 2019, 31 January 2020, 31 March 2020, 15 April 2020 and 27 April 2020.

Disclosure of Interests

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

As at 30 June 2020, 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 as set out in Appendix 10 of the Listing Rules (the "Model Code") 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	Capacity and nature of interest	Number of shares held	Percentage of the issued share capital
Ho Kam Hung	Through controlled corporation	110,600,000 <i>(Note 1)</i>	15.50%

Note:

- I. Ho Kam Hung is deemed (by virtue of the SFO) to be interested in these shares in the following capacities:
 - (i) 10,800,000 shares are held by Morcambe Corporation, a company beneficially owned by him.
 - (ii) 87,120,000 shares are held by EC Fair Limited, which he has 33 $\frac{1}{3}$ % interest.
 - (iii) 12,680,000 shares are held by High Rank Enterprises Limited, which he has approximately 31.6% interest.

Disclosure of Interests

SHARES IN ASSOCIATED CORPORATIONS OF THE COMPANY

At 30 June 2020, 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		Capacity and nature of interest	Percentage of the associated corporation's issued share capital
				Long position	Short position		
Ho Kam Hung	Smart Hero (Holdings) Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13
	China 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 2020, to the 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 Model Code.

Disclosure of Interests

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 2020, 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	Capacity and nature of interest	Number of Shares held	Percentage of the issued share capital
Ye Jia Li <i>(Note 1)</i>	Spouse	110,600,000	15.50
Ho Tsam Hung <i>(Note 2)</i>	Through controlled corporation	105,600,000	14.80
Ho Pak Hung <i>(Note 3)</i>	Through controlled corporation	99,800,000	13.99
Liang Gui Fen <i>(Note 4)</i>	Spouse	99,800,000	13.99
EC Fair Limited	Directly beneficially owned	87,120,000	12.21
Link Tide Investments Limited <i>(Note 5)</i>	Through controlled corporation	108,000,000	15.13
Guangshi Harvest Limited <i>(Note 6)</i>	Through controlled corporation	108,000,000	15.13
China Guangshi International Investment Holdings Co., Ltd. <i>(Note 7)</i>	Through controlled corporation	108,000,000	15.13
新疆光實含弘股權投資管理有限公司 <i>(Note 7)</i>	Directly beneficially owned	108,000,000	15.13
Strong Hero Holdings Limited <i>(Note 8)</i>	Directly beneficially owned	100,000,000	14.01
Xie Xiaoxiang <i>(Note 8)</i>	Through controlled corporation	100,000,000	14.01

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

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

Notes:

1. As Ye Jia Li is deemed (by virtue 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 is deemed (by virtue of the SFO) to be interested in these shares in the following capacities:
 - (i) 5,800,000 shares are held by Morgan Estate Assets Limited, which is beneficially owned by him.
 - (ii) 87,120,000 shares are held by EC Fair Limited, a company which he has 33 $\frac{1}{3}$ % interest.
 - (iii) 12,680,000 shares are held by High Rank Enterprises Limited, which he has approximately 31.6% interest.
3. Ho Pak Hung is deemed (by virtue of the SFO) to be interested in these shares in the following capacities:
 - (i) 87,120,000 shares are held by EC Fair Limited, which he has 33 $\frac{1}{3}$ % interest.
 - (ii) 12,680,000 shares are held by High Rank Enterprises Limited, which he has approximately 31.6% interest.
4. Liang Gui Fen is deemed (by virtue of the SFO) to be interested in these shares in the capacity as the spouse of Ho Pak Hung.
5. Link Tide Investments Limited is wholly-owned by Guangshi Harvest Limited.
6. Guangshi Harvest Limited is wholly-owned by China Guangshi International Holdings Co., Ltd.
7. China Guangshi International Holdings Co., Ltd. is wholly-owned by 新疆光實合弘股權投資管理有限公司.
8. Strong Hero Holdings Limited is wholly-owned by Xie Xiaoxiang.

Save as disclosed above, as at 30 June 2020, 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.

SHARE OPTION SCHEME

The Company's share option scheme was adopted at the special general meeting of the Company held on 19 December 2012 (the "Scheme"), detailed terms of which were disclosed in the Annual Report 2019.

The purposes of the Scheme are to: (a) provide a way of recognition of the contributions or services or expected contributions or services of employees, Directors and others; (b) strengthen the relationships between the Group and its employees, Directors and others; (c) attract and retain high quality employees and executives and providers of goods and services; and (d) motivate eligible participants to assist in development and expansion of the Group.

No share options were granted or exercised during the Period.

Other Disclosure Pursuant to Listing Rules

INTERIM DIVIDEND

The Directors did not recommend the distribution of interim dividend for the Period (2019: 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, except for the code provision A.6.7 of the CG Code which requires directors to attend the shareholders' meeting if practicable. Ho Kam Hung, an executive Director, and Young Kwok Sui, a non-executive Director, were absent at the Company's annual general meeting held on 22 June 2020 due to cross-border travel restrictions for COVID-19 quarantine control purpose.

Details of the Company's corporate governance practices were set out in the Corporate Governance Report of the Annual Report 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code for Securities Transactions as set out in Appendix 10 to the Listing Rules (the "ST Code") regarding code of conduct of securities transactions by its 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 AUDIT COMMITTEE

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

APPROVAL OF INTERIM REPORT

This interim report was approved and authorised for issue by the Directors on 28 August 2020.