



ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1064

INTERIM REPORT 2024



**Precious Stone Engraving in Old Chinese Characters “Perseverance is Road to Triumph”
Tribute to the 75th Anniversary of the Establishment of
The People’s Republic of China**

巴林石篆刻印章「堅持就是勝利」
賀中華人民共和國成立七十五週年

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Ho Kam Hung

Non-Executive Director

Young Kwok Sui

Independent Non-Executive Directors

Wong Kui Fai
Wong Miu Ting, Ivy
Tam Kong, Lawrence

COMPANY SECRETARY

Chun Wai Yin (ACG, HKACG)

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PRINCIPAL OFFICE IN MAINLAND CHINA

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AUDITOR

Ernst & Young
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

LEGAL ADVISERS

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As to Bermuda Law

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PROPERTY VALUERS

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Vigers Appraisal and Consulting Limited
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Kwun Tong
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Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY WEBSITE

www.zhonghuagroup.com

LISTING AND STOCK CODE

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

Management Discussion and Analysis

The Board of Directors (the “Directors” or the “Board”) 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 2024 (the “Period”), together with the comparative figures (*restated*) for the corresponding period in 2023 (the “Last Period”), as follows:

Reference is made to the Company’s annual report for the year ended 31 December 2023 (the “Annual Report 2023”). Terms used in this report shall adopt the same meanings as defined in the Annual Report 2023 unless otherwise specified.

FINANCIAL REVIEW

The Company recorded a revenue of HK\$14,259,000 (2023: HK\$14,624,000 (*restated*)) for the Period. Net loss attributable to ordinary equity holders of the Company for the Period was HK\$9,583,000 (2023: HK\$480,475,000 (*restated*)).

Adjusted EBITDA

The Adjusted EBITDA of the Company and its subsidiaries (collectively the “Group”) for the Period was profit of HK\$331,000 (2023: HK\$2,822,000 (*restated*)). The decrease in EBITDA during the Period is primarily attributable to the additional professional fees incurred by the Group pertaining to the delayed publication of results announcement of the Company for the year ended 31 December 2023 by about three months.

Adjusted EBITDA refers to the earnings before interest, tax and depreciation and does not take into account the effect of changes of fair value of investment properties, loss on derecognition of a then subsidiary and changes in fair value in equity interest in an entity at fair value through profit or loss.

EBITDA is a commonly used alternate measure of profitability to net income. By excluding depreciation and amortisation as well as taxes and debt payment costs, EBITDA attempts to represent the cash profit generated by the Company’s operations. On this ground, the Company also excluded additional non-cash items (namely (i) changes of fair value of investment properties; (ii) loss on derecognition of a then subsidiary; and (iii) changes in fair value in equity interest in an entity at fair value through profit or loss) that significantly affected the Company’s net income that are non-cash in nature to achieve this objective when assessing the Company’s performance.

Net Loss

The Group’s loss before tax and loss after tax for the Period were HK\$28,093,000 (2023: HK\$1,751,703,000 (*restated*)) and HK\$30,783,000 (2023: HK\$1,861,665,000 (*restated*)), respectively. The reduction in the Company’s loss before tax for the Period is primarily attributable to the effect of (i) no loss on de-recognition of a then subsidiary for the Period (2023: HK\$1,708,355,000 (*restated*)); (ii) fair value loss of equity interest in an entity of HK\$28,255,000 for the Period (2023: Nil (*restated*)); and (iii) no revaluation deficit for the Period arising from the Group’s investment properties for the Period (2023: HK\$45,200,000 (*restated*)).

Management Discussion and Analysis

FINANCIAL REVIEW (Cont'd)

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 used in operating activities during the Period were HK\$3,658,000 (2023: net cash flows from operating activities of HK\$5,117,000 *(restated)*).

As at 30 June 2024, the Group had cash and bank balances of HK\$78,763,000 (31 December 2023: HK\$90,761,000).

The Group's exposure to interest rate fluctuation was minimal in the past years.

The Group's gearing ratio was 0.10 as at 30 June 2024 (31 December 2023: 0.10), calculated based on the Group's amount due to a director of HK\$142,256,000 (31 December 2023: HK\$148,183,000) over total assets of HK\$1,451,330,000 (31 December 2023: HK\$1,496,606,000). The Group maintained a relatively low gearing ratio in the past years. The Group's financial resources are able to meet its capital expenditure and working capital requirements for coming twelve months from the date of this report.

Assets

As at 30 June 2024, the Group's net current assets, net assets and total assets amounted to HK\$22,460,000 (31 December 2023: HK\$29,785,000), HK\$1,027,672,000 (31 December 2023: HK\$1,063,099,000) and HK\$1,451,330,000 (31 December 2023: HK\$1,496,606,000), respectively.

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 2024, none of the Group's assets were pledged (31 December 2023: Nil).

Management Discussion and Analysis

FINANCIAL REVIEW (Cont'd)

Contingent Liability

As at 30 June 2024, there was no material contingent liability recorded by the Group (31 December 2023: Nil).

PRIOR PERIOD ADJUSTMENTS

The Group had identified prior period adjustments resulting from:

(a) Deconsolidation of a then subsidiary

Pursuant to the Rescission Order (撤銷駁回裁定) granted by the Guangdong Court (廣東省高院) (without prejudice by 廣州市正大房地產開發有限公司 (Guangzhou Zheng Da Real Estate Development Company Limited) ("GZ Zheng Da")) on 15 May 2023, the Guangzhou Court (廣州市中院) granted an order on 7 August 2023 to the effect that GZ Zheng Da, a then major operating subsidiary of the Group, would be subject to a compulsory liquidation by Guangdong Jinzhen Law Firm (廣東金圳律師事務所) (the "New Liquidator") appointed by the Guangzhou Court (the "New Liquidator Order") (without prejudice by GZ Zheng Da).

Subsequent to the issue of a receivership notice in September 2023, no further action appeared to be taken by the New Liquidator. Up to the date of this report, the name of liquidator of GZ Zheng Da as filed with the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) is not the New Liquidator but remains as Guangdong Guoding Law Firm (廣東國鼎律師事務所), the former liquidator which should suspend its duties once the Liquidation Dismissal Order (駁回清算裁定) was granted by the Guangzhou Court in May 2021. Meantime, GZ Zheng Da's operation remained usual to-date, as the case for the past years.

Management Discussion and Analysis

PRIOR PERIOD ADJUSTMENTS *(Cont'd)*

(a) **Deconsolidation of a then subsidiary *(Cont'd)***

Taking into consideration that the operation of GZ Zheng Da might be frustrated by the New Liquidator Order in the foreseeable future until and when the said order was proved to be inoperative or dismissed by law, the Directors, at the board meeting held on 15 April 2024, considered that the Management might not be able to demonstrate that the Group could fulfill all the criteria prescribed under HKFRS 10 *Consolidated Financial Statements* in relation to its control over GZ Zheng Da and hence the Group lost the control over GZ Zheng Da under HKFRS 10 *Consolidated Financial Statements* with effect from 15 May 2023 and GZ Zheng Da was derecognised as a then subsidiary. Such equity interest in GZ Zheng Da was then classified as financial asset at fair value through profit or loss and was included as “Equity interest in an entity at fair value through profit or loss” on the Company’s consolidated statement of financial position as at 31 December 2023. Accordingly, a significant loss of approximately HK\$1,708 million on derecognition of GZ Zheng Da, a then subsidiary, was resulted representing the difference between the fair value of the equity interest in GZ Zheng Da and the original carrying amounts of the respective assets and liabilities of GZ Zheng Da as disclosed in the Annual Report 2023. This loss was non-cash transaction and unrealised loss as reflected in the movements of reserve accounts of the Group through profit and loss. This loss recorded in the Company’s consolidated financial statements did not have any impact on the liquidity of the Group for the year ended 31 December 2023.

The Company’s condensed consolidated financial statements for the Last Period was previously prepared based on consolidation of GZ Zheng Da as disclosed in the Company’s interim report dated 30 August 2023 (the “Interim Report 2023”). As a result of derecognition of GZ Zheng Da with effect from 15 May 2023 for factors and consideration stated above, the amounts presented in the Group’s condensed consolidated financial statements for the Last Period had been restated to reflect the relevant position and accounting treatment that GZ Zheng Da was derecognised with effect from 15 May 2023.

(b) **Shares Issued Upon Exercise Of Share Options**

On 9 January 2023, 55,000,000 shares were issued and allotted to the option holders for cash at a subscription price of HK\$0.09 per share pursuant to the exercise of the share options. Amounts of HK\$4,950,000 and HK\$1,642,000 (previously HK\$1,822,000) were transferred from other reserve and share option reserve to share capital and share premium of HK\$1,375,000 (previously HK\$5,500,000) and HK\$5,217,000 (previously HK\$1,272,000), respectively.

Consequently, the amounts presented in the Company’s condensed consolidated statement of changes in equity for the six months ended 30 June 2023 had been restated to correct the mis-statements identified. There were no changes to the total equity after restatements.

Management Discussion and Analysis

INTERIM DIVIDEND

The Directors did not recommend the distribution of interim dividend for the Period (2023: Nil).

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted on 19 December 2012 and lapsed on 18 December 2022. Details of the Share Option Scheme were disclosed in the Annual Report 2023. There was no change in any terms of the Share Option Scheme during the Period. No share options were granted, lapsed/cancelled or exercised during the Period. There were 5,000,000 outstanding share options, which had an exercise price of HK\$0.09 per share and was exercisable for a period of three years from the date of grant (i.e., 2 December 2022), as at 30 June 2024.

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.

Management Discussion and Analysis

FUND RAISING ACTIVITIES (Cont'd)

The net proceeds raised from the New Issue applied up to 30 June 2024 are as follows:

| Intended use of the net proceeds as stated in the Company's announcement dated 15 April 2020 | | | Proceeds utilised as at | Proceeds unutilised as at 30 June 2024 | |
|--|-------------|---------------------------------|-------------------------|---|---------------------------------------|
| | Category | Net amount (HK\$ in million) | Percentage | 30 June 2024 Net amount (HK\$ in million) | Remaining amount (HK\$ in million) |
| Redevelopment costs of a redevelopment project in Guangzhou, Mainland China | 12.0 | 74.5% | – | 12.0 | On or before 30 June 2025 |
| General working capital | 4.1 | 25.5% | 4.1 | – | – |
| Total | 16.1 | 100% | 4.1 | 12.0 | |

Following the derecognition of GZ Zheng Da from the Group resulting in GZ Zheng Da not being regarded as a subsidiary of the Group, the Directors will consider if the intended use of proceeds of HK\$12 million originally assigned for costs of the re-development project of GZ Zheng Da should be re-allocated for other purposes or not. Further announcement will be made once a decision is made by the Company.

The Group held the unutilised net proceeds in short-term deposits with licensed banks as at 30 June 2024. Save as disclosed above, there was no unutilised proceed brought forward from any issue of equity securities made in previous years.

BUSINESS REVIEW

The Group is principally engaged in property development, investment and management businesses in Mainland China. On an ongoing basis, the Group also explores investment and business opportunities in “novel and quality productivity (新質生產力)” related projects.

Management Discussion and Analysis

BUSINESS REVIEW (Cont'd)

Property Investment

The Group's property interest in Chongqing is situated at Chaotinmen, Yuzhong District, Chongqing (重慶市渝中區朝天門). 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 (三峽地區) for decades, Guang Yu Square is one of the most popular men's wear and footwear wholesale points in the region.

For the six months ended 30 June 2024, the Gang Yu Square provided a steady cash flow and substantiated the working capital requirements of the Group. As a result, the Group recorded an adjusted EBITDA of about HK\$331,000 for the Period. Given the prime location of the investment property in the central business district (CBD) of Chongqing, the Directors will strive to enhancing the property's competitive advantages and is confident that it will continue to provide a steady revenue to the Group in the foreseeable future.

Property Development

GZ Zheng Da, the Group's former subsidiary, had a property interest 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 Mainland China before its Reform and Open Door Policy (改革開放政策) implemented in 1978. It is also within walking distance of about 5 minutes to the riverbank of the Pearl River (珠江), the icon of Guangzhou.

As to-date, except for one block of building remained not yet surrendered (尚未完成拆遷) and a few shops next to the premise continued to operate business as usual, the Metropolis Shoes City was demolished and the development site was 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 a 3-level 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.

Management Discussion and Analysis

BUSINESS REVIEW (Cont'd)

Property Development (Cont'd)

According to the latest construction schedule (assuming construction commences in the first quarter of 2025), 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 late 2027 and the second stage will be completed in first quarter of 2029. 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 2028.

Properties Held for Sale

GZ Zheng Da, the Group's former subsidiary, had a portfolio of about 190 residential units ranging from 20 square metres to 70 square metres each unit with total gross area of about 11,000 square metres. These residential units were constructed in late 1990s for the purpose of interim resettlement of occupiers who surrendered their units to GZ Zheng Da for demolition of the development site in Yuexiu District but remained vacant or available-for-sale as at to-date.

Current Status of GZ Zheng Da

The registration status (登記狀態) of GZ Zheng Da per the official record registered at the Guangzhou Municipal Administration for Market Regulation (廣州市市場監督管理局) remained as "Enterprise in Operation (in Business) (在營(開業))" as to-date and Ho Kam Hung, an executive director of the Company, had been retaining as the authorised representative since its establishment in 1993.

Notwithstanding the New Liquidator Order is in force, GZ Zheng Da's operation remained usual and the demolition permit (房屋拆遷許可證) was renewed in December 2023 (renewable annually) to the effect that GZ Zheng Da was permitted to continue the demolition and relocation till December 2024. The re-development site was leased to a third party for licensed carpark operation. Further details of the re-development plan of GZ Zheng Da are disclosed in the section headed "Property Development" above.

The Directors would like to draw their shareholders' attention that:

- (i) there was no change in the Group's effective interest (i.e., 25%) in Zheng Da Real Estate Development Company Limited (正大房地產開發有限公司) ("HK Zheng Da") (which in turn holds 100% equity interest in GZ Zheng Da) (a) before and after the derecognition of GZ Zheng Da from the Company's consolidated financial statements with effect from 15 May 2023; (b) as at 30 June 2024; and (c) as to-date;
- (ii) HK Zheng Da, which held 100% equity interest in GZ Zheng Da, retained day-to-day operating and financing activities of GZ Zheng Da as to-date and HK Zheng Da would maintain such activities in GZ Zheng Da in the foreseeable future;

Management Discussion and Analysis

BUSINESS REVIEW (Cont'd)

Current Status of GZ Zheng Da (Cont'd)

- (iii) there is no change in the legal titles of the underlying assets of GZ Zheng Da (primarily two parcels of land pending for re-development and a portfolio of about 190 residential units) as to-date and any dispute (if any) to this by third parties would be subject to final and absolute outcome of legal proceedings (not subject to sole discretion of the liquidator if in case the liquidation proceeds) which are expected to last for a couple of years at least; and
- (iv) GZ Zheng Da's business remains usual as to-date and its operation would remain on track in the foreseeable future.

UPDATE ON THE "LIQUIDATION PETITION" AGAINST GZ ZHENG DA

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

Background and developments of the "Liquidation Petition against GZ Zheng Da" were summarised in the section headed "Liquidation Petition Against GZ Zheng Da" set out in the Annual Report 2023. Shareholders are urged to read the above section regarding the legalities of the "Liquidation Petition" in question.

Actions Taken in the Past Months

The Group had taken the following actions in response to the Rescission Order subsequent to 28 June 2024, the date of the publication of the Annual Report 2023:

- (i) On an on-going basis, GZ Zheng Da filed complaints to the senior officials of the Guangdong Court and the Guangzhou Court about the prejudiced legal procedures against GZ Zheng Da in the past years. The latest complaint was made in August 2024.
- (ii) In April 2024, HK Zheng Da, which held 100% equity interest in GZ Zheng Da, filed a writ at the Guangzhou Court to the effect, *inter alia*, that:
 - (i) to ascertain if 廣州市越秀國有資產經營有限公司 ("Yuexiu SoE") (the vendor of 廣州市越秀房地產開發經營公司 ("Yuefang SoE")) retains Yuefang SoE's interest in GZ Zheng Da as a state-owned asset by law and if the *jural nexus* (法律關係) between Yuexiu SoE (the first defendant) and HK Zheng Da (the plaintiff) in the co-operative joint venture of GZ Zheng Da does substantiate;
 - (ii) to ascertain if the *jural nexus* between HK Zheng Da and 廣州市越秀房地產開發經營有限公司 ("Yuefang PE") (the second defendant) in the co-operative joint venture of GZ Zheng Da does not substantiate; and
 - (iii) to claim interest loss of RMB41 million from Yuexiu SoE.

The hearing commenced in early August 2024 and the trial not get closed to-date.

- (iii) Both GZ Zheng Da and HK Zheng Da confirmed with the Company that they would use their best endeavours to preserve their respective legal rights when the New Liquidator approached them, if any. No further action appeared to be made by the New Liquidator subsequent to the issue of the receivership notice in September 2023.

Management Discussion and Analysis

UPDATE ON THE “LIQUIDATION PETITION” AGAINST GZ ZHENG DA (Cont'd)

Actions Taken in the Past Months (Cont'd)

- (iv) Both GZ Zheng Da and HK Zheng Da had been taking legal, administrative and other practical actions to solve the said deadlock.

Should there be any update on the liquidation threat against GZ Zheng Da, further announcement will be made by the Company as soon as practicable.

Management's Representation

Further to the Management's Representation disclosed in the Annual Report 2023, the Management (as defined therein) would like to draw shareholders' attention as follows:

- (i) The Companies Law of The People's Republic of China (中華人民共和國公司法) (the “Companies Law”) is a statutory law and legally enforceable to companies, shareholders, directors and other interested parties. Since its inauguration in 1994, the said law had carried out four amendments (the latest became effect in July 2024) but limited amendments on compulsory liquidation were made. Other than the article pertaining to “the residual assets after debt repayment shall be distributed by the limited company to shareholders in accordance with their respective paid-up capital (清償公司債務後的剩餘財產，有限責任公司按照股東的出資比例分配)”, the Companies Law does not provide detail mechanism and procedures of liquidation.
- (ii) The Memorandum of the Working Seminar of the Supreme People's Court on Proceeding Compulsory Liquidation Cases (最高人民法院關於審理公司強制清算案件工作座談會紀要) (the “Seminar Memo”), which was announced by the Supreme People's Court (最高人民法院) in September 2009, is an interpretation of compulsory liquidation procedures to the effect that the courts should observe these principles when proceeding compulsory liquidation cases.
- (iii) GZ Zheng Da was established as an “enterprise by limited liability (有限責任企業法人)” under the Sino-Foreign Co-Operative Joint Venture Enterprises Law of The People's Republic of China (中華人民共和國中外合作經營企業法) in 1993 and was restructured to “limited company (有限責任公司)” under the Companies Law as permissible by then law in 2006. Hence, GZ Zheng Da became a hybrid of joint venture and limited company with the Chinese co-operative partner (i.e., Yuefang SoE (越房國企)) retaining as a joint venture partner (合作企業合作方) and promotor of the company (公司發起人) but not a paid-up capital contributor (已經驗資的出資方). That is, Yuefang SoE is not an equity shareholder (已出資股東) of GZ Zheng Da by law. On the other hand, the foreign co-operative partner (i.e., HK Zheng Da) had the multi-roles as joint venture partner, manager, company promoter and equity shareholder with paid-up capital of HK\$150 million, representing 100% equity interest in GZ Zheng Da as registered at the Guangzhou Municipal Administration for Market Regulation (廣州市市場監督管理局).

Management Discussion and Analysis

UPDATE ON THE “LIQUIDATION PETITION” AGAINST GZ ZHENG DA (Cont’d)

Management’s Representation (Cont’d)

- (iv) The Seminar Memo laid down the following three fundamental principles of compulsory liquidation:
- (a) the liquidation applicant (清算申請人) must demonstrate to the satisfaction of the presiding judge (主審法官) that (i) it possesses “*established equity interest* (明確股東權益)” in the appellee (被申請清算企業); and (ii) the appellee has breached the event of default of “*company dissolution* (企業解散事由)” when it lodges the liquidation plead at the court. If these two pre-requisites are arguable, the plead should be declined by the court but the applicant may resubmit its plead to the court until and when the two pre-requisites are ascertained or adjudicated by the court at separate trials. This is not the case for GZ Zheng Da;
 - (b) the appellee and other interested parties (i.e., shareholders other than the applicant) should be summoned to attend a pre-liquidation hearing (清算前聽證會) by the court and the liquidation plead should be declined if the appellee or other interested parties cast objection to the plead with reasonable ground. This is not the case for GZ Zheng Da; and
 - (c) the court should make a ruling (裁定) on grant of compulsory liquidation against the appellee or not if the plead is accepted (訴求受理) by the court and such ruling should be in writing stating the reasons of grant or rejection. That is, the court should not appoint a liquidator to the appellee in the absence of a written ruling. This is not the case for GZ Zheng Da.
- (v) The Liquidation Dismissal Order granted by the Guangzhou Court in May 2021, which was regarded as the court’s rectification (法院自糾), concluded that whether GZ Zheng Da, the appellee, had breached the event of default of “*company dissolution*” and whether Yuefang PE, the applicant, had an “*established equity interest*” in GZ Zheng Da was questionable and such pre-requisites had never been ascertained by trial or arbitration, and hence dismissed the liquidation plead lodged by Yuefang PE some 12 years ago. However, the said order did not address, *inter alia*, (a) why a liquidator was appointed in the absence of a written ruling on compulsory liquidation; (b) why no pre-liquidation hearing was summoned by the court prior to its acceptance of the liquidation plead; and (c) why the questionable liquidation frustrated the appellee for about ten years before dismissal.

Management Discussion and Analysis

UPDATE ON THE “LIQUIDATION PETITION” AGAINST GZ ZHENG DA (Cont’d)

Management’s Representation (Cont’d)

- (vi) The Rescission Order granted by the Guangdong Court in May 2023, which was made subsequent to an appeal lodged by Yuefang PE, the applicant, concluded that (a) the applicant was a shareholder of the appellee (but without paid up capital contribution) based on a previous ruling made by the court subsequent (but not prior) to the date of liquidation plead; and (b) the appellee had breached the event of default of “company dissolution” based on a verbal affidavit (口述證據) submitted by the applicant but not written confirmation (書面確認) provided by the relevant regulatory body (原審批機關), and rescinded the Liquidation Dismissal Order. However, the said order did not ascertain the applicant’s equity interest (i.e., paid-up capital contributed) in GZ Zheng Da but suggested (not ruled) this to be determined by the liquidator during the liquidation process. This order is regarded as a procedural ruling (司法程序裁定) but not a ruling on compulsory liquidation (強制清算裁定) by law.
- (vii) The New Liquidator Order (指令新清算組決定) granted by the Guangzhou Court in August 2023 is made pursuant to a directive (指令) granted by the Guangdong Court but also is in the absence of a written ruling on compulsory liquidation as required by law.
- (viii) The New Liquidator appointed pursuant to the New Liquidator Order not yet filed its information under the Provisional Filing Information Column (備案信息欄目) viz “Liquidation Column” (清算信息) of GZ Zheng Da as publicised in the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) to-date. Meantime, the operation of GZ Zheng Da remained usual and its authorised representative remained unchanged since its establishment in 1993.

MATERIAL ACQUISITION UPDATE

The Group was engaged in a material acquisition, details of which were disclosed in the Annual Report 2023. Latest development of the said acquisition is summarised below:

Notwithstanding GZ Zheng Da, the underlying operating company of HK Zheng Da, had been frustrated by a questionable liquidation plead for years, the Company reiterated that the liquidation plead was not substantiated by both facts and law and hence was confident that the action would be inoperative or dismissed by law in the foreseeable future (*say, about one year*). On this basis, the Group entered into a new extension agreement on 24 June 2024 to further extend the Long Stop Date to 30 June 2026 with an aim of arriving revised terms for the Acquisition. If a revised timetable is concluded, it is anticipated that the Acquisition will be financed by debt financing, equity financing, bank borrowing, private-equity funding or a combination of the four kinds. If in case the Acquisition lapses on 30 June 2026, no party shall be liable to each other. Further details of the 2024 Extension Agreement were disclosed in the Company’s announcement dated 24 June 2024.

Management Discussion and Analysis

MATERIAL ACQUISITION UPDATE *(Cont'd)*

Further announcement will be made to address the rationale and benefits to the Company as a whole once a concrete decision on exercise of the exclusive rights to acquire further tranche(s) pursuant to the Acquisition Agreement or not is made by the Company.

Save for the above, the Group had no other material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

MATERIAL LITIGATION UPDATE

Following the derecognition of GZ Zheng Da from the Group in May 2023, the Group did not engage in new litigation or had litigation outstanding during the year ended 31 December 2023.

Subsequent to 31 December 2023, HK Zheng Da, a subsidiary of the Group, initiated a litigation against Yuexiu SoE at the Guangzhou Court in April 2024, details of which are disclosed in the section headed "Actions Taken in the Past Months" above.

OUTLOOK

Following restriction policies on residential unit purchases being uplifted in most major cities nationwide, both property users and investors initiated their purchase incentives from scratch in the second quarter this year. Given the domestic consumer market in Mainland China remains relatively weak as compared to five years ago, it is perceived that the property market nationwide remains on consolidation. It is anticipated that it may take a couple of years for the property market to bouncing from the bear market. The Directors will monitor the market trend closely and regulate the Group's property portfolio and re-development schedules.

Since this March, the Central Government has been promoting the campaign of "moving forward and accelerating the developments of "novel and quality productivity" (推動新質生產力加快發展)". "Novel productivity" refers to innovative ideas of products and production workflow while "quality productivity" refers to more cost efficient and more environmentally friendly products and production flow. The goal for novel and quality productivity may not be capital intensive. The Directors consider that conventional production chain upgrading and re-modelling will also meet the objective of "novel and quality productivity (發展新質生產力)". The Third Plenary Session (三中全會)* held in July 2024 also emphasised "moving on to intensify the Reform (繼續深化改革)" as well as "accelerating the development of novel and quality productivity (加快發展新質生產力)" as the priority goal in the coming five years. To embrace this new wave of opportunities, the Directors will actively explore appropriate investment or business projects with reasonable capital budget to achieve the goal of "novel and quality productivity".

* The third plenary session of the 20th Central Committee of the Communist Party of China (中國共產黨第二十屆中央委員會第三次全體會議)

Management Discussion and Analysis

OUTLOOK (Cont'd)

In Hong Kong, amid interest rate remains at record high level, both re-export trading and domestic consumer market continue the declining trend while the property market remains on consolidation. As the US Federal Reserve recently indicated it was time to revise its interest policy, it is generally anticipated the US Federal interest rate will be revised downward before the US Election in November 2024 and Hong Kong interest rate may follow the downward trend. Hong Kong is now under more secured national security umbrella following the promulgation of “Article 23” of the Basic Law this first half year, it is generally perceived that, amid Hong Kong migrates “from the stability stage to prosperity stage” (由治及興), Hong Kong will be able to remap its advantages at the junction of transformation to a new chapter of economy. The Directors fully support 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).

Taking this opportunity, the Directors pay tribute to the 75th anniversary of the establishment of The People's Republic of China and Hong Kong Olympicians' remarkable achievements in Paris this summer.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2024, the Group had about 20 (31 December 2023: 20) employees. Total staff costs (including directors' remuneration) for the Period amounted to HK\$3,870,000 (2023: HK\$3,630,000 *(restated)*). Remuneration policies are reviewed regularly by the Remuneration Committee and the Directors in respect of remuneration of the directors and senior management. 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 benchmark. In addition to the basic salaries, the Group provides staff benefits including medical insurance and contributions to the provident fund. Discretionary bonuses are also available to the Group's employees depending upon the overall performance of the Group.

The Group also puts ongoing efforts to provide adequate trainings and development resources to its employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their roles.

Disclosure of Interests

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

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company (if any) in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers (the "ST Code") as set out in Appendix 10 of Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") and which were required to be entered into the register pursuant to Section 352 of the SFO, were as follows:

Long position in shares of the Company

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

Note:

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

- (i) 10,800,000 shares were held by Morcambe Corporation, a company beneficially owned by him.
- (ii) 87,120,000 shares were held by EC Fair Limited, which he had 33 $\frac{1}{3}$ % interest.
- (iii) 12,680,000 shares were held by High Rank Enterprises Limited, which he had approximately 31.6% interest.
- (iv) 7,000,000 shares were held by him personally upon exercise of 7,000,000 share options.

Disclosure of Interests

SHARES IN ASSOCIATED CORPORATIONS OF THE COMPANY

At 30 June 2024, the following Director had interests in the non-voting deferred shares in certain subsidiaries of the Company:

Long position in shares of the associated corporations

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

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

Save as disclosed above, as at 30 June 2024, to the best knowledge of the Company, none of the Directors or chief executive of the Company (if any) had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the ST Code.

Disclosure of Interests

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, to the knowledge of the Company, the following persons (other than Directors or chief executive of the Company (if any)) had interests or short positions in the shares and underlying share as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares of the Company

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

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS (Cont'd)

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

Notes:

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

Save as disclosed above, as at 30 June 2024, other than the Directors or chief executive of the Company (if any) whose interests are set out in the section headed "Directors'/Chief Executive's Interests in the Shares of the Company and its Associated Corporations" above, no person had registered an interest or short position in the shares or underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Disclosure Pursuant to the Listing Rules

CORPORATE GOVERNANCE CODE

Throughout the Period, the Company generally complied with the Code on Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Listing Rules.

Details of the Company’s corporate governance practices were disclosed in the Corporate Governance Report as set out the Annual Report 2023.

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

Pursuant to B.2.4 of the CG Code, the Company is recommended to appoint an additional independent non-executive Director at the forthcoming annual general meeting if all independent non-executive Directors have served for more than nine years.

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

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

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

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

Disclosure Pursuant to the Listing Rules

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

REVIEW BY THE AUDIT COMMITTEE

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

APPROVAL OF INTERIM REPORT

This interim report was approved by the Directors on 28 August 2024.

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | For the six months ended 30 June | |
|---|-------|-------------------------------------|---|
| | Notes | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 (Restated) |
| REVENUE | 2 | 14,259 | 14,624 |
| Other income and gains | | 284 | 229 |
| Changes in fair value of investment properties | 14 | – | (45,200) |
| Changes in fair value of equity interest in an entity at fair value through profit or loss | 13 | (28,255) | – |
| Loss on disposal of a then subsidiary | 12 | – | (1,708,355) |
| Administrative expenses | | (14,381) | (12,158) |
| Finance costs | 3 | – | (843) |
| LOSS BEFORE TAX | 4 | (28,093) | (1,751,703) |
| Income tax expense | 5 | (2,690) | (109,962) |
| LOSS FOR THE PERIOD | | (30,783) | (1,861,665) |
| Attributable to: | | | |
| Ordinary equity holders of the Company | | (9,583) | (480,475) |
| Non-controlling interests | | (21,200) | (1,381,190) |
| | | (30,783) | (1,861,665) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 7 | HK cents (1.25) | HK cents (62.51) |
| – Basic | | HK cents (1.25) | HK cents (62.51) |
| – Diluted | | HK cents (1.25) | HK cents (62.51) |

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|---|-------------------------------------|---|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 (Restated) |
| Loss for the period | (30,783) | (1,861,665) |
| Other comprehensive expense | | |
| <i>Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations | (4,644) | (130,631) |
| Reclassification adjustments for derecognition of a then subsidiary (note 12) | - | 20,469 |
| Net other comprehensive expense that may be reclassified to the income statement in subsequent periods | (4,644) | (110,162) |
| TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD | (35,427) | (1,971,827) |
| Attributable to: | | |
| Ordinary equity holders of the Company | (16,543) | (500,685) |
| Non-controlling interests | (18,884) | (1,471,142) |
| | (35,427) | (1,971,827) |

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 30 June 2024 (Unaudited) <i>HK\$'000</i> | 31 December 2023 (Audited) <i>HK\$'000</i> |
|--|---|---|
| <i>Notes</i> | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 3,298 | 3,551 |
| Equity interest in an entity at fair value through profit or loss | 1,002,217 | 1,030,472 |
| Investment properties | 359,520 | 369,600 |
| Total non-current assets | 1,365,035 | 1,403,623 |
| CURRENT ASSETS | | |
| Trade receivables | 4,652 | – |
| Prepayments, deposits and other receivables | 2,880 | 2,222 |
| Cash and cash equivalents | 78,763 | 90,761 |
| Total current assets | 86,295 | 92,983 |
| CURRENT LIABILITIES | | |
| Trade payables | (1,861) | (1,914) |
| Other payables and accruals | (27,559) | (26,987) |
| Tax payable | (34,415) | (34,297) |
| Total current liabilities | (63,835) | (63,198) |
| NET CURRENT ASSETS | 22,460 | 29,785 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 1,387,495 | 1,433,408 |

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

| | 30 June 2024 (Unaudited) HK\$'000 | 31 December 2023 (Audited) HK\$'000 |
|---|--|--|
| NON-CURRENT LIABILITIES | | |
| Due to a director | (142,256) | (148,183) |
| Long term other payables | (53,008) | (53,734) |
| Deferred tax liabilities | (164,559) | (168,392) |
| | <hr/> | <hr/> |
| Total non-current liabilities | (359,823) | (370,309) |
| | <hr/> | <hr/> |
| Net assets | 1,027,672 | 1,063,099 |
| | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | |
| Equity attributable to equity holders of the Company | | |
| Share capital | 19,215 | 19,215 |
| Reserves | 340,056 | 356,599 |
| | <hr/> | <hr/> |
| | 359,271 | 375,814 |
| | <hr/> | <hr/> |
| Non-controlling interests | 668,401 | 687,285 |
| | <hr/> | <hr/> |
| Total equity | 1,027,672 | 1,063,099 |
| | <hr/> <hr/> | <hr/> <hr/> |

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|-----------------------------------|----------------------------------|---------------------------------|--|-------------------------------|---------------------------|------------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium account HK\$'000 | Share option reserve HK\$'000 | Contributed surplus HK\$'000 | Exchange fluctuation reserve HK\$'000 | Statutory reserve HK\$'000 | Other reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| At 1 January 2024 <i>(Audited)</i> | 19,215 | 17,344* | 180* | 80,258* | 64,218* | 809* | -* | 193,790 | 375,814 | 687,285 | 1,063,099 |
| Loss for the period | - | - | - | - | - | - | - | (9,583) | (9,583) | (21,200) | (30,783) |
| Exchange differences related to foreign operations | - | - | - | - | (6,960) | - | - | - | (6,960) | 2,316 | (4,644) |
| Total comprehensive expense for the period | - | - | - | - | (6,960) | - | - | (9,583) | (16,543) | (18,884) | (35,427) |
| At 30 June 2024 <i>(Unaudited)</i> | 19,215 | 17,344* | 180* | 80,258* | 57,258* | 809* | -* | 184,207* | 359,271 | 668,401 | 1,027,672 |
| At 1 January 2023 <i>(Audited)</i> | 17,840 | 12,127 | 1,822 | 80,258 | 80,234 | 572 | 4,950 | 676,167 | 873,970 | 2,147,553 | 3,021,523 |
| Loss for the period <i>(restated)</i> | - | - | - | - | - | - | - | (480,475) | (480,475) | (1,381,190) | (1,861,665) |
| Reclassification adjustments for derecognition of a then subsidiary <i>(note 12) (restated)</i> | - | - | - | - | 20,469 | - | - | - | 20,469 | - | 20,469 |
| Exchange differences related to foreign operations <i>(restated)</i> | - | - | - | - | (40,679) | - | - | - | (40,679) | (89,952) | (130,631) |
| Total comprehensive expense for the period <i>(restated)</i> | - | - | - | - | (20,210) | - | - | (480,475) | (500,685) | (1,471,142) | (1,971,827) |
| Issuance of shares <i>(restated)</i> | 1,375 | 5,217 | (1,642) | - | - | - | (4,950) | - | - | - | - |
| At 30 June 2023 <i>(Unaudited) (restated)</i> | 19,215 | 17,344 | 180 | 80,258 | 60,024 | 572 | - | 195,692* | 373,285 | 676,411 | 1,049,696 |

* These reserve accounts comprise the consolidated reserves of HK\$340,056,000 (31 December 2023: HK\$356,599,000) in the Company's consolidated statement of financial position.

Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 30 June | |
|---|-------------------------------------|---|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 (Restated) |
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | (3,658) | 5,117 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of an item of property, plant and equipment | – | (462) |
| Derecognition of a then subsidiary <i>(note 12)</i> | – | (98) |
| Net cash flows used in investing activities | – | (560) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase/(decrease) in an amount due to a director and net cash flows from/ (used in) an financing activity | (6,088) | 10,471 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (9,746) | 15,028 |
| Cash and cash equivalents at beginning of period | 90,761 | 84,874 |
| Effect of foreign rate changes | (2,252) | (4,271) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 78,763 | 95,631 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances as stated in the condensed consolidated statement of financial position | 78,763 | 95,631 |

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company's condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with the applicable disclosure requirements of the Hong Kong Accounting Standards ("HKAS") 34 – Interim Financial Reporting issued by Hong Kong Institute of Certified Public Accountants and the Listing Rules. These condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2023.

1.1 CHANGES IN ACCOUNTING POLICES

The accounting policies adopted in the preparation of the Company's interim condensed consolidated financial information are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

| | |
|-------------------------------------|--|
| Amendments to HKFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> |
| Amendments to HKAS 1 | <i>Classification of Liabilities as Current Non-Current</i> (the "2020 Amendments") |
| Amendments to HKAS 1 | <i>Non-Current Liabilities with Covenants</i> (the "2022 Amendments") |
| Amendments to HKAS 7 and HKFRS 7 | <i>Supplier Finance Arrangements</i> |

The adoption of these new and revised standards 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.

1.2 PRIOR PERIOD ADJUSTMENTS ON COMPARATIVE FIGURES

The Group had identified prior period adjustments resulting from:

- (a) Deconsolidation of a then subsidiary
- As detailed in the Annual Report 2023, the section headed "PRIOR PERIOD ADJUSTMENTS" as disclosed in the heading named "Management Discussion and Analysis" above and note 12 to the condensed consolidated financial statements below, the Directors considered that the Group lost the control over a then subsidiary under HKFRS 10 *Consolidated Financial Statements* with effect from 15 May 2023 and a then subsidiary was derecognised and such equity interest in then subsidiary was classified as financial asset at fair value through profit or loss and was included as "Equity interest in an entity at fair value through profit or loss" on the consolidated statement of financial position for the year ended 31 December 2023.

Consequently, the amounts presented in the Company's condensed consolidated financial statements for the six months ended 30 June 2023 had been restated to reflect the relevant position and accounting treatment as stated above.

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

1.2 PRIOR PERIOD ADJUSTMENTS ON COMPARATIVE FIGURES (Cont'd)

(a) Deconsolidation of a then subsidiary (Cont'd)
Summaries of the effect of the restatements due to correction of prior period adjustments on the Company's condensed consolidated financial statements above are as follows:

(i) Effect of restatements on the Company's condensed consolidated income statement for the six months ended 30 June 2023:

| | As previously reported (Unaudited) <i>HK\$'000</i> | Prior period adjustments (Unaudited) <i>HK\$'000</i> | As restated (Unaudited) <i>HK\$'000</i> |
|---|--|--|---|
| REVENUE | 14,752 | (128) | 14,624 |
| Other income and gains | 229 | – | 229 |
| Changes in fair value of investment properties | – | (45,200) | (45,200) |
| Loss on disposal of a then subsidiary | – | (1,708,355) | (1,708,355) |
| Administrative expenses | (12,087) | (71) | (12,158) |
| Finance costs | (723) | (120) | (843) |
| | <u> </u> | <u> </u> | <u> </u> |
| PROFIT/(LOSS) BEFORE TAX | 2,171 | (1,753,874) | (1,751,703) |
| Income tax expense | (2,615) | (107,347) | (109,962) |
| | <u> </u> | <u> </u> | <u> </u> |
| LOSS FOR THE PERIOD | (444) | (1,861,221) | (1,861,665) |
| | <u> </u> | <u> </u> | <u> </u> |
| Attributable to: | | | |
| Ordinary equity holders of the Company | 164 | (480,639) | (480,475) |
| Non-controlling interests | (608) | (1,380,582) | (1,381,190) |
| | <u> </u> | <u> </u> | <u> </u> |
| | (444) | (1,861,221) | (1,861,665) |
| | <u> </u> | <u> </u> | <u> </u> |
| PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| – Basic | HK cents 0.02 | | HK cents (62.51) |
| | <u> </u> | | <u> </u> |
| – Diluted | HK cents 0.02 | | HK cents (62.51) |
| | <u> </u> | | <u> </u> |

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

1.2 PRIOR PERIOD ADJUSTMENTS ON COMPARATIVE FIGURES (Cont'd)

- (a) Deconsolidation of a then subsidiary (Cont'd)
- (ii) Effect of restatements on the Company's condensed consolidated statement of comprehensive income for the six months ended 30 June 2023:

| | As previously reported (Unaudited) <i>HK\$'000</i> | Prior period adjustments (Unaudited) <i>HK\$'000</i> | As restated (Unaudited) <i>HK\$'000</i> |
|--|---|---|---|
| Loss for the period | (444) | (1,861,221) | (1,861,665) |
| Other comprehensive expense | | | |
| <i>Other comprehensive income/ (expense) that may be reclassified to the income statement in subsequent periods:</i> | | | |
| Exchange differences on translation of foreign operations | (137,308) | 6,677 | (130,631) |
| Reclassification adjustments for derecognition of a then subsidiary | — | 20,469 | 20,469 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net other comprehensive expense that may be reclassified to the income statement in subsequent periods | <u>(137,308)</u> | <u>27,146</u> | <u>(110,162)</u> |
| TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD | <u>(137,752)</u> | <u>(1,834,075)</u> | <u>(1,971,827)</u> |
| Attributable to: | | | |
| Ordinary equity holders of the Company | (42,159) | (458,526) | (500,685) |
| Non-controlling interests | (95,593) | (1,375,549) | (1,471,142) |
| | <u>(137,752)</u> | <u>(1,834,075)</u> | <u>(1,971,827)</u> |

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

1.2 PRIOR PERIOD ADJUSTMENTS ON COMPARATIVE FIGURES (Cont'd)

- (a) Deconsolidation of a then subsidiary (Cont'd)
- (iii) Effect of restatements on the Company's condensed consolidated statement of cash flows for the six months ended 30 June 2023:

| | As previously reported (Unaudited) <i>HK\$'000</i> | Prior period adjustments (Unaudited) <i>HK\$'000</i> | As restated (Unaudited) <i>HK\$'000</i> |
|--|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | 1,541 | 3,576 | 5,117 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of an item of property, plant and equipment | (462) | – | (462) |
| Derecognition of a then subsidiary | – | (98) | (98) |
| Net cash flows used in investing activities | (462) | (98) | (560) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in an amount due to a director and net cash flows from a financing activity | 14,199 | (3,728) | 10,471 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 15,278 | (250) | 15,028 |
| Cash and cash equivalents at beginning of period | 84,874 | – | 84,874 |
| Effect of foreign rate changes | (4,278) | 7 | (4,271) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>95,874</u> | <u>(243)</u> | <u>95,631</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances as stated in the condensed consolidated statement of financial position | <u>95,874</u> | <u>(243)</u> | <u>95,631</u> |

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

1.2 PRIOR PERIOD ADJUSTMENTS ON COMPARATIVE FIGURES (Cont'd)

(b) Shares issued upon exercise of share options

On 9 January 2023, 55,000,000 shares were issued and allotted to the option holders for cash at a subscription price of HK\$0.09 per share pursuant to the exercise of the share options. Amounts of HK\$4,950,000 and HK\$1,642,000 (previously HK\$1,822,000) were transferred from other reserve and share option reserve to share capital and share premium of HK\$1,375,000 (previously HK\$5,500,000) and HK\$5,217,000 (previously HK\$1,272,000), respectively.

Consequently, the amounts presented in the condensed consolidated statement of changes in equity of the Company for the Last Period had been restated to correct the mis-statements identified. There were no changes to the total equity after restatements.

2. OPERATING SEGMENT INFORMATION

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

- (a) the property investment and development segment, which invests in properties and sells properties located in Mainland China; and
- (b) the corporate and other segment, which provides management services to group companies.

The accounting policies of the operating segments are the same as those described in the Company's consolidated financial statements for the year ended 31 December 2023.

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

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2. OPERATING SEGMENT INFORMATION (Cont'd)

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

For the six months ended 30 June

| | Property investment and development | | Corporate and others | | Total | |
|-----------------------------|--|---|---------------------------------|---|---------------------------------|---|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 (Restated) | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 (Restated) | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 (Restated) |
| Segment revenue: | | | | | | |
| Sales to external customers | 14,259 | 14,624 | - | - | 14,259 | 14,624 |
| Segment results | (17,531) | (1,743,550) | (10,846) | (7,539) | (28,377) | (1,751,089) |
| Other income and gains | | | | | 284 | 229 |
| Finance costs | | | | | - | (843) |
| Loss before tax | | | | | (28,093) | (1,751,703) |
| Income tax expense | | | | | (2,690) | (109,962) |
| Loss for the period | | | | | (30,783) | (1,861,665) |

Information about major customers

For the Period, there was only one single customer (2023: one) with transactions exceeded 10% of the Group's total revenue and its contribution amounted to HK\$14,259,000 (2023: HK\$14,624,000 (restated)).

3. FINANCE COSTS

| | For the six months ended 30 June | |
|----------------------|-------------------------------------|---|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 (Restated) |
| Interest on: | | |
| Loan from a director | - | 843 |

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

4. LOSS BEFORE TAX

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

| | For the six months ended 30 June | |
|---|-------------------------------------|---|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 (Restated) |
| Depreciation of property, plant and equipment | 169 | 127 |
| Changes in fair value of investment properties (note 14) | – | 45,200 |
| Changes in fair value of equity interest in an entity at fair value through profit or loss (note 13) | 28,255 | – |
| Loss on disposal of a then subsidiary (note 12) | – | 1,708,355 |
| Interest income | (68) | (91) |
| | <u> </u> | <u> </u> |

5. INCOME TAX

| | For the six months ended 30 June | |
|---------------------------------|-------------------------------------|---|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 (Restated) |
| Current – Mainland China | | |
| Corporate income tax | | |
| Charge for the period | 1,924 | 1,819 |
| Deferred | 766 | 108,143 |
| | <u> </u> | <u> </u> |
| Total tax charge for the period | 2,690 | 109,962 |
| | <u> </u> | <u> </u> |

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 (2023: 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% (2023: 25%).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2023: Nil).

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

7. 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\$9,583,000 (2023: HK\$480,475,000 *(restated)*) and the number of ordinary shares 768,616,520 (2023: 768,616,520) in issue during the Period.

During the six months ended 30 June 2024 and 2023, 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 2024 (Unaudited) | | 31 December 2023 (Audited) | |
|-----------------|-----------------------------|------------|-------------------------------|------------|
| | HK\$'000 | Percentage | HK\$'000 | Percentage |
| Within 6 months | 4,652 | 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 2024 (Unaudited) | | 31 December 2023 (Audited) | |
|------------------|-----------------------------|------------|-------------------------------|------------|
| | HK\$'000 | Percentage | HK\$'000 | Percentage |
| More than 1 year | 1,861 | 100% | 1,914 | 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. LITIGATIONS

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

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Cont'd)

11. RELATED PARTY TRANSACTIONS

Saved as detailed elsewhere in these financial statements, the Group had the following transaction with related party during the Period:

A license fee of HK\$922,000 (2023: HK\$867,000) was incurred by a subsidiary of the Company for the rights to use the office (without exclusivity) in Hong Kong on a cost basis licensed by a private company controlled by an executive director. As at 30 June 2024, an amount due to the related company of HK\$2,360,000 (31 December 2023: HK\$1,438,000) was included in "Other payables and accruals" on the consolidated statement of financial position.

The above transaction constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules. The Directors are of the opinion that the transaction was conducted in the ordinary course of business of the Group.

12. DERECOGNITION OF A THEN SUBSIDIARY

In late June 2023, the Group acknowledged that the Rescission Order was issued by the Guangdong Court on 15 May 2023 to the effect of granting the New Liquidator Order against GZ Zheng Da by the Guangzhou Court on 7 August 2023. Accordingly, the Directors considered that the Group lost the control over GZ Zheng Da under HKFRS 10 *Consolidated Financial Statements* with effect from 15 May 2023 and GZ Zheng Da was derecognised as a then subsidiary and the equity interest in GZ Zheng Da was then classified as financial asset at fair value through profit or loss and was included as "Equity interest in an entity at fair value through profit or loss" on the consolidated statement of financial position.

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

12. DERECOGNITION OF A THEN SUBSIDIARY (Cont'd)

| | (Unaudited) HK\$'000 (Restated) |
|---|---------------------------------------|
| <i>Net assets of GZ Zheng Da:</i> | |
| Investment properties (note 14) | 3,672,000 |
| Properties held for sale | 28,018 |
| Cash and cash equivalents | 98 |
| Trade receivables | 259 |
| Prepayments, deposits and other receivables | 10,744 |
| Other payables and accruals | (35,147) |
| Tax payable | (45,361) |
| Due to a director | (21,001) |
| Long term other payables | (86,805) |
| Deferred tax liabilities | (820,699) |
| | <hr/> |
| Subtotal | 2,702,106 |
| Release of exchange fluctuation reserve | 20,469 |
| | <hr/> |
| | 2,722,575 |
| Loss on derecognition of a then subsidiary (notes 4 and (a)) | (1,708,355) |
| | <hr/> |
| Satisfied by: | |
| Equity interest in an entity at fair value through profit or loss (note 13) | 1,014,220 |
| | <hr/> <hr/> |

An analysis of the net outflow of cash and cash equivalents in respect of the derecognition of a then subsidiary is as follows:

| | (Unaudited) HK\$'000 (Restated) |
|---|---------------------------------------|
| Cash consideration | - |
| Cash and cash equivalents disposed of | (98) |
| | <hr/> |
| Net outflow of cash and cash equivalents in respect of derecognition of a then subsidiary | (98) |
| | <hr/> <hr/> |

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

12. DERECOGNITION OF A THEN SUBSIDIARY (Cont'd)

Note:

- (a) A significant loss on derecognition of a then subsidiary was resulted mainly because of the differences between the fair value of the equity interest in GZ Zheng Da and the original carrying amounts of respective assets and liabilities of GZ Zheng Da.

The fair value of the equity interest in GZ Zheng Da was determined based on discounted net realisation value (i.e., discounted cash flow method from realisation of assets and settlement of liabilities of GZ Zheng Da). In determining the fair value of the equity interest in GZ Zheng Da, the Directors had taken into account (i) the fair values of the underlying major assets with repossession discount and liabilities of GZ Zheng Da; (ii) relevant expenses, payments and tax for disposals of the assets, in particular, the properties, according to the prevailing tax rules and other relevant law and regulations; (iii) the timing to recover the investment; and (iv) the discount rate.

13. EQUITY INTEREST IN AN ENTITY AT FAIR VALUE THROUGH PROFIT OR LOSS

The movements of the carrying amount of the Group's equity interest in GZ Zheng Da during the Period are as follows:

| | 2024 HK\$'000 | 2023 HK\$'000 (Restated) |
|---|--------------------------------|--------------------------------|
| Financial asset at fair value through profit or loss | | |
| <i>Unlisted equity interest in an entity at fair value through profit or loss, at fair value:</i> | | |
| Carrying amount at 1 January (Audited) | 1,030,472 | – |
| Derecognition of a then subsidiary (note 12) | – | 1,014,220 |
| Changes in fair value recognised in the income statement (note 4) | (28,255) | – |
| Carrying amount at 30 June (Unaudited) | 1,002,217 | 1,014,220 |

The Management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the Management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved at least once a year or more frequently as needed.

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

13. EQUITY INTEREST IN AN ENTITY AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)

The fair value of the Group's equity interest in an entity at fair value through profit or loss is estimated by using significant unobservable inputs. The fair value measurement is categorised under Level 3. On date of derecognition of a then subsidiary, 31 December 2023 and 30 June 2024, the fair values were determined based on discounted net realisation value (i.e., discounted cash flow method from realisation of assets and settlement of liabilities of GZ Zheng Da) which have taken into account (i) the fair values of the underlying assets and liabilities of GZ Zheng Da; (ii) relevant expenses, payments and tax upon disposals of the assets, in particular, the properties, according to the prevailing tax rules and other relevant law and regulations; and (iii) five year periods to recover the investment. The discount rate applied to the cash flow projections is 4.2% (31 December 2023: 4.2%). Increase in the discount rate by 1% would result in decrease in its fair value as at 30 June 2024 by approximately HK\$46,737,000 (31 December 2023: HK\$48,055,000). Decrease in the discount rate by 1% would result in increase in its fair value as at 30 June 2024 by approximately HK\$49,507,000 (31 December 2023: HK\$50,903,000).

Independent qualified valuers, Vigers Appraisal and Consulting Limited and Merryshine Surveyors Limited, were engaged to assist the Management in the process to estimate the fair values of underlying investment properties and properties held for sale of the entity, respectively, based on recent market transactions and repossession discount. In estimating the fair values of these properties, the valuers assume the current use is the highest and best use of these properties. In addition, the Management also has taken professional advices, including but not limited to legal advisors and other professional parties, as necessary, and follows their advices in the process of preparation of the above expected future cash flow assessment.

The Directors believe that the estimated fair values resulting from the above valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in condensed consolidated income statement, are reasonable, and that they were the most appropriate values at the end of the reporting period.

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil).

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

13. EQUITY INTEREST IN AN ENTITY AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)

Below is a summary of the valuation techniques used and the key inputs to the valuation of key underlying assets of GZ Zheng Da:

| | Valuation techniques | Significant unobservable inputs | Weighted average/ range of unobservable inputs | |
|--------------------------|----------------------|---|---|-------------------------------|
| | | | 30 June 2024 (Unaudited) | 31 December 2023 (Audited) |
| Investment properties | Residual approach | Unit price per square metre | HK\$42,281 | HK\$43,466 |
| | | Developer's profit per square metre | HK\$9,102 | HK\$9,357 |
| | | Estimated cost to complete per square metre | HK\$5,099 | HK\$5,242 |
| | | Repossession discount | 25% | 25% |
| Properties held for sale | Market approach | Unit price per square metre | HK\$13,482 to HK\$15,194 | HK\$13,860 to HK\$15,620 |
| | | Repossession discount | 25% | 25% |

Under the residual approach, fair value is estimated on the basis of the gross development value of the investment properties by reference to their development potential deducting various costs, such as constructions cost, contingency cost, finance cost, marketing cost and professional fees that will be expended to complete the development as well as the developer's profit, to reflect the risks associated with the development of the investment property and the quality of the completed development. The gross development value is arrived at by making reference to the sales transactions or asking price evidence of comparable properties as available in the market with adjustments made to account for any differences and where appropriate.

Unaudited Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

13. EQUITY INTEREST IN AN ENTITY AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)

Under the market approach, fair value is estimated based on comparing the property to be valued directly with other comparable properties, which have been recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Repossession discount is then applied to the fair value of the properties under both methods which is the price adjustment that might reasonably be expected to realise within a specified period from the sale of a property in the market under repossession on an "as is" basis.

14. INVESTMENT PROPERTIES

| | 2024 HK\$'000 | 2023 HK\$'000 (Restated) |
|--|--------------------------------|--------------------------------|
| Carrying amount at 1 January (Audited) | 369,600 | 4,274,112 |
| Changes in fair value recognised in the income statement (note 4) | – | (45,200) |
| Derecognition of a then subsidiary (note 12) | – | (3,672,000) |
| Exchange realignment | (10,080) | (187,120) |
| | <hr/> 359,520 <hr/> | <hr/> 369,792 <hr/> |
| Carrying amount at 30 June (Unaudited) | | |