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## ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED

### 中昌國際控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 859)

## UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Zhongchang International Holdings Group Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 (“**Interim Period**”), together with the restated comparative figures for the six months ended 30 June 2020 as follows.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		<b>Unaudited</b>	
		<b>Six months ended 30 June 2021</b>	Six months ended 30 June 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Revenue	4	<b>18,294</b>	17,487
Other income, net	5	<b>3,725</b>	1,582
Net loss in fair value of investment properties	11	<b>(17,400)</b>	(42,200)
Staff costs	6	<b>(5,400)</b>	(7,744)
Depreciation of property, plant and equipment	6	<b>(503)</b>	(502)
Depreciation of right-of-use assets	6	<b>(838)</b>	(846)
Impairment losses under expected credit loss model	16	<b>(2,965)</b>	(270)
Other operating expenses		<b>(10,098)</b>	(13,791)
Loss from operations	6	<b>(15,185)</b>	(46,284)
Finance costs	7	<b>(60,289)</b>	(59,051)
Loss before taxation		<b>(75,474)</b>	(105,335)
Taxation	8	<b>(2,208)</b>	(2,282)
<b>Loss for the period</b>		<b>(77,682)</b>	(107,617)

		<b>Unaudited</b>	
		<b>Six months ended 30 June 2021 HK\$'000</b>	<b>Six months ended 30 June 2020 HK\$'000 (Restated)</b>
		<i>Notes</i>	
<b>Other comprehensive loss, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operations		<u>(1,678)</u>	<u>(3,250)</u>
Other comprehensive loss for the period, net of tax		<u>(1,678)</u>	<u>(3,250)</u>
<b>Total comprehensive loss for the period</b>		<u>(79,360)</u>	<u>(110,867)</u>
<b>Loss for the period attributable to the owners of the Company</b>		<u>(77,682)</u>	<u>(107,617)</u>
<b>Total comprehensive loss for the period attributable to the owners of the Company</b>		<u><u>(79,360)</u></u>	<u><u>(110,867)</u></u>
<b>Loss per share</b>			
– Basic (in HK cents)	10	<u><u>(6.90)</u></u>	<u><u>(9.57)</u></u>
– Diluted (in HK cents)	10	<u><u>(6.90)</u></u>	<u><u>(9.57)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>Unaudited</b>	
		<b>30 June</b>	Audited
		<b>2021</b>	31 December
<i>Notes</i>		<b>HK\$'000</b>	<b>2020</b>
			<b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>624</b>	1,127
Right-of-use assets		<b>1,916</b>	2,748
Investment properties	11	<b>1,845,600</b>	1,863,000
Financial assets at fair value through profit or loss	13	<b>6,009</b>	5,941
		<u><b>1,854,149</b></u>	<u>1,872,816</u>
<b>Current assets</b>			
Properties for sale	14	<b>678,114</b>	628,372
Trade and other receivables, deposits and prepayments	15	<b>46,620</b>	43,815
Tax recoverable		<b>5,378</b>	3,185
Cash and bank balances		<b>372,962</b>	356,144
		<u><b>1,103,074</b></u>	<u>1,031,516</u>
<b>Current liabilities</b>			
Trade and other payables, deposits and accrued expenses	17	<b>639,104</b>	440,807
Lease liabilities		<b>1,223</b>	1,747
Bank and other borrowings	18	<b>1,541,070</b>	1,604,842
Tax payables		<b>1,642</b>	3,214
		<u><b>2,183,039</b></u>	<u>2,050,610</u>

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net current liabilities</b>		<b>(1,079,965)</b>	<b>(1,019,094)</b>
<b>Total assets less current liabilities</b>		<b>774,184</b>	<b>853,722</b>
<b>Non-current liabilities</b>			
Other payables and deposits	17	<b>6,256</b>	6,010
Lease liabilities		<b>507</b>	1,126
Deferred tax liabilities		<b>12,034</b>	11,839
		<b>18,797</b>	18,975
<b>Net assets</b>		<b>755,387</b>	<b>834,747</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	19	<b>112,502</b>	112,502
Reserves		<b>642,885</b>	722,245
<b>Total equity</b>		<b>755,387</b>	<b>834,747</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company is engaged in investment holding and the principal activities of the Group are property leasing and property development.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, respectively.

The functional currency of the Company is Hong Kong Dollars ("**HK\$**") and the functional currency of its operating subsidiaries in the People's Republic of China (the "**PRC**") is Renminbi ("**RMB**"). The interim condensed consolidated financial statements are presented in HK\$, unless otherwise stated. The interim condensed consolidated financial statements have not been audited.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

### Going concern

As at 30 June 2021, the Group's total current liabilities exceeded its total current assets by approximately HK\$1,079,965,000 (31 December 2020: approximately HK\$1,019,094,000). The net current liabilities were mainly due to the breach of a financial covenant ("**Breach**") as stipulated in the relevant facility agreement and facility letter entered into by each of Pioneer Delight Limited ("**Pioneer Delight**"), Smart Land Properties Limited ("**Smart Land**") and Top Bright Properties Limited ("**Top Bright**", together with Pioneer Delight and Smart Land, the "**Borrowers**", and each a "**Borrower**") respectively as a borrower and Hang Seng Bank Limited ("**HSB**") as the lender for term loans in aggregate of approximately HK\$976,942,000, out of which approximately HK\$937,186,000 were reclassified from non-current liabilities to current liabilities. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The Borrowers and HSB have been in discussions regarding a potential waiver of the Breach and HSB has imposed certain waiver conditions to be satisfied. As at the date of this announcement, the Borrowers have yet to obtain the waiver of the Breach.

The Directors are of the opinion that the preparation of the condensed consolidated financial statements of the Group on a going concern basis remains appropriate as they believe that the Group will obtain the continuing financial support from the controlling shareholder of the Company, which will enable the Group to operate in the foreseeable future, and accordingly, discharge its liabilities at the normal course of business.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any significant impact on the financial position and performance of the Group.

#### **4. REVENUE AND SEGMENT INFORMATION**

The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the Directors, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments under HKFRS 8 Operating Segments are as follows:

- (i) Property investment – leasing of investment properties in Hong Kong
- (ii) Property development in the PRC

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

#### Six months ended 30 June 2021 (unaudited)

	<b>Property investment <i>HK\$'000</i></b>	<b>Property development <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Revenue from other sources			
– Rental income	<u>18,294</u>	<u>–</u>	<u>18,294</u>
Segment revenue	<u>18,294</u>	<u>–</u>	<u>18,294</u>
Segment results	13,237	(7,295)	5,942
Other income, net			3,725
Corporate and other unallocated expenses			(7,452)
Net loss in fair value of investment properties			(17,400)
Finance costs			<u>(60,289)</u>
Loss before taxation			<u><u>(75,474)</u></u>

**Six months ended 30 June 2020 (unaudited and restated)**

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from other sources			
– Rental income	<u>17,487</u>	<u>–</u>	<u>17,487</u>
Segment revenue	<u>17,487</u>	<u>–</u>	<u>17,487</u>
Segment results	14,992	(7,384)	7,608
Other income, net			1,582
Corporate and other unallocated expenses			(13,274)
Net loss in fair value of investment properties			(42,200)
Finance costs			<u>(59,051)</u>
Loss before taxation			<u><u>(105,335)</u></u>

Segment results represents the profit/(loss) from each segment without allocation of corporate and other unallocated expenses, net other income, net loss in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Revenue reported above represents revenue generated from external customers. There was no inter-segment sales for the periods reported.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

#### At 30 June 2021 (unaudited)

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	1,851,346	723,185	2,574,531
Unallocated*			<u>382,692</u>
Consolidated total assets			<u><u>2,957,223</u></u>
Segment liabilities	29,088	1,186,138	1,215,226
Unallocated**			<u>986,610</u>
Consolidated total liabilities			<u><u>2,201,836</u></u>

#### At 31 December 2020 (audited)

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	1,872,846	665,033	2,537,879
Unallocated*			<u>366,453</u>
Consolidated total assets			<u><u>2,904,332</u></u>
Segment liabilities	25,624	983,082	1,008,706
Unallocated**			<u>1,060,879</u>
Consolidated total liabilities			<u><u>2,069,585</u></u>

\* This includes elimination of intersegment receivables with an amount of approximately HK\$936,209,000 and HK\$942,820,000 as at 30 June 2021 and 31 December 2020, respectively.

\*\* This includes elimination of intersegment payables with an amount of approximately HK\$936,209,000 and HK\$942,820,000 as at 30 June 2021 and 31 December 2020, respectively.

For the purposes of monitoring segment performance and allocating resources between segments:

- Segment assets exclude cash and cash equivalents, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.
- Segment liabilities exclude certain bank and other borrowings, certain tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

## 5. OTHER INCOME, NET

	<b>Unaudited</b>	
	<b>Six months ended 30 June 2021 HK\$'000</b>	Six months ended 30 June 2020 HK\$'000 (Restated)
Bank interest income	<b>2,081</b>	629
Change in fair value of derivative financial asset component of convertible notes	–	(13)
Compensation received from tenant	–	511
Exchange gain, net	<b>1,609</b>	–
Government grants	–	83
Sundry income	<b>35</b>	372
	<b>3,725</b>	1,582

During the six months ended 30 June 2020, the Group recognised government grants of approximately HK\$83,000 in respect of Covid-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong Government.

## 6. LOSS FROM OPERATIONS

	<b>Unaudited</b>	
	<b>Six months ended 30 June 2021 HK\$'000</b>	<b>Six months ended 30 June 2020 HK\$'000 (Restated)</b>
Loss from operations is arrived at after charging/(crediting) the followings:		
Directors' emoluments	299	1,542
Other staff costs	<u>5,101</u>	<u>6,202</u>
Total staff costs	<u>5,400</u>	<u>7,744</u>
Depreciation of property, plant and equipment	503	502
Depreciation of right-of-use-assets	838	846
Impairment losses under expected credit loss model ( <i>Note 16</i> )	2,965	270
Gross rental income from investment properties	<span style="border: 1px solid black;">(18,294)</span>	<span style="border: 1px solid black;">(17,487)</span>
Less: Direct operating expenses from investment properties that generated rental income during the period	<span style="border: 1px solid black;">3,364</span>	<span style="border: 1px solid black;">1,945</span>
	<u><u>(14,930)</u></u>	<u><u>(15,542)</u></u>

## 7. FINANCE COSTS

	<b>Unaudited</b>	
	<b>Six months ended 30 June 2021 HK\$'000</b>	<b>Six months ended 30 June 2020 HK\$'000 (Restated)</b>
Interest on bank and other borrowings wholly repayable within five years	64,525	62,240
Effective interest expenses on convertible notes	–	690
Interest on lease liabilities	<u>64</u>	<u>104</u>
Total borrowing costs	<u>64,589</u>	<u>63,034</u>
Less: Amount capitalised to properties for sale	<u>(4,300)</u>	<u>(3,983)</u>
	<u><u>60,289</u></u>	<u><u>59,051</u></u>

## 8. TAXATION

	<b>Unaudited</b>	
	<b>Six months ended 30 June 2021 HK\$'000</b>	<b>Six months ended 30 June 2020 HK\$'000 (Restated)</b>
Current tax		
Hong Kong profits tax		
– Provision for the period	1,265	1,653
– Under-provision in prior years	<u>210</u>	<u>–</u>
	<b>1,475</b>	1,653
The PRC		
– Enterprise income tax (“EIT”)	<u>538</u>	<u>–</u>
	<b>2,013</b>	1,653
Deferred taxation		
– Charged to the condensed consolidated statement of profit or loss and other comprehensive income	<u>195</u>	<u>629</u>
	<b><u>2,208</u></b>	<b><u>2,282</u></b>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of the Group’s operation in Hong Kong for both periods.

Under the law of the PRC on EIT (the “EIT Law”) and implementation regulation of the EIT Law, the PRC subsidiaries of the Group are subjected to PRC EIT of a rate of 25%.

## 9. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the Interim Period (six months ended 30 June 2020: Nil).

## 10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	<b>Unaudited</b>	
	<b>Six months ended 30 June 2021 HK\$'000</b>	Six months ended 30 June 2020 HK\$'000 (Restated)
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u>(77,682)</u>	<u>(107,617)</u>
	<b>Unaudited</b>	
	<b>Six months ended 30 June 2021 '000</b>	Six months ended 30 June 2020 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,125,027	1,125,027
Effect of dilutive potential ordinary shares:		
Convertible notes	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,125,027</u>	<u>1,125,027</u>

For the six months ended 30 June 2021 and 2020, the diluted loss per share is the same as the basic loss per share. The Company's outstanding convertible notes were not included in the calculation of diluted loss per share for the six months ended 30 June 2020 because the effect of which were anti-dilutive.

## 11. INVESTMENT PROPERTIES

	<b>Completed investment properties, in Hong Kong HK\$'000</b>
<b>FAIR VALUE:</b>	
At 1 January 2021	1,863,000
Net loss in fair value recognised in the condensed consolidated statement of profit or loss and other comprehensive income	<u>(17,400)</u>
<b>At 30 June 2021 (unaudited)</b>	<b><u><u>1,845,600</u></u></b>

The fair value of the Group's investment properties as at 30 June 2021 and 31 December 2020 was determined by valuations carried out by Knight Frank Petty Limited, an independent qualified professional valuer not connected to the Group.

The responsible valuers of Knight Frank Petty Limited are members of the Hong Kong Institute of Surveyors, and it has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on income capitalisation approach and by making reference to comparable rent and sales transactions of similar properties in the similar locations and conditions as available in the market to assess the market value of the investment properties.

There have been no changes to the valuation techniques during the Interim Period.

The resulting decrease in fair value of investment properties of HK\$17,400,000 (six months ended 30 June 2020: HK\$42,200,000) has been recognised directly in the condensed consolidated statements of profit or loss and other comprehensive income for the Interim Period.

As at 30 June 2021, investment properties with a carrying amount in aggregate of HK\$1,845,600,000 (31 December 2020: HK\$1,863,000,000) were pledged as collateral for the Group's bank and certain other borrowings.

## 12. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Opening balance	-	-
Acquisition cost	-	-
Share of result of an associate	-	-
Exchange adjustment	-	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>
Amount due from an associate	58,300	57,637
Allowance of credit losses	(58,300)	(57,637)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

As of 30 June 2021 and 31 December 2020, particulars of the Group's associate is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Yitai International (BVI) Holdings Limited ("Yitai")	Ordinary shares	The British Virgin Islands	49%	Investment holding

On 4 February 2019, Agile Scene, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sansheng BVI, pursuant to which Agile Scene agreed to purchase and Sansheng BVI agreed to sell 49% equity interest in Yitai at a cash consideration of approximately RMB255,600,000 (equivalent to approximately HK\$299,000,000). Yitai is an investment holding company and indirectly holds 99% beneficial equity interest in 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Ltd.\*) ("Jinhua Mingrui"), which is engaged in property development in Jinhua City, Zhejiang Province, the PRC. The acquisition was completed on 2 April 2019.

Yitai is considered as a material associate of the Group and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Yitai adjusted for any differences in accounting policies and reconciled to the carrying amount in the condensed consolidated financial statements:

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
Current assets	<b>437,019</b>	1,523,003
Non-current assets, excluding goodwill	<b>118,601</b>	119,252
Goodwill on acquisition of the associate	–	–
Current liabilities	<b>(734,106)</b>	(1,866,683)
Net liabilities	<b>(178,486)</b>	(224,428)
Net liabilities, excluding goodwill	<b>(178,486)</b>	(224,428)
Equity attributable to owners of the associate	<b>(176,702)</b>	(222,184)
Non-controlling interests	<b>(1,784)</b>	(2,244)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	<b>49%</b>	49%
Group's share of net liabilities of the associate, excluding goodwill	–	–
Goodwill on acquisition	–	–
Carrying amount of the investment	<b>–</b>	–
	<b>Unaudited 30 June 2021 HK\$'000</b>	Unaudited 30 June 2020 HK\$'000 (Restated)
Revenue	<b>924,019</b>	–
Profit/(loss) for the period	<b>48,417</b>	(15,855)
Other comprehensive (loss)/income for the period	<b>(2,475)</b>	1,617
Total comprehensive income/(loss) for the period	<b>45,942</b>	(14,238)

The Group has discontinued the recognition of its share of losses of an associate, namely, Yitai, because the share of losses of Yitai exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. During the Interim Period, this associate subsequently reported profits amounted approximately HK\$48,417,000 (30 June 2020 (restated): losses of approximately HK\$15,855,000).

The Group will only resume recognising its share of Yitai's profits only after its share of the profits equals the share of losses not recognised. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK\$0 (30 June 2020 (restated): HK\$7,691,000) and HK\$86,584,000 (30 June 2020 (restated): HK\$45,091,000), respectively.

At 30 June 2021 and 31 December 2020, amount due from an associate, namely, Yitai was approximately HK\$58,300,000 and HK\$57,637,000, respectively. The directors of the Group considered that the recoverability of the receivables due from Yitai was remote and the expected credit loss were HK\$58,300,000 and HK\$57,637,000, respectively.

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Unlisted equity investments ( <i>Note</i> )	<u>6,009</u>	<u>5,941</u>

*Note:*

Zhoushan Mingtai Property Management Co., Limited (“**Zhoushan Mingtai**”), an indirect wholly-owned subsidiary of the Company, is a limited partner of an investment entity in the PRC. The investment entity is principally engaged in investment management and equity investments, Zhoushan Mingtai is a limited partner of the investment entity and does not have control nor significant influence in the operational and financing decisions of the investment entity.

As at 30 June 2021, the fair value of financial assets at fair value through profit or loss is RMB5,000,000 (equivalent to approximately HK\$6,009,000) (31 December 2020: RMB5,000,000 (equivalent to approximately HK\$5,941,000)).

### 14. PROPERTIES FOR SALE

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Properties under development ( <i>Notes (a) and (c)</i> )	652,369	602,919
Completed properties ( <i>Note (b)</i> )	<u>25,745</u>	<u>25,453</u>
	<u>678,114</u>	<u>628,372</u>

*Notes:*

- (a) At 30 June 2021, properties under development with an aggregate carrying amount of approximately HK\$652,369,000 (31 December 2020: approximately HK\$602,919,000) were pledged to a financial institution in the PRC as collateral of the Group’s other borrowings.
- (b) At 30 June 2021, certain completed properties within an aggregate carrying amount of approximately HK\$22,726,000 (31 December 2020: approximately HK\$22,468,000) were pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties.
- (c) The value of properties under development is assessed at the end of the reporting period. An impairment exists when the carrying value exceeds the recoverable amount, which is the higher of its fair value less costs of disposal. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. No impairment loss has been recognised for the six months ended 30 June 2021 (31 December 2020: Nil).

## 15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Rental receivables ( <i>Note (i)</i> )	499	4,547
Property project management service receivables ( <i>Note (ii)</i> )	601	594
	<u>1,100</u>	<u>5,141</u>
Less: Allowance for credit losses ( <i>Note (iv)</i> )	(210)	(1)
	<u>890</u>	<u>5,140</u>
Security deposits for financing arrangements ( <i>Note (iii)</i> )	834	825
Other receivables, deposits and prepayments, net of allowance for credit losses ( <i>Note (iv)</i> )	44,896	37,850
	<u>46,620</u>	<u>43,815</u>

### Notes:

- (i) The amount represents rental receivables for leasing of investment properties.

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these rental receivables.

The ageing analysis of the Group's rental receivables is as follows:

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
0 to 30 days	88	1,319
31 to 60 days	176	1,402
61 to 90 days	175	95
91 to 180 days	16	1,683
181 to 365 days	21	48
More than 365 days	23	–
	<u>499</u>	<u>4,547</u>

Rental receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the Group. Based on past experience, the management of the Company believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

- (ii) The project management service fee shall be payable within 12 days from end of each quarter. The ageing analysis of the Group's property project management service receivables net of allowance of credit losses presented based on the invoice dates, is as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
More than 365 days	<b>391</b>	593

- (iii) The amounts are deposited in a financial institution in the PRC for securing the other borrowings of the Group. Such deposits will be refunded to the Group upon final repayments of the relevant other borrowings.
- (iv) Details of assessment on the ECL were set out in Note 16 to the condensed consolidated financial statements.

#### 16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

	<b>Unaudited</b>	
	<b>Six months</b>	Six months
	<b>ended</b>	ended
	<b>30 June</b>	30 June
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
Impairment loss recognised in respect of		
– trade receivables	<b>209</b>	–
– other receivables	<b>2,756</b>	270
	<b>2,965</b>	270

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the Interim Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

During the Interim Period, the Group provided impairment allowance of approximately HK\$2,965,000 (six months ended 30 June 2020: approximately HK\$270,000).

## 17. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Trade payables (Note (a))	95,875	118,895
Rental deposits received	12,299	11,096
Contract liabilities (Note (b))	296,853	148,892
Other payables and accrued expenses (Note (c))	239,635	167,327
	<u>644,662</u>	<u>446,210</u>
Advance rental received	698	607
	<u>645,360</u>	<u>446,817</u>
Less: Non-current portion of other payables and deposits	<u>(6,256)</u>	<u>(6,010)</u>
Current portion	<u><u>639,104</u></u>	<u><u>440,807</u></u>

Notes:

(a) Ageing analysis of trade payables presented based on the invoice date, is as follows:

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
0-30 days	261	68,244
31-90 days	–	1,733
91-180 days	1	3,474
181-365 days	50,319	13,500
More than 365 days	45,294	31,944
	<u><u>95,875</u></u>	<u><u>118,895</u></u>

(b) Contract liabilities represent proceeds received from pre-sale of properties as at the end of the reporting period.

(c) The amount included interest payable to Shanghai Aijian Trust Co., Limited (“**Shanghai Aijian**”) and bank borrowings which was approximately HK\$152,174,000 in total (31 December 2020: approximately HK\$96,645,000), and amounts due to former related companies of approximately HK\$1,142,000 (31 December 2020: approximately HK\$1,129,000).

## 18. BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective interest rate	Maturity	HK\$'000	Effective interest rate	Maturity	HK\$'000
<b>Current</b>						
Bank borrowings – secured	HIBOR plus 1.25%-2%	On demand	976,942	HIBOR plus 1.25%-2%	On demand	997,121
Other borrowings – secured	11%-23%	13 February 2022	564,128	8%-23%	On demand	607,721
			<b>1,541,070</b>			<b>1,604,842</b>

The carrying amount of the above bank and other borrowings are repayable as follows:

	<b>Unaudited 30 June 2021 HK\$'000</b>	<b>Audited 31 December 2020 HK\$'000</b>
On demand or within one year	<b>1,541,070</b>	1,604,842
Less: Amounts due within one year shown under current liabilities	<u><b>(1,541,070)</b></u>	<u>(1,604,842)</u>
Amounts shown under non-current liabilities	<u><u>–</u></u>	<u><u>–</u></u>

The bank and other borrowings are secured by the Group's assets which were set out in the section "Financial Review – Charges on Group Assets" of this announcement.

Details of corporate guarantees and pledge of assets of the Group were set out in "Financial Review – Corporate Guarantee" and "Financial Review – Charges on Group Assets" of this announcement, respectively.

## 19. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2021 '000	31 December 2020 '000	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Authorised:				
Ordinary of shares of HK\$0.1 each	<u>2,000,000</u>	<u>2,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and full paid	<u>1,125,027</u>	<u>1,125,027</u>	<u>112,502</u>	<u>112,502</u>

## 20. RESTATEMENTS DUE TO PRIOR YEAR ADJUSTMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

As disclosed in the Group's audited consolidated financial statements for the year ended 31 December 2020, due to (i) restatements in relation to the Group's dissipation of funds; (ii) restatements in relation to the Group's acquisition of the entire equity interests of High Morality Limited ("High Morality"); (iii) restatements in relation to the provision of amounts due from entities controlled directly or indirectly by Shanghai Sansheng Hongye Investment (Group) Company Limited\* (上海三盛宏業投資(集團)有限責任公司) ("Shanghai Sansheng") including amounts due from Shanghai Sansheng recorded in the books of the Group's associate; and (iv) restatements in relation to the classification of bank borrowings and other consequential adjustments for the year ended 31 December 2019, the Group's condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 were restated.

The effects of the restatements on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 are summarised as follows:

	As previously reported <i>HK\$'000</i>	Prior years adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Revenue	17,487	–	17,487
Other (loss)/income, net	(1,155)	2,737	1,582
Net loss in fair value of investment properties	(42,200)	–	(42,200)
Staff costs	(7,744)	–	(7,744)
Depreciation of property, plant and equipment	(502)	–	(502)
Depreciation of right-of-use assets	(846)	–	(846)
Write-down of properties for sale to net realisable value	(32,933)	32,933	–
Impairment losses under expected credit loss model	(12,478)	12,208	(270)
Other operating expenses	(11,851)	(1,940)	(13,791)
Loss from operations	(92,222)	45,938	(46,284)
Share of results of an associate	(24,130)	24,130	–
Impairment loss on investment in an associate	(11,706)	11,706	–
Finance costs	(23,593)	(35,458)	(59,051)
Loss before taxation	(151,651)	46,316	(105,335)
Taxation	(2,210)	(72)	(2,282)
Loss for the period	<u>(153,861)</u>	<u>46,244</u>	<u>(107,617)</u>
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations	<u>(11,549)</u>	<u>8,299</u>	<u>(3,250)</u>
Other comprehensive loss for the period, net of tax	<u>(11,549)</u>	<u>8,299</u>	<u>(3,250)</u>
Total comprehensive loss for the period	<u>(165,410)</u>	<u>54,543</u>	<u>(110,867)</u>
Loss for the period attributable to the owners of the Company	<u>(153,861)</u>	<u>46,244</u>	<u>(107,617)</u>
Total comprehensive loss for the period attributable to the owners of the Company	<u>(165,410)</u>	<u>54,543</u>	<u>(110,867)</u>
Loss per share			
– Basic (in HK cents)	<u>(13.68)</u>		<u>(9.57)</u>
– Diluted (in HK cents)	<u>(13.68)</u>		<u>(9.57)</u>

## 21. EVENTS AFTER THE REPORTING PERIOD

On 25 June 2021, Zhoushan Mingyi Cultural Assets Investment Co., Ltd.\* (舟山銘義文化產業投資有限公司) (“**Zhoushan Mingyi**”) (an indirect wholly-owned subsidiary of the Company and the holding company of Shanghai Yuexin Enterprise Management Consultancy Co., Ltd\* (上海岳信企業管理諮詢有限公司) (“**Shanghai Yuexin**”) commenced a public tender (the “**Public Tender**”) for the disposal of 100% equity interest in Shanghai Yuexin on Shanghai United Assets and Equity Exchange\* (上海聯合產權交易所有限公司) (the “**Shanghai UAEE**”).

The bidding period for the Public Tender ended on 22 July 2021. On 26 July 2021, Shanghai UAEE informed the Company that there was one successful bidder, Pujiang Jiaze Enterprise Management Co., Ltd\* (浦江嘉澤企業管理有限公司) (the “**Pujiang Jiaze**”), an independent third party. On 10 August 2021, Zhoushan Mingyi as the vendor and the Pujiang Jiaze as the successful bidder and purchaser, among others, entered into an equity transfer agreement and supplemental agreements for the purposes of the disposal. The consideration for the disposal is RMB1,000,000, which was the minimum consideration indicated in the Public Tender.

For details, please refer to the Company’s announcement dated 10 August 2021 and “Management Discussion and Analysis – Property Development Business – The Zhenjiang Project – Updates on the Disposal of the Zhenjiang Project through Disposal of 100% equity interest in Shanghai Yuexin” below.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group is principally engaged in property investment and leasing in Hong Kong and property development in the PRC.

In the first half of 2021, despite the complex and changing domestic and international environment, the Chinese economy continued to steadily recover and grow. According to the statistics published by the National Bureau of Statistics of China, in the first half of 2021, China's gross domestic products ("GDP") grew by 12.7% year-on-year. In the first half of the year, the Chinese Government maintained that "residential properties are not for speculation", and strengthened the management of land supply through centralized planning. The Chinese Government implemented measures and mechanisms for a more stable and sustainable development of the property market.

On the other hand, Hong Kong's GDP grew by 7.8% year-on-year in the first half of the year as the global economic momentum further strengthened and trade activity picked up significantly. Consumer sentiment in Hong Kong improved over the first half of the year as social distancing measures were relaxed, workers and students returned to offices and schools, and new COVID-19 cases came under control. The unemployment rate fell back to 5.5% in the second quarter of 2021 as the labour market gradually improved along with the recovery of the economy.

### Property leasing business

During the Interim Period, the Group recorded rental income from investment properties of approximately HK\$18.3 million (six months ended 30 June 2020: approximately HK\$17.5 million). The increase in rental income was mainly attributable to no rent concession being granted and the improvements in the occupancy rate during the Interim Period.

Hong Kong's retail sales rose 8.4% year-on-year in the first half of 2021 as the local COVID-19 situation stabilised and the unemployment rate improved. The rebound of retail sales helped to slightly ease the vacancy pressure of shops on the high street and in prime shopping centres. More moderate declines in rents and capital values were recorded in the commercial property markets in the first half of 2021. Leasing activities improved significantly in the first half of 2021 as asking rents softened. The Group's overall rental reversion in renewals and new lettings remained slightly negative during the Interim Period.

In face of the daunting challenges, the Group remained focused on further bolstering the resilience of its core property leasing business in Causeway Bay in Hong Kong in order to preserve its long-term competitiveness and ensure sustainable development in a challenging market. The investment properties of the Group are situated in the prime shopping district of Causeway Bay in Hong Kong and the Group has continued to refine the diverse-trade tenants mix.

As at 30 June 2021, the investment property portfolio of the Group achieved an occupancy rate of approximately 96.8% (31 December 2020: approximately 90.3%). Jardine Center remained as the Group's core and steady income generator, accounted for approximately 80.7% of the total revenue of the Group during the Interim Period.

Set out below is a table summarising the valuation and revenue contribution of the investment properties portfolio of the Group in Hong Kong at the end of the Interim Period and during the Interim Period, respectively.

	Valuation of investment properties as at 30 June 2021 HK\$'000	Valuation of investment properties as at 31 December 2020 HK\$'000	Decrease in fair value of investment properties HK\$'000	Revenue for the six months ended 30 June 2021 HK\$'000	Revenue for the six months ended 30 June 2020 HK\$'000	Increase/ (decrease) in revenue %
<b>Causeway Bay</b>						
Jardine Center, No.50 Jardine's Bazaar <sup>(1)</sup>	1,440,000	1,450,000	(10,000)	14,756	13,091	12.7
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar <sup>(2)</sup>	93,000	95,000	(2,000)	-	1,099	(100.0)
First Floor, Nos.38 and 40 Jardine's Bazaar <sup>(2)</sup>	13,600	14,000	(400)	225	224	0.4
Ground Floor including Cockloft, No.41 Jardine's Bazaar <sup>(2)</sup>	124,000	126,000	(2,000)	1,409	1,283	9.8
Ground Floor, No.57 Jardine's Bazaar <sup>(2)</sup>	125,000	128,000	(3,000)	1,417	1,330	6.5
<b>Mid-Levels</b>						
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road <sup>(2)</sup>	50,000	50,000	-	487	460	5.9
<b>Total</b>	<b>1,845,600</b>	<b>1,863,000</b>	<b>(17,400)</b>	<b>18,294</b>	<b>17,487</b>	<b>4.6</b>

<sup>(1)</sup> Ginza-style building

<sup>(2)</sup> Street-shop

As at 30 June 2021, the investment properties of the Group were revalued at HK\$1,845.6 million (31 December 2020: HK\$1,863.0 million) by an independent professional valuer. During the Interim Period, the loss in fair value of investment properties of HK\$17.4 million (six months ended 30 June 2020: HK\$42.2 million) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income. The loss in fair value of investment properties was mainly due to the general market sentiment from the continuing impact of COVID-19 pandemic.

## Property development business

For the property development business in the PRC, the Group has one property development project through a wholly-owned subsidiary, Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.\* (鎮江天工頤景園房地產有限公司) (“**Zhenjiang Tiangong**”) in Zhenjiang, Jiangsu Province, the PRC, known as Phase II of Nanshan Qianshuiwan (南山淺水灣) (the “**Zhenjiang Project**”). The Group is also interested in another property development project through an associate of the Company, namely, Yitai, which holds 99% indirect equity interest in Jinhua Mingrui Real Estate Development Co., Ltd.\* (金華銘瑞房地產開發有限公司) (“**Jinhua Mingrui**”) in Jinhua City, Zhenjiang Province, PRC (the “**Jinhua Project**”).

### *The Zhenjiang Project*

The Zhenjiang Project is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai. It is planned to be developed into a mixed-used residential and commercial development with total planned gross floor area (“**GFA**”) of approximately 160,000 square metres (“**sq.m.**”), including residential area of approximately 151,700 sq.m., commercial area of approximately 3,900 sq.m. and ancillary area of approximately 2,400 sq.m. Based on the existing development plan, the Zhenjiang Project will comprise 22 villas, 13 high rise residential towers and spaces for retail and ancillary facilities such as kindergarten. The Group intends to designate all residential and commercial units for sale.

The table below sets out the latest development timetable of the Zhenjiang Project:

Phase	GFA (sq.m.)				Total	Estimated/ actual commencement date	Estimated completion date	Estimated/ actual pre-sale date
	Residential	Retail	Car park	Ancillary areas				
Phase 1	61,223	–	–	–	61,223	March 2019	April 2022	August 2019
Phase 2	42,546	–	–	–	42,546	August 2021	April 2023	December 2021
Phase 3	47,895	1,866	2,036	2,400	54,197	March 2022	September 2023	July 2022
Total	<u>151,664</u>	<u>1,866</u>	<u>2,036</u>	<u>2,400</u>	<u>157,966</u>			

During the Interim Period, the Group continued to presell the units in phase 1 of the Zhenjiang Project.

As at 30 June 2021, 209 residential units out of total 1,132 units of the Zhenjiang Project (31 December 2020: 131 residential units out of total 1,132 units) were presold and proceeds from presale of the residential units amounted to approximately RMB247.0 million (equivalent to approximately HK\$296.9 million) (31 December 2020: approximately RMB125.3 million (equivalent to approximately HK\$148.9 million)). As at 30 June 2021, the carrying value of the Zhenjiang Project was approximately RMB542.8 million (equivalent to approximately HK\$652.4 million) (31 December 2020: approximately RMB507.4 million (equivalent to approximately HK\$602.9 million)). As for the construction of the remaining two phases of the Zhenjiang Project, due to severe disruption caused by COVID-19, the construction progress was delayed. Therefore, pursuant to the latest construction plan, the construction of phase 2 of the Zhenjiang Project recently commenced in August 2021. As for phase 3 of the Zhenjiang Project, the construction is expected to commence in March 2022 based on the construction plan.

*Updates on the Disposal of the Zhenjiang Project through Disposal of 100% equity interest in Shanghai Yuexin*

As disclosed in the annual report of the Company for the financial year ended 31 December 2020 (“**FY2020 Annual Report**”), Agile Scene Limited (“**Agile Scene**”), a wholly-owned subsidiary of the Company, exercised the put option pursuant to the terms of the sale and purchase agreement dated 9 December 2018 for the sale and purchase of the entire interest in High Morality entered into between Agile Scene as purchaser and Sanshenghongye (BVI) Holdings Limited (“**Sansheng BVI**”) as the vendor. A put option notice was sent to Sansheng BVI and Shanghai Sansheng Real Estate (Group) Company Limited\* (上海三盛房地產(集團)有限責任公司) (“**Sansheng Real Estate**”) as the guarantor on 5 January 2021 after obtaining the shareholders’ approval at the special general meeting of the Company held on 5 January 2021 to the exercise of the put option (the “**Put Option**”) to require Sansheng BVI and Sansheng Real Estate to acquire all the issued share of High Morality immediately before the completion of the put option and the outstanding loan (if any) owed by any of High Morality and its subsidiaries (the “**High Morality Group**”) to Agile Scene immediately before the completion of the Put Option. On 6 January 2021, the Company received a response from Sansheng BVI and Sansheng Real Estate that (i) neither Sansheng BVI nor Sansheng Real Estate would be able to settle the consideration for the exercise of the Put Option, and (ii) the Company could sell all or part of High Morality, or High Morality Group as the Company and Agile Scene deems fit.

As disclosed in the announcements of the Company dated 25 June 2021 and 10 August 2021, the Company was exploring other opportunities to realise its investment in the Zhenjiang Project since receiving the response from Sansheng BVI and Sansheng Real Estate on 6 January 2021. On 25 June 2021, the Public Tender was commenced on Shanghai UAFE to dispose of the 100% equity interest in Shanghai Yuexin. The bidding period of the Public Tender ended on 22 July 2021. On 26 July 2021, Shanghai UAEE informed the Company that there was one successful bidder, Pujiang Jiaze, an independent third party. On 10 August 2021, Zhoushan Mingyi as the vendor, Pujiang Jiaze as the successful bidder and purchaser, Shanghai Yuexin and Zhenjiang Tiangong

entered into an equity transfer agreement and supplemental agreements for the disposal of the entire equity interest in Shanghai Yuexin and its subsidiary, Zhenjiang Tiangong, together with all the assets held and liabilities owed by Shanghai Yuexin and Zhenjiang Tiangong (other than legal recourse on the part of Zhoushan Mingyi relating to the aggregate loans and other amounts due from Shanghai Yuexin and Zhenjiang Tiangong to the Group amounting to RMB354.0 million comprising RMB183.5 million of shareholder's loan and RMB170.5 million of prepaid construction costs made by Zhenjiang Tiangong to the main contractor for the Zhenjiang Project (the "**Prepaid Construction Costs**") suspected to have been dissipated by Shanghai Sansheng (the "**Dissipated Funds**"). The consideration was RMB1.0 million, being the minimum consideration as it was the initial bidding price indicated in the Public Tender. Up to the date of this announcement, the conditions precedent to the completion have yet to be fulfilled. Therefore, the disposal of the entire equity interest in Shanghai Yuexin and its subsidiary has not yet completed.

For details, please refer to the Company's announcements dated 16 September 2020, 9 and 23 October 2020, 30 November 2020, 5 January 2021, 6 January 2021, 19 February 2021, 25 June 2021 and 10 August 2021, the circular of the Company dated 14 December 2020, and the FY2020 Annual Report.

#### **Updates on the Special Investigation Committee**

As disclosed in the announcement of the Company dated 15 January 2021, a special investigation committee of the Board (the "**Special Investigation Committee**" or "**SIC**") has been established to investigate and report on various matters and events leading to and/or otherwise relating to (i) the civil claim from two individual plaintiffs whereby Shanghai Yuexin and Zhenjiang Tiangong, were named as the first defendant and third defendant, respectively and Sansheng Real Estate, an independent third party of the Company, as the second defendant (the "**Civil Claim**") in relation to the alleged breach of contract of an equity transfer agreement dated 2 December 2017 alleged to be entered into among others, Shanghai Yuexin as purchaser, Zhenjiang Tiangong as the target company, Sansheng Real Estate as a purchaser's guarantor, and the plaintiffs as the vendors for the sale and purchase of the entire equity interest in Zhenjiang Tiangong. The Civil Claim was withdrawn by the plaintiffs on 20 November 2020; and (ii) the Dissipated Funds.

For details of the Civil Claim, please refer to the Company's announcements dated 15 October 2020, 20 November 2020, 23 November 2020 and 15 January 2021, and the circular of the Company dated 14 December 2020. For details of the Dissipated Funds, please refer to the Company's announcement dated 16 October 2020 and the circular of the Company dated 14 December 2020.

As disclosed in the announcement of the Company dated 31 March 2021 (the “**SIC Preliminary Findings Announcement**”), based on the preliminary investigation results and/or advice of the PRC counsel to the Company for the investigation, it was found that, among others, (i) due to the withdrawal of the Civil Claim, it is uncertain which sale and purchase agreement reflects the true intention of the parties when the acquisition of Zhenjiang Tiangong was negotiated; and (ii) the Prepaid Construction Costs were made without following the internal procedures of the Group.

For further details and the proposed next step, please refer to the SIC Preliminary Findings Announcement.

### *The Jinhua Project*

The Company is interested in 49% of the issued share capital of Yitai, together with its subsidiaries, (the “**Yitai Group**”), a company which holds 99% indirect equity interest in Jinhua Mingrui. The Jinhua Project comprises a mixed-use residential and commercial complex in two phases with a total GFA of approximately 337,530 sq.m., including residential area of approximately 195,100 sq.m., commercial area of approximately 50,200 sq.m. and basement (inclusive of car parking spaces) of approximately 88,600 sq.m. Both phases of the Jinhua Project were completed in 2020.

As at 30 June 2021, all residential units, 1,226 car parking spaces out of total 1,874 car parking spaces, 43 offices and 3 retail shops (30 June 2020: 1,687 residential units out of total 1,696 residential units, 834 car parking spaces out of total 1,874 car parking spaces and no offices or retail shops) of the Jinhua Project were presold. On 7 January 2021, Jinhua Mingrui further obtained the second 建築工程竣工驗收備案表 (Filing Form for Acceptance and Examination upon Completion of Construction Project\* (the “**Filing Form**”)) for phase II of the Jinhua Project issued by 中國地方城市建設局 (Local Urban Construction Bureau of the PRC\*). After obtaining this Filing Form, from which the physical possession and the legal title of the completed properties can be transferred to purchasers, revenue is recognised when the control of the property is transferred. During the Interim Period, approximately RMB770.5 million from phase I and phase II was recognised as revenue (30 June 2020: Nil). Among which, 785 residential units, 20 units of retail shop and 2 units of office from phase I and phase II were transferred to the relevant purchasers during the Interim Period (30 June 2020: Nil).

The Group’s associate, namely, Yitai, recorded a profits amounted approximately HK\$48.4 million for the first half of 2021 (30 June 2020 (restated): loss of approximately HK\$15.9 million). The Group did not resume to share of profits of Yitai even it recorded a profit during Interim Period. It is because that there were cumulative unrecognised share of losses of this associate amounted approximately HK\$108.9 million as at 31 December 2020. The Group will only resume recognising its share of profits in Jinhua Mingrui only after its share of the profits equals the share of losses not recognised.

## **CONTINUING DISCLOSURES REQUIREMENTS UNDER THE LISTING RULES 13.21 OF CHAPTER 13 OF THE LISTING RULES**

### **Receipt of demand letters from HSB and potential waiver from HSB**

On 5 February 2021, the Borrowers, each received a letter from HSB (through its solicitors) (the “**Letter**”) of the Breach (the respective Borrower was in breach of the financial covenant whereby the consolidated tangible net worth of the Company (as their respective guarantor) was less than the requisite minimum of HK\$2,000,000,000). As stated in the Letter to the respective Borrower, HSB may waive the Breach if the relevant Borrower could satisfy the conditions precedents (the “**Waiver Conditions**”) and provide HSB with satisfactory evidence as HSB may require within one month from the date of the Letter, including:

- Pioneer Delight, Smart Land and/or Top Bright shall make a partial repayment of not less than HK\$164.0 million to HSB;
- Pioneer Delight, Smart Land and/or Top Bright shall make payment of legal fee in the amount of HK\$30,000 to HSB for, among others, dealing with the Breach;
- Each of the Borrowers, the Company, and other obligors and security providers under the respective Facility Letter and the Facility Agreement shall sign a written acknowledgment of the waiver of the Breach by HSB under the Letter including the Waiver Conditions; and
- Notwithstanding the Breach and the waiver by HSB, the terms of the respective Facility Agreement, the Facility Letter, the finance documents and security documents (including the guarantee and security provided therein) shall remain in full force and effect.

On 18 March 2021, the Borrowers have respectively received replies from HSB (through its solicitors) on their respective requests to waive the Breach. HSB informed the Borrowers that subject to, among other things, the Borrowers (i) satisfying the Waiver Conditions (as amended whereby the payment of legal fees to be paid as stated in the Waiver Conditions disclosed in the Announcement to be increased to HK\$45,000); and (ii) providing HSB with satisfactory evidence on or before 30 June 2021, HSB is minded to waive the Breach.

On 14 May 2021, the Borrowers have respectively applied to HSB for extension of waiver for breach of financial covenant to 30 September 2021. On 23 August 2021, the Borrowers have respectively received replies from HSB (through its solicitors) on their respective request to extend the deadline for making the partial repayment to HSB of not less than HK\$164.0 million under the Waiver Conditions (the “**Partial Repayment**”). HSB informed the Borrowers that an extension was granted to the Borrowers until 30 September 2021 for making the Partial Repayment.

The Company and the Borrowers will use their best endeavours to further negotiate with HSB and/or to make the Partial Repayment.

For details, please refer to the Company’s announcements dated 5 February 2021, 18 March 2021 and 23 August 2021.

## **OUTLOOK**

The economic outlook for the second half of 2021 remains challenging, with the impacts from the COVID-19 pandemic effects and the current US-China trade tensions. In respect of the property leasing business, most of the investment properties of the Group are situated in the prime shopping district of Causeway Bay in Hong Kong. The Group will continue to refine the diverse-trade tenants mix and to develop strong relationships with our tenants. The Group will also rationalize its property development business in the PRC.

Under the impact of ongoing uncertainties, the Group’s priorities in operations are to strive for stable growth and to act with prudence. The Group will continue to closely monitor the economic situation and make relevant rental policy adjustments accordingly, in order to minimize the impact on the Group. The Group will also continue to drive the performance of core businesses at a steady pace, to enhance the financial position of the Group and to build a solid foundation for the Group’s sustainable growth.

## **FINANCIAL REVIEW**

### **Revenue**

For the six months ended 30 June 2021, the revenue of the Group amounted to approximately HK\$18.3 million, representing an increase of approximately 4.6% from approximately HK\$17.5 million recorded in the corresponding period of last year. The increase in revenue was primarily attributable to no rent concession being granted and the improvement in the occupancy rate during the Interim Period.

### **Other income**

Other income for the six months ended 30 June 2021 were approximately HK\$3.7 million, (six months ended 30 June 2020 (restated): approximately HK\$1.6 million). The increase was mainly due to (i) increase in bank interest income; and (ii) recognition of net exchange gain of approximately HK\$1.6 million during the Interim Period.

### Staff costs

For the six months ended 30 June 2021, the Group's staff costs amounted to approximately HK\$5.4 million, representing a decrease of 29.9% from approximately HK\$7.7 million recorded in the corresponding period of last year. The decrease in staff costs was mainly due to departures of certain senior management staff in late June 2020 in which the related staff cost was absent in this Interim Period.

### Other operating expenses

Other operating expenses amounted to approximately HK\$10.1 million for the six months ended 30 June 2021, representing a decrease of 26.8% from approximately HK\$13.8 million (restated) recorded in the same period of last year. The composition of other operating expenses by nature mainly classified as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June 2021</b>	Six months ended 30 June 2020
	<b>HK\$'000</b>	HK\$'000 (Restated)
Investment properties operating cost	<b>3,364</b>	1,945
Professional fees	<b>1,774</b>	4,059
Marketing and advertising expenses	<b>928</b>	1,769
General administrative costs	<b>4,032</b>	3,362
Exchange loss, net	<b>–</b>	2,656
	<hr/>	<hr/>
Total	<b>10,098</b>	13,791
	<hr/> <hr/>	<hr/> <hr/>

Investment properties operating cost mainly composed of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. Mainly due to significant increase in repairs and maintenance work of Jardine Centre during the Interim Period, such expenses were higher as compared to the corresponding period of last year.

Professional fees substantially decreased by approximately HK\$2.3 million or 56.3%, in the Interim Period as compared to the same period last year primarily because of the professional fees arising from services relating to the mandatory unconditional general offer and major transactions in the first half of 2020 but absence of such events during this Interim Period.

Marketing and advertising expenses amounted to approximately HK\$0.9 million during the Interim Period, due to the increase in marketing efforts relating to the presales of properties under development of the Zhenjiang Project.

### **Share of results of an associate**

The associate of the Group, Yitai, recorded a profit amounted approximately HK\$48.4 million for the Interim Period (30 June 2020 (restated): loss of approximately HK\$15.9 million). However, as disclosed above, the Group did not resume to recognise share of profits of this associate as the Group's cumulative unrecognised share of losses of Yitai was approximately HK\$108.9 million as at 31 December 2020. The Group will only resume recognising its share of Yitai's profits only after its share of the profits equals the share of losses not recognised.

### **Net loss in fair value of investment properties**

As at 30 June 2021, the investment properties of the Group were revalued at HK\$1,845.6 million (31 December 2020: HK\$1,863.0 million) by an independent professional valuer. During the Interim Period, a fair value loss on investment properties of HK\$17.4 million was recognised in the condensed consolidated statement of profit or loss and other comprehensive income. The fair value loss on the investment properties was primarily due to the continuing impact from the COVID-19 pandemic including the travel restrictions remained, social distancing measures did not fully relaxed and that the consumer sentiment remained low despite gradual recovery.

### **Finance costs**

For the six months ended 30 June 2021, finance costs of the Group amounted to approximately HK\$60.3 million, representing a slight increase of approximately 2.0% from approximately HK\$59.1 million (restated) as compared to the corresponding period of last year.

### **Impairment losses under the ECL model**

The impairment losses for certain financial assets under the ECL model for the Interim Period was approximately HK\$3.0 million (six months ended 30 June 2020 (restated): approximately HK\$0.3 million). The increase was mainly driven by the ruined credit rating of these certain financial assets at the end of the Interim Period.

### **Loss for the period attributable to the owners of the Company**

Net loss attributable to the owners of the Company for the six months ended 30 June 2021 amounted to approximately HK\$77.7 million (six months ended 30 June 2020 (restated): approximately HK\$107.6 million). As a result of the reasons mentioned above, the net loss was primarily due to (i) loss in fair value of investment properties in Hong Kong of approximately HK\$17.4 million; (ii) finance costs of approximately HK\$60.3 million incurred; and (iii) impairment losses under ECL model of approximately HK\$3.0 million on certain financial assets of the Group during the Interim Period.

### **Liquidity and financial resources**

The Group's business operations were generally funded by its internal resources and bank and other borrowings. As at 30 June 2021, the Group's outstanding bank and other borrowings amounted to approximately HK\$1,541.0 million (31 December 2020: approximately HK\$1,604.8 million), of which all outstanding secured bank and other borrowings were repayable on demand or within one year as of 30 June 2021.

As at 30 June 2021, the Group maintained bank balances and cash of approximately HK\$373.0 million (31 December 2020: approximately HK\$356.1 million). The increase in cash and bank balances was mainly attributable to the presale proceeds of properties under development less payment of bank loan interests during the Interim Period.

The Group's gearing ratio as at 30 June 2021, which is calculated on the basis of total liabilities over total assets, was approximately 74.5% (31 December 2020: approximately 71.3%) whilst the current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 30 June 2021, was approximately 0.5 (31 December 2020: approximately 0.5).

As at 30 June 2021, the Group recorded net current liabilities of approximately HK\$1,080.0 million (31 December 2020: approximately HK\$1,019.1 million). The net current liabilities was mainly due to a technical breach of a financial covenant as at 30 June 2021. The Board is of the opinion that, after taking into account the existing available borrowing facilities and other internal resources, the Group has sufficient resources to meet its working capital requirements within 12 months.

### **Capital Structure**

As at 30 June 2021, the issued share capital of the Company was 1,125,027,072 ordinary shares. During the Interim Period, there was no movement of the issued share capital of the Company.

As at 30 June 2021, the unaudited net assets of the Group amounted to approximately HK\$755.4 million, representing a decrease of approximately 9.5% from the audited net assets of approximately HK\$834.7 million as at 31 December 2020. With the total number of 1,125,027,072 ordinary shares in issue as at 30 June 2021, the unaudited net assets value per share was approximately HK\$0.67 (as at 31 December 2020: audited net assets value per share was approximately HK\$0.74).

### **Treasury policy**

The Group's transactions and its monetary assets and liabilities are principally denominated in HK\$ and RMB. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

### **INTERIM DIVIDEND**

The Directors do not recommend any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

### **CORPORATE GUARANTEE**

As at 30 June 2021, the Company provided corporate guarantees to a bank for securing banking facilities granted to its subsidiaries which amounted to HK\$1,127.0 million (31 December 2020: HK\$1,127.0 million).

As at 31 December 2020, certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK\$150 million. The relevant corporate guarantees were released upon repayment of other borrowings during the Interim Period.

### **CHARGES ON GROUP ASSETS**

As at 30 June 2021, the Group had pledged the following assets:

1. investment properties in Hong Kong with an aggregate carrying amount of HK\$1,845.6 million (31 December 2020: HK\$1,863.0 million) for securing the Group's bank and certain other borrowings;
2. share mortgage of certain subsidiaries for securing their respective bank borrowings;
3. rent assignments in respect of the investment properties held by the Group;

4. properties for sale under development with an aggregate carrying amount of approximately HK\$652.4 million (31 December 2020: approximately HK\$602.9 million and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB469.4 million (equivalent to approximately HK\$564.1 million) from Shanghai Aijian; and
5. properties for sale – completed properties with an aggregate carrying amount of approximately HK\$22.7 million (31 December 2020: approximately HK\$22.5 million) pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties.

## **CONTINGENT LIABILITIES**

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's properties for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

As at 30 June 2021, the Group provided guarantees given to banks in connection with facilities granted to purchasers of the Group's properties, and amounts drawn by the purchasers not provided in the consolidated financial statements of approximately HK\$79.5 million (31 December 2020: approximately HK\$24.6 million).

The Group did not incur any material losses during the Interim Period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties for sale. The Board considered that in case of default on repayments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group had 39 employees (31 December 2020: 39 employees). The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus and mandatory provident fund schemes.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not have significant investments, material acquisitions and disposals during the Interim Period.

## **EVENT AFTER THE REPORTING PERIOD**

Please refer to Note 21 – Notes to the Condensed Consolidated Financial Statements for details.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Interim Period.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has adopted a corporate governance code prepared based on the code provisions (the “**Code Provisions**”) of the latest code on corporate governance (the “**CG Code**”) as set out in Appendix 14 to Listing Rules the guidelines for corporate governance of the Company. The Company has complied with the CG Code throughout Interim Period.

### **Compliance with the Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all the Directors have confirmed that they have fully complied with the required standard as set out in the Model Code throughout the Interim Period.

## **REVIEW BY AUDIT COMMITTEE**

The audit committee of the Company (“**Audit Committee**”) comprises two independent non-executive Directors, namely, Mr. Yip Tai Him (Chairman) and Mr. Liu Xin and one non-executive Director, namely, Ms. Yu Dan. The unaudited interim results of the Group for the six months ended 30 June 2021 and the interim financial statements have been reviewed by the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the website of the Company at [www.zhongchangintl.hk](http://www.zhongchangintl.hk) and the website of the Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2021 will be despatched to the shareholders of the Company and will be available on the above websites in due course.

## **APPRECIATION**

Finally, I would like to take this opportunity to thank the Group's shareholders and business partners for their support and encouragement to the Group during the past six months. I would also like to thank our Directors and all staff member of the Group for their hard work and contribution to the Group.

By order of the Board  
**Zhongchang International Holdings Group Limited**  
**Chen Zhiwei**  
*Chairman and Executive director*

Hong Kong, 30 August 2021

*As at the date of this announcement, the Board comprises Mr. Chen Zhiwei (Chairman), Ms. Ku Ka Lee and Mr. Tang Lunfei as executive directors; Dr. Huang Qiang, Mr. Wong Chi Keung, Kenjie and Ms. Yu Dan as non-executive directors; and Mr. Liew Fui Kiang, Mr. Liu Xin and Mr. Yip Tai Him as independent non-executive directors.*

\* *For identification purpose only*