ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1064)

PRELIMINARY RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

This announcement is made pursuant to Rule 13.49(3)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Joint Statements in relation to Results Announcements in light of Travel Restrictions related to the Severe Respiratory Disease associated with a Novel Infectious Agent issued by The Securities and Futures Commission and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") dated 4 February and 16 March 2020 also refer.

The purpose of this announcement is to release the preliminary results of Zhong Hua International Holdings Limited (the "Company") for the year ended 31 December 2019 ("FY 2019") which have not yet agreed with the Company's auditor (the "Auditor") in light of recent public health concern in both Mainland China and Hong Kong which deferred the Company meeting the audit reporting deadline by 31 March 2020. Please refer to the section headed "Factors Hindering the Audit Schedule" below for further details.

CAUTION STATEMENT

The preliminary results of the Company for FY2019 stated below are unaudited without reviewed by or agreed with the Auditor.

The management of the Company (the "Management") may (i) revise the management accounts of the Company's principal subsidiaries for FY2019 once and upon further updated financial information are available following recent resumption of operations of those subsidiaries located in Mainland China; and/or (ii) make further audit adjustments as requested by the Auditor, if any. Accordingly, **the financial information for FY 2019 stated below are provisional figures and may be subject to further adjustment(s), if any,** whilst the financial information for the preceding year ended 31 December 2018 ("FY 2018") are audited figures.

FACTORS HINDERING AUDIT SCHEDULE

The challenges arising from the COVID-19 pandemic in Mainland China and Hong Kong are unprecedented as the Company and its principal operations (altogether the "Group") in Mainland China have ceased in compliance with state orders since Chinese New Year while personnel of head office and local staff of the Auditor are restricted to travel 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 the Company's audit work.

The Group's operation in Guangzhou resumed causal operation on 24 February 2020 while operation in Chongqing resumed pilot operation on 15 March 2020, both in accordance with the business resumption permits granted by local governments. One of the accounting-in-charges, who is a Guangzhou resident, is unable to report duty to the Chongqing office until 25 March 2020. The Auditor is unable to conduct field audit in Chongqing until early April 2020. The Management is striving with the Auditor to catch up the audit progress behind schedule as far as practicable.

UNAUDITED CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

	Notes	**2019** **HK$'000** **(Unaudited)**	2018 HK$'000 (Audited)
REVENUE	2	**41,732**	51,300
Other income and gains		**917**	564
Changes in fair value of investment properties		**(77,970)**	53,520
Administrative expenses		**(37,468)**	(29,321)
Finance costs	3	**(6,016)**	(6,701)
PROFIT/(LOSS) BEFORE TAX	4	**(78,805)**	69,362
Income tax credit/(expense)	5	**16,706**	(19,093)
PROFIT/(LOSS) FOR THE YEAR		**(62,099)**	50,269
Attributable to:			
Ordinary equity holders of the Company		**(18,505)**	11,989
Non-controlling interests		**(43,594)**	38,280
		(62,099)	50,269
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	6		
Basic		**HK$(0.03)**	HK$0.02
Diluted		**HK$(0.03)**	HK$0.02

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
PROFIT/(LOSS) FOR THE YEAR	**(62,099)**	50,269
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(80,454)**	(134,791)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(142,553)**	(84,522)
Attributable to:		
Ordinary equity holders of the Company	**(42,620)**	(28,261)
Non-controlling interests	**(99,933)**	(56,261)
	(142,553)	(84,522)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,187**	4,559
Right-of-use asset		**1,212**	–
Investment properties		**4,150,272**	4,340,790
Total non-current assets		**4,155,671**	4,345,349
CURRENT ASSETS			
Properties held for sale		**34,826**	35,759
Trade receivables	7	**19,135**	9,433
Prepayments, deposits and other receivables		**12,624**	13,209
Cash and bank balances		**77,268**	91,511
Total current assets		**143,853**	149,912
CURRENT LIABILITIES			
Trade payables	8	**(1,956)**	(2,008)
Other payables and accruals		**(59,014)**	(46,026)
Tax payable		**(56,587)**	(52,448)
Interest-bearing bank borrowings		**–**	(7,137)
Lease liability		**(1,269)**	–
Total current liabilities		**(118,826)**	(107,619)
NET CURRENT ASSETS		**25,027**	42,293
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,180,698**	4,387,642
NON-CURRENT LIABILITIES			
Loan from a director		**(71,658)**	(73,577)
Due to a director		**(171,636)**	(183,382)
Long term other payables		**(130,554)**	(133,645)
Deferred tax liabilities		**(891,981)**	(939,744)
Total non-current liabilities		**(1,265,829)**	(1,330,348)
Net assets		**2,914,869**	3,057,294
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**15,140**	15,140
Reserves		**824,904**	867,396
		840,044	882,536
Non-controlling interests		**2,074,825**	2,174,758
Total equity		**2,914,869**	3,057,294

NOTES TO THE UNAUDITED FINANCIAL RESULTS

1.1. BASIS OF PREPARATION

These Company's financial results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial results are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for its financial results for current year.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19, HKAS 28, HK(IFRIC)-Int 23 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial results, the nature and the impact of the new and revised HKFRSs are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transitional practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("Short-term Leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liability at 1 January 2019 was recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use asset was recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

The asset was assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use asset and lease liability separately in the statements of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. These properties continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000* *(Unaudited)*
Assets	
Increase in right-of-use asset and total assets	3,290
Liabilities	
Increase in lease liability and total liabilities	3,162
Reserve	
Increase in retained profits	128

The lease liability as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000 *(Unaudited)*
Operating lease commitments as at 31 December 2018	3,587
Weighted average incremental borrowing rate as at 1 January 2019	5.88%
Lease liability and discounted operating lease commitments as at 1 January 2019	3,162

2. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents gross income from letting investment properties, after elimination of all significant intra-group transactions less any applicable taxes.

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments 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 others segment, which provides management services to group companies.

The management of the Group monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from operations. The adjusted profit/(loss) before tax from operations is measured consistently with the Group's profit/(loss) before tax from operations except that other income and gains and finance costs are excluded from such measurement. Segment assets exclude cash and bank balances as it is managed on a group basis. Segment liabilities exclude tax payable, deferred tax liabilities, lease liability, interest-bearing bank borrowings and a loan from a director as these liabilities are managed on a group basis.

	Property Investment		**Corporate and Others**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*
Segment revenue						
Sales to external customers	**41,732**	51,300	–	–	**41,732**	51,300
Segment results	**(59,020)**	90,760	**(14,686)**	(15,261)	**(73,706)**	75,499
Other income and gains					**917**	564
Finance costs					**(6,016)**	(6,701)
Profit/(loss) before tax					**(78,805)**	69,362
Income tax credit/(expense)					**16,706**	(19,093)
Profit/(loss) for the year					**(62,099)**	50,269
Segment assets	**4,220,361**	4,403,132	**1,895**	618	**4,222,256**	4,403,750
Unallocated assets					**77,268**	91,511
Total assets					**4,299,524**	4,495,261
Segment liabilities	**321,700**	314,191	**41,460**	50,870	**363,160**	365,061
Unallocated liabilities					**1,021,495**	1,072,906
Total liabilities					**1,384,655**	1,437,967
Other segment information						
Depreciation	**255**	270	–	–	**255**	270
Changes in fair value of investment properties	**(77,970)**	53,520	–	–	**(77,970)**	53,520
Interest on a loan from a director					**5,654**	6,005

Geographical information

Revenues are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets. No geographical information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Information about major customers

Revenues from four (2018: four) customers, each of which accounted for revenue exceeding 10% of the Group's total revenues, amounted to approximately HK$41,732,000 *(unaudited)* (2018: HK$51,300,000 *(audited)*).

3. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Interest on:		
Bank loans	**231**	696
Loan from a director	**5,654**	6,005
Interest on lease liability	**131**	–
	6,016	6,701

4. PROFIT/(LOSS) BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Depreciation of property, plant and equipment	**255**	270
Depreciation of right-of-use asset	**2,078**	–
Bank interest income	**(382)**	(303)
Changes in fair value of investment properties	**77,970**	(53,520)

5. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Current – elsewhere		
Charge for the year	**6,697**	6,023
Deferred	**(23,403)**	13,070
Total tax charge/(credit) for the year	**(16,706)**	19,093

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates. The subsidiaries established in Mainland China are subject to income taxes at a tax rate of 25% (2018: 25%).

6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earning/(loss) per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK$18,505,000 *(unaudited)* (2018: profit of HK$11,989,000 *(audited)*), and the number of ordinary shares of 605,616,520 *(unaudited)* (2018: 605,616,520 *(audited)*) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

7. TRADE RECEIVABLES

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

	2019		2018	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
	(Unaudited)		*(Audited)*	
Within 6 months	**12,320**	**64**	9,433	100
More than 6 months but within 1 year	**6,815**	**36**	-	–
	19,135	**100**	9,433	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.

8. TRADE PAYABLES

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

	2019		2018	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
	(Unaudited)		*(Audited)*	
More than 1 year	**1,956**	**100**	2,008	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.

9. EVENTS AFTER THE REPORTING PERIOD

(a) On 27 December 2019, it was announced that the Company entered into a subscription agreement with an independent third party in respect of subscription of 120,000,000 new shares in the capital of the Company at an issue price of HK$0.15 per share. The gross proceeds of the new issue would be HK$18 million.

On 31 January 2020, it was announced that both parties agreed in writing to extend the date of completion of subscription to a later date not later 31 March 2020. The subscription was not yet completed as at the date of this announcement.

(b) Save as disclosed elsewhere in this announcement and pending for cool down of COVID-19 pandemic in Mainland China and Hong Kong, the Group would continue to evaluate its impact on the financial position, cash flows and operating results of the Group. As at the date of this announcement, it was premature to make an assessment on the extent of such impact, if any.

10. COMPARATIVE AMOUNTS

As further explained in note 1 to this announcement, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretation.

FINANCIAL REVIEW

All figures below for the year ended 31 December 2019 are unaudited while figures for the corresponding year ended 31 December 2018 were audited figures except when otherwise indicated.

The Group recorded a turnover of HK$41,732,000 (2018: HK$51,300,000) for the year ended 31 December 2019. Net loss for the year attributable to ordinary equity holders of the Company was HK$18,505,000 (2018: profit of HK$11,989,000).

The Group generally financed its operations with internally generated cash flows and banking facilities during the year.

Cash and bank balances of the Group as at 31 December 2019 amounted to HK$77,268,000 (2018: HK$91,511,000).

At 31 December 2019, the Group had outstanding borrowings of HK$72,927,000 (2018: HK$80,714,000) comprising an interest-bearing bank loan amounted to nil (2018: HK$7,137,000), lease liability of HK$1,269,000 (2018: N/A) and a loan from a director amounted to HK$71,658,000 (2018: HK$73,577,000). The Group's interest-bearing bank loans and lease liability were repayable within one year or on demand.

At 31 December 2018, the secured bank loan of HK$7,137,000 of the Group bore interest at floating interest rates and was denominated in Renminbi ("RMB").

The Group's gearing ratio as at 31 December 2019 was 0.02 (2018: 0.02), calculated based on the Group's interest-bearing bank borrowings of nil (2018: HK$7,137,000), lease liability of HK$1,269,000 (2018: N/A) and loan from a director of HK$71,658,000 (2018: HK$80,714,000) over total assets of HK$4,299,524,000 (2018: HK$4,495,261,000). The Group's gearing was maintained at a relatively low level during the year.

BUSINESS REVIEW

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

Guang Yu Square (港渝廣場), a 15-storey commercial building, is situated at the most prime commercial area at Chaotianmen (朝天門), Yuzhong District (渝中區), Chongqing (重慶市). Chaotianmen is one of the major clothing wholesale points in Chongqing while Guang Yu Square is the most popular men's clothing and footwear wholesale centre in the region.

The "Raffles City Chongqing (重慶來福仕廣場)", the most spectacular shopping and business centre of Chongqing, commenced business late last year. With a 5-minute walking distance to this new landmark, Guang Yu Square extended business hours from 4 p.m. to 8 p.m. for attracting more walk-in customers. The occupancy rate of Guang Yu Square was satisfactory during the year.

The property interest in Guangzhou (廣州市) is situated at the most prime commercial area in Yuexiu District (越秀區), Guangzhou. The development site is comprised of three contiguous land parcels 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 Road (謝恩里), Yuexiu District and is wholly-owned by Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司) ("GZ Zheng Da") which in turn Zheng Da Real Estate Development Co. Ltd. ("HK Zheng Da"), a private company incorporated in Hong Kong, has 100% interest.

The Group acquired a 25% indirect interest in HK Zheng Da in December 2007 while the remaining 75% interest to be completed by the Group not later than 30 June 2020 at an aggregate consideration of RMB1,361,100,000 (approximately HK$1,524,432,000). Details of the intended acquisition, including terms and conditions, consideration and settlement mechanism, and their amendments thereafter were disclosed in the Company's circular dated 26 November 2007 and the Company's various announcements issued thereafter, the latest of which was issued on 18 June 2019 (primarily refers to the deferment of the long stop date for completion of the acquisition from 30 June 2019 to 30 June 2020).

Pending for re-developing into a commercial complex, the development site was previously comprised of a 2-storey non-permanent commercial podium and a car park for loading and offloading inventory but its operation ceased in August 2019 for redevelopment purpose. With a history of over one century for footwear wholesale business in the area surrounding the development site, the commercial podium was once the most popular footwear boutique showcase and wholesale centre in Guangzhou.

Following the closure of the wholesale business, the non-permanent commercial podium has been demolished for re-development. It is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities and with an objective to be the landmark of the Yuexiu District. It is the present intention of the Group that the new commercial building complex, if completed, will be held for earning rental income and capital appreciation purposes. The Directors expect that the re-development will take about four years and the construction costs will be primarily financed by business partners, bank borrowings and equity financing.

Notwithstanding the property interest in Guangzhou ceased to contribute revenue to the Group in coming years, the subject asset will remain as an investment property under Hong Kong Accounting Standard 40 – Investment Property and be measured at fair value with changes in fair value recognised in the Group's subsequent financial year.

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 on 24 February 2020 while operation in Chongqing resumed pilot operation on 15 March 2020, both in accordance with the business resumption permits granted by local governments. The Management is 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.

To alleviate the adverse impact of the outbreak and economic crackdown nationwide in the first quarter, the Central Government of China has already rolled out tax cuts (including refund of social security funds) and trillions of yuan worth of emergency funds to help hard-hit medium to small businesses. The Management believed 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, however, it is uncertain at this stage whether China will re-initiate the talk or defer the execution of the Agreement due to the impact of COVID-19 outbreak globally. Hence, the development of the Sino-US Trade Agreement as well as its impact on the Group remains uncertain and the Management will continue to monitor the situation closely with a view to minimizing any adverse impact on the Group's businesses.

With strong assets backing and extremely low gearing level, the Management will lever these advantages to explore new business opportunities in 2020 and 2021. The Management will also strengthen its management expertise and redeploy the Group's resources for meeting these new challenges.

Looking ahead, the Management is optimistic about the economic bounce back in Mainland China and Hong Kong in the second half year.

MANAGEMENT'S REPRESENTATION

Both the Management and the Audit Committee separately communicated with the Auditor from time to time in March 2020 for exchange views on accounting standard interpretations, accounting treatments and audit progress. The Audit Committee is appreciated with the Auditor's diligent support to the Company's audit.

The Management did not deliberately present the Company's preliminary results for FY2019 to the Audit Committee for review after taking into consideration that the said financial information is not yet completed and audited. However, the Audit Committee is committed to review and, if thinks fit, approve the Company's audited financial statements when they are available.

At the Company's board meeting held on 30 March 2020, the directors (including independent non-executive directors) exchanged views and made enquires on accounting policies and treatment, account preparation as well as internal control. After through elaboration and discussion, the Company's preliminary results for FY2019, in its present form, were unanimously approved and adopted by all directors.

To the best of knowledge, information and belief, the board of directors of the Company (including independent non-executive directors) considers that the financial information therein as a whole is accurate and complete in all material aspects and not misleading as at the date of this announcement.

FURTHER ANNOUNCEMENT

The information contained in this announcement complies with the provisions set out in Provision 45 of Appendix 16 to the Listing Rules except the disclosure of (i) declaration of dividend, if any; (ii) purchase, sale or redemption of shares of the Company (which forms part of the Directors' Report); and (iii) compliance of code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (which forms part of the Corporate Governance Report). Such information will be disclosed separately when the Company's annual report for FY2019, which contains, inter alia, the Group's audited financial statements for FY2019, the Directors' Report and the Corporate Governance Report, is approved by the board of directors of the Company in due course. It is expected that the Group's audited financial statements for FY2019 will be available on or about 15 April 2020. Separate announcement will be made to address if the Group's financial statements for FY2019 is with modified audit opinion and details of material adjustments or amendments to the Group's audited financial statements, if any, with explanations.

By Order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 30 March 2020

As at the date of this announcement, the board of directors of the Company comprises: (i) Ho Kam Hung as executive director; (ii) Young Kwok Sui as non-executive director; and (iii) Tam Kong, Lawrence, Wong Miu Ting, Ivy and Wong Kui Fai as independent non-executive directors.