ZHONG HUA INTERNATIONAL HOLDINGS LIMITED
中華國際控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1064)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

UNAUDITED INTERIM RESULTS

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 2020 (the "Interim Results"), 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	2019
		(Unaudited)	*(Unaudited)*
	Notes	***HK$'000***	*HK$'000*
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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Profit/(loss) for the period	**(4,674)**	5,266
Other comprehensive expense		
Other comprehensive expense that may be reclassified to the income statement in subsequent periods:		
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)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
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		**4,080,321**	4,155,671
CURRENT ASSETS			
Properties held for sale		**34,204**	34,826
Trade receivables	8	**5,736**	19,135
Prepayments, deposits and other receivables		**12,670**	12,624
Cash and bank balances		**83,086**	77,268
Total current assets		**135,696**	143,853
CURRENT LIABILITIES			
Trade payables	9	**(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		**(115,780)**	(118,826)
NET CURRENT ASSETS		**19,916**	25,027
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,100,237**	4,180,698
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)
Total non-current liabilities		**(1,227,016)**	(1,265,829)
Net assets		**2,873,221**	2,914,869
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	**17,840**	15,140
Reserves		**820,508**	824,904
		838,348	840,044
Non-controlling interests		**2,034,873**	2,074,825
Total equity		**2,873,221**	2,914,869

Notes:

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	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

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 Company and its subsidiaries (collectively 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.

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	2019	**2020**	2019	**2020**	2019
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'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) the period					**(4,674)**	5,266

Information about major customers

For the six months ended 30 June 2020 (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	2019
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**–**	170
Loan from a director	**2,752**	2,877
Lease liability	**19**	81
	2,771	3,128

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	2019
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**124**	130
Depreciation of right-of-use asset	**1,039**	1,039
Interest income	**(109)**	(123)

5. INCOME TAX

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

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).

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		31 December 2019	
	(Unaudited)		*(Audited)*	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**5,736**	**100**	12,320	64
More than 6 months	**–**	**–**	6,815	36
	5,736	**100**	19,135	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 2020		31 December 2019	
	(Unaudited)		*(Audited)*	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
More than 1 year	**1,920**	**100**	1,956	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.

10. 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.

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 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.

REVIEW OF RESULTS

The Company recorded a consolidated revenue of HK$11,809,000 for 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 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$4,216,017,000 (31 December 2019: HK$4,299,524,000). The Group maintained a relatively low gearing ratio in the past years.

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. 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 announcement.

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 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**
	16.1	**2.8**	**13.3**

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

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.

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 the 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.

The 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 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 GZ Zheng Da's re-development plan.

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 early 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 vendors 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 announcement). 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.

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 to GZ Zheng Da for demolition in the development site in Yuexiu District but remained unoccupied as at period end 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.

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 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.

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 (捍衛一國兩制行穩致遠). The Directors love China and Hong Kong (愛國愛港) and support the Government to administer Hong Kong 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.

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.

CODE ON CORPORATE GOVERNANCE PRACTICE

Throughout the Period, the Company generally complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules, except for the code provision A.6.7 of the Code which requires directors to attend the shareholders' meetings 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 Company's annual report for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding 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 Model Code throughout the accounting period covered by the Company's Interim Results.

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 Interim Results had been reviewed by the Audit Committee of the Company.

PUBLICATION OF THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Company's interim report for the six months ended 30 June 2020 will be despatched to shareholders and will be published on the website of Hong Kong Exchange and Clearing Limited (www.hkex.com.hk) as well as the website of the Company (www.zhonghuagroup.com) as soon as practicable.

By order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 28 August 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.