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 2021

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 2021 (the "Interim Results"), together with the comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	*(Unaudited)*
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**14,980**	11,809
Other income and gains		**330**	196
Administrative expenses		**(12,320)**	(11,853)
Finance costs	3	**(838)**	(2,771)
PROFIT/(LOSS) BEFORE TAX	4	**2,152**	(2,619)
Income tax expense	5	**(2,505)**	(2,055)
LOSS FOR THE PERIOD		**(353)**	(4,674)
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		**489**	(1,767)
Non-controlling interests		**(842)**	(2,907)
		(353)	(4,674)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
– Basic		**HK0.07 cents**	HK(0.27) cents
– Diluted		**HK0.07 cents**	HK(0.27) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Loss for the period	**(353)**	(4,674)
Other comprehensive income/(expense)		
Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**26,613**	(53,075)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**26,260**	(57,749)
Attributable to:		
Ordinary equity holders of the Company	**8,564**	(17,797)
Non-controlling interests	**17,696**	(39,952)
	26,260	(57,749)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 (Unaudited) HK$'000	31 December 2020 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,082**	4,182
Right-of-use asset		**2,366**	3,312
Investment properties		**4,453,080**	4,415,971
Total non-current assets		**4,459,528**	4,423,465
CURRENT ASSETS			
Properties held for sale		**37,314**	37,003
Trade receivables	8	**1,631**	4,154
Prepayments, deposits and other receivables		**13,214**	13,136
Cash and bank balances		**82,093**	86,407
Total current assets		**134,252**	140,700
CURRENT LIABILITIES			
Trade payables	9	**(2,114)**	(2,090)
Other payables and accruals		**(61,770)**	(64,434)
Tax payable		**(61,630)**	(60,656)
Lease liability		**(1,923)**	(1,876)
Total current liabilities		**(127,437)**	(129,056)
NET CURRENT ASSETS		**6,815**	11,644
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,466,343**	4,435,109
NON-CURRENT LIABILITIES			
Loan from a director		**(76,776)**	(76,136)
Due to a director		**(153,425)**	(157,891)
Long term other payables		**(138,901)**	(137,969)
Deferred tax liabilities		**(958,459)**	(949,617)
Lease liability		**(330)**	(1,304)
Total non-current liabilities		**(1,327,891)**	(1,322,917)
Net assets		**3,138,452**	3,112,192
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**17,840**	17,840
Reserves		**896,692**	888,128
		914,532	905,968
Non-controlling interests		**2,223,920**	2,206,224
Total equity		**3,138,452**	3,112,192

Notes:

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements of the Company for the six months ended 30 June 2021 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 2020.

The Company's 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 2020, except for the adoption of the following new and revised standards effective as of 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*

The adoption of these new and revised HKFRSs and HKAS 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 2020.

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**	
	2021	2020	**2021**	2020	**2021**	2020
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**14,980**	11,809	**–**	–	**14,980**	11,809
Segment results	**9,560**	7,007	**(6,900)**	(7,051)	**2,660**	(44)
Other income and gains					**330**	196
Finance costs					**(838)**	(2,771)
Profit/(loss) before tax					**2,152**	(2,619)
Income tax expense					**(2,505)**	(2,055)
Loss the period					**(353)**	(4,674)

Information about major customers

For the six months ended 30 June 2021 (the "Period"), there was only one single customer (2020: one) with transactions exceeded 10% of the Group's total revenue and its contribution amounted to HK$14,980,000 (2020: HK$11,495,000).

3. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Interest on:		
Loan from a director	**768**	2,752
Lease liability	**70**	19
	838	2,771

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	
	2021	2020
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**135**	124
Depreciation of right-of-use asset	**946**	1,039
Interest income	**(224)**	(109)

5. INCOME TAX

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Current – elsewhere		
Charge for the period	**1,660**	1,280
Deferred	**845**	775
Total tax charge for the period	**2,505**	2,055

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 (2020: 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% (2020: 25%).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2020: Nil).

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

The calculation of basic profit per share for the Period is based on the profit attributable to ordinary equity holders of the Company of HK$489,000 (2020: loss of HK$1,767,000) and the weighted average number of 713,616,520 (2020: 644,187,949) ordinary shares in issue during the Period.

During the six months ended 30 June 2021 and 2020, 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 2021		31 December 2020	
	(Unaudited)		*(Audited)*	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**1,631**	**100**	4,154	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 2021		31 December 2020	
	(Unaudited)		*(Audited)*	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 1 year	**26**	**1**	–	–
More than 1 year	**2,088**	**99**	2,090	100
	2,114	**100**	2,090	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.

REVIEW OF RESULTS

The Company recorded a consolidated revenue of HK$14,980,000 for the Period representing an increase of approximately 27% compared with the revenue for the same period last year (2020: HK$11,809,000). Profit attributable to ordinary equity holders of the Company for the Period was HK$489,000 (2020: loss of HK$1,767,000). The increase of the Company's consolidated revenue during the Period was attributable to licensed carpark operation in Guangzhou, since mid 2020 and rental increases of the shopping mall in Chongqing in 2021.

Adjusted EBITDA

The Adjusted EBITDA of the Group for the Period was profit of HK$4,071,000 (2020: HK$1,315,000). Adjusted EBITDA refers to the earnings before interest, tax and depreciation but does not take into account the effect of changes of fair value of investment properties.

Net Loss

The profit before tax of the Group for the Period was HK$2,152,000 (2020: loss of HK$2,619,000) and the loss of the Group for the Period was HK$353,000 (2020: HK$4,674,000). The decrease in the Group's loss for the Period was attributable to the increase in revenue from HK$11,809,000 for the six months ended 30 June 2020 to HK$14,980,000 for the Period and the decrease of finance costs from HK$2,771,000 for the six months ended 30 June 2020 to HK$838,000 for the Period.

Liquidity and Financial Resources

During the Period, the Group's operations were financed mainly by cash flows generated from business operations and borrowings. The Group's net cash flows from operating activities during the Period were HK$3,521,000 (2020: HK$14,049,000).

As at 30 June 2021, the Group had cash and bank balances of HK$82,093,000 (31 December 2020: HK$86,407,000) and did not have bank borrowings.

As at 30 June 2021, the Group had outstanding borrowings of HK$79,029,000 (31 December 2020: HK$79,316,000) comprising lease liability of HK$2,253,000 (31 December 2020: HK$3,180,000) and a loan from a director in an amount of HK$76,776,000 (31 December 2020: HK$76,136,000). According to its respective terms, the lease liabilities of HK$1,923,000 (31 December 2020: HK$1,876,000) and HK$330,000 (31 December 2020: HK$1,304,000) are payable within one year and in the second year, respectively, all denominated in Hong Kong dollars. 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 2021 (31 December 2020: 0.02), calculated based on the Group's lease liability and loan from a director in an aggregate amount of HK$79,029,000 (31 December 2020: HK$79,316,000) over total assets of HK$4,593,780,000 (31 December 2020: HK$4,564,165,000). The Group maintained a relatively low gearing ratio in the past years.

Assets

As at 30 June 2021, the Group's net current assets, net assets and total assets amounted to HK$6,815,000 (31 December 2020: HK$11,644,000), HK$3,138,452,000 (31 December 2020: HK$3,112,192,000) and HK$4,593,780,000 (31 December 2020: HK$4,564,165,000), respectively.

The Group had two investment properties, one in Chongqing and the other in Guangzhou, both located in Mainland China. The investment property in Chongqing, which the Group had 100% interest, had carrying amount of HK$421,080,000 (31 December 2020: HK$417,571,000) as at 30 June 2021. The investment property in Guangzhou, which the Group had 25% interest, had carrying amount of HK$4,032,000,000 (31 December 2020: HK$3,998,400,000) as at 30 June 2021.

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$37,314,000 (31 December 2020: HK$37,003,000) as at 30 June 2021.

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 2021, none of the Group's assets were pledged.

FUND RAISING ACTIVITIES

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

The net proceeds raised from the New Issue applied up to 30 June 2021 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**	**4.1**	**–**
	16.1	**4.1**	**12.0**

The Group held the unutilised net proceeds in short-term deposits with licensed banks as at 30 June 2021.

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 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 social and business activities had resumed normal in Chongqing since mid 2020 amid the COVID-19 pandemic not yet vanished absolutely in Mainland China, the business operation of Guang Yu Square resumed usual and normal during the Period except for late May till early June in 2021 when a minor outbreak of COVID-19 driven by Delta variant surged in Chongqing. Rental revenue, however, was not materially affected during the Period as leases for 2021 were committed in late December 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). The development site, previously named as Metropolis Shoes City (廣州大都市鞋城), is located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Lane (謝恩里) in Yuexiu District which is within walking distance of about 3 minutes to the Old Hall (舊館) of the Canton Fair (廣州交易會), which was once the only export window in 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 and about 500 shops. 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 re-development plan of Guangzhou Zheng Da Real Estate Development Company Limited (廣州正大房地產開發有限公司) ("GZ Zheng Da"), an indirect subsidiary of the Group.

As to-date, except for one block of building remains not yet surrendered (尚未完成拆遷) and a few shops next to the mall continue to operate business as usual, the mall has been demolished and the development site is leased to a third party for licensed carpark operation.

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

Recently, the State Council re-launches new urban policy directive to encourage the re-mapping of commercial zone to residential zone in first-tier cities with an objective of decreasing the over-supply of commercial properties (due to the boom of e-commerce) as well as increasing the supply of residential properties in the market. The Group hence commences preliminary feasibility study on this new policy and expects that the investment return of the new development project will be significantly improved if in case part of the re-development can be modified from service apartment to residential property. Despite the planning work was interrupted by the minor outbreak of COVID-19 driven by Delta variant in late May till mid June in 2021, negotiations with various governmental authorities are underway with an aim to mapping out a final re-development plan as soon as practicable.

During the Period, GZ Zheng Da was under negotiation with independent third parties about the possible business co-operation for the re-development project to the effect that the new partner, if co-operation proceeded, would provide capital and technical support for re-development and obtain a distribution of not more than 30% of the properties upon completion in return. The business negotiation was at its preliminary stage and might crystalise or not. GZ Zheng Da also made an application for compulsory evacuation order (強制拆遷執行裁定) at the People's Court with an aim of obtaining a court order for evacuation enforcement against the last unit remained occupied by an individual owner as soon as practicable. Moreover, the tender for pre-construction underground survey was in the pipeline during the reporting period.

According to the latest construction schedule (assuming construction commences in the first quarter of 2022), 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 the fourth quarter of 2024 and the second stage will be completed in the first quarter of 2026. 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 2025.

The development project will be constructed with a budgeted cost of about RMB1,700 million (HK$2,040 million), of which the Group and the related parties will bear 25% and 75% of the total costs, respectively (assumed on the basis that the Group held 25% interest in the development project as at the date of this announcement). It is intended that the construction costs will be financed by new funds of potential investors, bank borrowings (with pledge of the Group's property assets), project financing and equity financing. 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 2021 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 in 2019.

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. Most of these residential units are first-hand units.

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.

In June 2021, sales of an aggregated consideration of RMB5.7 million (HK$6.8 million) was made subject to completion. All these property units are fully refurbished up to benchmark standard in the market. Barring from unforeseeable circumstances, it is intended that not less than 10 property units to be disposed of by the end of 2021.

Litigation Update

In May 2021, GZ Zheng Da received a written judgement (民事裁定書) from the Guangdong Provincial Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court"). The written judgement granted an order to the effect that a compulsory liquidation petition (the "Purported Liquidation Petition") pleaded by廣州市越秀房地產開發經營有限公司 ("越房私企"), a third party which was neither a shareholder nor creditor of GZ Zheng Da, was turned down (駁回強制清算申請裁定) (the "Dismissal Order (駁回裁定)") on the grounds that "the two equity partners of GZ Zheng Da had major disputes on company dissolution or not, major assets and equity interest matters while such disputes had remained not yet on trial or arbitrated for affirmation at the court (雙方股東對於廣州正大是否發生解散事由、公司主要財產以及公司股東股權尚有較大爭議，且爭議至今未經訴訟或者仲裁予以確認)". In the Dismissal Order, the Guangzhou Court ascertained that GZ Zheng Da remained "in operation (在業)" and that Zheng Da Real Estate Development Company Limited, another indirect subsidiary of the Group, had 100% equity interest in GZ Zheng Da.

越房私企submitted an appeal to the Dismissal Order (the "Appeal") in late May 2021 as permissible by law.

The Dismissal Order was the first court paper in relation to the Purported Liquidation Petition that GZ Zheng Da had ever received from the Guangzhou Court, over 10 years from the alleged plead made by 越房私企 in 2009. The Company was pleased to acknowledge receipt of the Dismissal Order ruling that 越房私企 did not possess the prerequisites for pleading a liquidation petition against GZ Zheng Da.

The Company perceived that the Dismissal Order cast out the legal uncertainties of GZ Zheng Da which had hampered its operation for about a decade and would expedite the re-development plan of GZ Zheng Da.

Based on the grounds stated in the Dismissal Order and after taking competent PRC legal advice, the Company remained optimistic in obtaining a favourbale judgement in the Appeal.

Should there be any update on the legal status of GZ Zheng Da, further announcements will be made by the Company as soon as practicable.

OUTLOOK

The challenges arising from the COVID-19 pandemic in Mainland China and Hong Kong are unprecedented as most people are restricted from free cross border travelling between Mainland China and 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. The directors of the Company (the "Directors") are striving with its staff to adhere to stringent hygiene standards in offices and shopping areas.

China is one of the few nations worldwide that can manage to combat the COVID-19 outbreak to a negligible level as well resume nationwide economic activities to normal. The Chinese Central Government of China will strive to establish the new development spectrum with mega domestic economy loop as backbone and inter-propelled by the twin domestic and international economy loops (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). With this backbone, the Chinese Central Government recently forecasted that the annual GDP growth rate will maintain at 6 per cent. for 2021. 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.

Notwithstanding the COVID-19 vaccine programme worldwide has been launched in January 2021, it is premature at this stage to assess if the vaccination is effective to control the pandemic globally, particularly the surge of a new wave of COVID-19 cases driven by the hyper-contagious Delta variant. Unless most people worldwide get vaccination and the COVID-19 infected cases drop to a negligible level globally, it is believed that China will retain closed door policy for foreigners and Hong Kong residents. The Directors remain cautiously optimistic that the public health concern will be relieved to a material extent in both Mainland China and Hong Kong early next year.

In Hong Kong, the Directors believe that the newly enacted Hong Kong National Security Law (港區國家安全法) in July 2020 and the legislation of the Improving Electoral System (完善選舉制度) gazetted in May 2021 will safeguard the "One Country Two Systems" in the longer term (確保一國兩制行穩致遠). The Directors love China and Hong Kong (愛國愛港) and fully support "The Patriots to Administrate Hong Kong" policy (全力支持愛國者治港方針) as well as the Hong Kong Administration to govern in accordance with the Basic Law (全力支持香港特區政府依法施政).

With strong asset 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 2021 and 2022. The Directors will also strengthen its management expertise and redeploy the Group's resources for meeting these new challenges.

Looking ahead, 2021 remains a tough year but the Directors are 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 2021, the Group had about 40 (31 December 2020: 40) employees. Total staff costs (including directors' remuneration) for the Period amounted to HK$4,149,000 (2020: HK$4,042,000).

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 both physically absent at the Company's annual general meeting held on 11 June 2021 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 2020.

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 2021

The Company's interim report for the six months ended 30 June 2021 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, 26 August 2021

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.