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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 2024

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 2024 (“**Interim Period**”), together with the comparative figures for the six months ended 30 June 2023 as follows.

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

*For the six months ended 30 June 2024*

		<b>Unaudited</b>	
		<b>Six months ended 30 June 2024</b>	<b>Six months ended 30 June 2023</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	<b>16,863</b>	16,382
Other income, net	5	<b>1,115</b>	915
Net loss in fair value of investment properties	11	<b>(12,016)</b>	(13,000)
Staff costs	6	<b>(1,498)</b>	(2,099)
Depreciation of property, plant and equipment	6	<b>(17)</b>	(75)
Depreciation of right-of-use assets	6	<b>(428)</b>	(428)
Other operating expenses		<b>(2,187)</b>	(3,677)
Profit/(loss) from operations	6	<b>1,832</b>	(1,982)
Finance costs	7	<b>(25,795)</b>	(18,666)
Loss before tax		<b>(23,963)</b>	(20,648)
Income tax expense	8	<b>(2,366)</b>	(1,488)
Loss for the period		<b>(26,329)</b>	(22,136)

		<b>Unaudited</b>	
		<b>Six months ended 30 June 2024</b>	<b>Six months ended 30 June 2023</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>Note</i>	
<b>Other comprehensive (loss)/income, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operations		<u>(36)</u>	<u>1,098</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(36)</u>	<u>1,098</u>
<b>Total comprehensive loss for the period</b>		<b><u>(26,365)</u></b>	<b><u>(21,038)</u></b>
<b>Loss for the period attributable to the owners of the Company</b>		<b><u>(26,329)</u></b>	<b><u>(22,136)</u></b>
<b>Total comprehensive loss for the period attributable to the owners of the Company</b>		<b><u>(26,365)</u></b>	<b><u>(21,038)</u></b>
<b>Loss per share attributable to ordinary equity holders of the Company</b>			
Basic and diluted			
– For loss for the period (in HK cents)	10	<b><u>(2.34)</u></b>	<b><u>(1.97)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		–	17
Right-of-use assets		<b>1,071</b>	1,499
Investment properties	11	<b>1,719,400</b>	1,731,100
		<u><b>1,720,471</b></u>	<u>1,732,616</u>
<b>Current assets</b>			
Trade and other receivables, deposits and prepayments	12	<b>2,947</b>	2,974
Cash and cash equivalents		<b>15,135</b>	123,047
		<u><b>18,082</b></u>	<u>126,021</u>
<b>Current liabilities</b>			
Other payables, deposits and accrued expenses	13	<b>9,928</b>	11,046
Lease liabilities		<b>908</b>	872
Interest-bearing bank and other borrowings	14	<b>776,884</b>	870,857
Tax payables		<b>5,551</b>	3,858
		<u><b>793,271</b></u>	<u>886,633</u>

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net current liabilities</b>		<u>(775,189)</u>	<u>(760,612)</u>
<b>Total assets less current liabilities</b>		<u>945,282</u>	<u>972,004</u>
<b>Non-current liabilities</b>			
Other payables and deposits	13	3,951	4,518
Lease liabilities		239	702
Deferred tax liabilities		<u>13,923</u>	<u>13,250</u>
		<u>18,113</u>	<u>18,470</u>
<b>Net assets</b>		<u><u>927,169</u></u>	<u><u>953,534</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	112,502	112,502
Reserves		<u>814,667</u>	<u>841,032</u>
<b>Total equity</b>		<u><u>927,169</u></u>	<u><u>953,534</u></u>

## Notes:

### 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 acts as an investment holding company and the principal activities of the Group are leasing of investment properties in Hong Kong.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. 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 operation in the PRC is Renminbi (“**RMB**”). The condensed consolidated financial statements are presented in HK\$, unless otherwise stated. The condensed consolidated financial statements has not been audited.

### 2. BASIS OF PREPARATION

#### Statement of compliance

The interim condensed consolidated financial statements for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements 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 2023.

#### Going concern

As at 30 June 2024, the Group's total current liabilities exceeded its total current assets by approximately HK\$775,189,000 (31 December 2023: approximately HK\$760,612,000). The Directors considered that the controlling shareholder has intention to provide continuing financial support to the Company so as to enable the Company to meet its liabilities as and when they fall due. Accordingly, the Directors believe that the Group has adequate resources to continue its operations in the foreseeable future of not less than 12 months from the end of the reporting period. Therefore, they are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group'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 or Non-current (the “<b>2020 Amendments</b>”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “<b>2022 Amendments</b>”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Agreements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial statements.

#### 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 segment under HKFRS 8 Operating Segments is property investment – leasing of investment properties in Hong Kong. Accordingly, no operating segment is presented.

#### 5. OTHER INCOME, NET

	<b>Unaudited</b>	
	<b>Six months ended 30 June 2024 HK\$'000</b>	<b>Six months ended 30 June 2023 HK\$'000</b>
Bank interest income	265	578
Exchange gain, net	20	–
Sundry income	830	337
	<u>1,115</u>	<u>915</u>

## 6. LOSS FROM OPERATIONS

	Unaudited	
	Six months	Six months
	ended	ended
	30 June	30 June
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's loss from operations is arrived at after charging/(crediting):		
Directors' emoluments	270	270
Other staff costs	1,228	1,829
	<hr/>	<hr/>
Total staff costs	1,498	2,099
	<hr/> <hr/>	<hr/> <hr/>
Depreciation of property, plant and equipment	17	75
Depreciation of right-of-use assets	428	428
Gross rental income from investment properties	(16,863)	(16,382)
Less: Direct operating expenses from investment properties that generated rental income during the period	1,234	1,292
	(15,629)	(15,090)
	<hr/> <hr/>	<hr/> <hr/>

## 7. FINANCE COSTS

	Unaudited	
	Six months	Six months
	ended	ended
	30 June	30 June
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings	25,738	18,576
Interest on lease liabilities	57	90
	<hr/>	<hr/>
	25,795	18,666
	<hr/> <hr/>	<hr/> <hr/>

## 8. INCOME TAX EXPENSE

	<b>Unaudited</b>	
	<b>Six months ended 30 June 2024 HK\$'000</b>	Six months ended 30 June 2023 HK\$'000
Current tax		
Hong Kong profits tax		
– Provision for the period	<b>1,693</b>	1,640
The PRC		
– Over-provision in prior years	<u>–</u>	<u>(156)</u>
	<b>1,693</b>	1,484
Deferred taxation		
– Charged to the condensed consolidated statement of profit or loss and other comprehensive income	<u>673</u>	<u>4</u>
	<b><u>2,366</u></b>	<b><u>1,488</u></b>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: 16.5%).

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 2023: 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 2024</b>	Six months ended 30 June 2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share	<b>(26,329)</b>	(22,136)
	<b>Six months ended 30 June 2024</b>	Six months ended 30 June 2023
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>1,125,027</b>	1,125,027

For the six months ended 30 June 2024 and 2023, the diluted loss per share is the same as the basic loss per share. The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

## 11. INVESTMENT PROPERTIES

	<b>Completed investment properties, in Hong Kong</b>
	<b>HK\$'000</b>
<b>FAIR VALUE:</b>	
At 1 January 2024	1,731,100
Additions	316
Net loss in fair value recognised in the condensed consolidated statement of profit or loss and other comprehensive income	(12,016)
<b>At 30 June 2024 (Unaudited)</b>	<b>1,719,400</b>

The fair value of the Group's investment properties as at 30 June 2024 was determined by valuations carried out by Ravia Global Appraisal Advisory Limited (31 December 2023: Vincorn Consulting and Appraisal Limited), an independent qualified professional valuer not connected to the Group.

The responsible valuers of Ravia Global Appraisal Advisory 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 (i) the sales comparison approach, which involves an analysis of sales transactions of comparable properties within the neighbourhood area of the properties; and (ii) the income capitalisation approach, which involves estimating the rental incomes of the properties and capitalising them all on an appropriate rate to produce a capital value.

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

The resulting decrease in fair value of investment properties of approximately HK\$12,016,000 (six months ended 30 June 2023: HK\$13,000,000) has been recognised directly in the condensed consolidated statement of profit or loss and other comprehensive income for the Interim Period.

As at 30 June 2024, investment properties with a carrying amount in aggregate of HK\$1,719,400,000 (31 December 2023: HK\$1,731,100,000) were pledged as collateral for the Group's bank borrowings.

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Rental receivables, net of allowance for credit losses ( <i>Note (i)</i> )	<b>339</b>	61
Other receivables, deposits and prepayments, net of allowance for credit losses ( <i>Note (ii)</i> )	<b>2,608</b>	2,913
	<b>2,947</b>	2,974

*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:

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <i>HK\$'000</i>	Audited 31 December 2023 <i>HK\$'000</i>
0 to 30 days	96	10
31 to 60 days	95	11
61 to 90 days	104	–
91 to 180 days	4	–
181 to 365 days	–	40
Over 365 days	40	–
	<u>339</u>	<u>61</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, management 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 amount represents other receivables, deposits and prepayments:

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <i>HK\$'000</i>	Audited 31 December 2023 <i>HK\$'000</i>
Prepayments	186	24
Deposits and other receivables	276,611	279,033
Prepaid tax	14	14
	<u>276,811</u>	<u>279,071</u>
Less: Allowance for credit losses	<u>(274,203)</u>	<u>(276,158)</u>
	<u>2,608</u>	<u>2,913</u>

The movements in the allowance for credit losses of other receivables, deposits and prepayments are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <i>HK\$'000</i>	Audited 31 December 2023 <i>HK\$'000</i>
At 1 January	<b>276,158</b>	280,162
Exchange realignment	<b>(1,955)</b>	(4,004)
At 30 June/31 December	<b><u>274,203</u></b>	<b><u>276,158</u></b>

### 13. OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <i>HK\$'000</i>	Audited 31 December 2023 <i>HK\$'000</i>
Rental deposits received	<b>9,934</b>	10,514
Other payables and accrued expenses	<b>3,736</b>	4,897
	<b>13,670</b>	15,411
Contract liabilities ( <i>Note</i> )	<b>209</b>	153
	<b><u>13,879</u></b>	<b><u>15,564</u></b>
Analysed into:		
Non-current portion	<b>3,951</b>	4,518
Current portion	<b>9,928</b>	11,046
	<b><u>13,879</u></b>	<b><u>15,564</u></b>

*Note:*

Details of contract liabilities are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <i>HK\$'000</i>	Audited 31 December 2023 <i>HK\$'000</i>
Short-term advance payments received from tenants	<b>209</b>	153

Contract liabilities include short-term advance payments received from tenants, which is related to advance rental payments from tenants at the end of the reporting period.

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 (Unaudited)			31 December 2023 (Audited)		
	Effective interest rate	Maturity	HK\$'000	Effective interest rate	Maturity	HK\$'000
<b>Current</b>	<b>HIBOR plus</b>	<b>31 December</b>		<b>HIBOR plus</b>		
Bank loans – secured	1.25%	2024	670,818	1.25%-2%	On demand	770,759
Other loans - unsecured	12%	31 December 2024	106,066	12%	31 December 2024	100,098
			<u>776,884</u>			<u>870,857</u>

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
On demand or within one year	<u>776,884</u>	<u>870,857</u>

As at 30 June 2024, interest payable of approximately HK\$7,075,000 (31 December 2023: approximately HK\$1,315,000) was included in bank and other borrowings.

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

Details of corporate guarantees of the Group were set out in the section "Corporate Guarantee" of this announcement.

## 15. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2024	31 December 2023	Unaudited 30 June 2024	Audited 31 December 2023
	'000	'000	HK\$'000	HK\$'000
Authorised:				
Ordinary of shares of HK\$0.10 each	<u>2,000,000</u>	<u>2,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid	<u>1,125,027</u>	<u>1,125,027</u>	<u>112,502</u>	<u>112,502</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

During the Interim Period, the Group's revenue was primarily derived from rental income generated from its investment properties in Hong Kong, which are mainly situated at prime retail and shopping locations in Causeway Bay, Hong Kong Island.

The first half of 2024 has been another challenging period in Hong Kong. The retail market was heavily impacted by the persistent drop in consumer sentiment, the stiff competition from mega malls in neighboring regions, and the changing tourism spending patterns. Provisional figures released by the Hong Kong Census and Statistics Department showed Hong Kong's retail sales dropped 6.6 per cent in the first half of 2024 compared with the same period in 2023. The persistent high-interest rate environment continued to weigh on economic activities.

### Property leasing business

During the Interim Period, the Group recorded rental income from investment properties of approximately HK\$16.9 million (six months ended 30 June 2023: approximately HK\$16.4 million). Uncertainties in the geopolitical and economic environment led to negative rental reversion of some tenants in Jardine Center, but more than offset by increase in rental income from the property at G/F, No.38 Jardine's Bazaar.

As at 30 June 2024, the investment property portfolio of the Group achieved an occupancy rate (as measured by the percentage of total lettable area leased over the total lettable area of the Group's portfolio) of approximately 82.3% (31 December 2023: approximately 84.6%). Jardine Center remained as the Group's core and steady income generator, accounted for approximately 77.0% of the total revenue of the Group during the Interim Period.

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

The table below sets out a summary of the valuation of the investment properties portfolio of the Group in Hong Kong as at the end of the Interim Period and 31 December 2023 and revenue contribution of the investment properties portfolio of the Group in Hong Kong for the Interim Period as compared to that for the six months ended 30 June 2023:

	Valuation of investment properties as at 30 June 2024 HK\$'000	Valuation of investment properties as at 31 December 2023 HK\$'000	Decrease in fair value of investment properties HK\$'000	Revenue for the six months ended 30 June 2024 HK\$'000	Revenue for the six months ended 30 June 2023 HK\$'000	Increase/ (decrease) in revenue %
<b>Causeway Bay</b>						
Jardine Center, No.50 Jardine's Bazaar <sup>(1)</sup>	1,365,800	1,372,000	(6,200)	12,978	13,541	(4.2)
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar <sup>(2)</sup>	79,400	81,500	(2,100)	961	61	1,475.4
First Floor, Nos.38 and 40 Jardine's Bazaar <sup>(2)</sup>	11,800	12,100	(300)	235	267	(12.0)
Ground Floor including Cockloft, No.41 Jardine's Bazaar <sup>(2)</sup>	107,400	110,000	(2,916)	1,071	984	8.8
Ground Floor, No.57 Jardine's Bazaar <sup>(2)</sup>	107,700	108,000	(300)	1,092	1,005	8.7
<b>Mid-Levels</b>						
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road <sup>(2)</sup>	47,300	47,500	(200)	526	524	0.4
<b>Total</b>	<b>1,719,400</b>	<b>1,731,100</b>	<b>(12,016)</b>	<b>16,863</b>	<b>16,382</b>	<b>2.9</b>

(1) Ginza-style building

(2) Street-shop

As at 30 June 2024, the investment properties of the Group were revalued at HK\$1,719.4 million (31 December 2023: HK\$1,731.1 million) by an independent professional valuer. During the Interim Period, the loss in fair value of investment properties of approximately HK\$12.0 million (six months ended 30 June 2023: HK\$13.0 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 challenging macro environment.

### **The Jinhua Project**

The Company is interested in 49% of the issued share capital of Yitai International (BVI) Holdings Limited (“**Yitai**”), together with its subsidiaries (the “**Yitai Group**”), a company 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**”). 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.

On 10 January 2023, Ningbo Xinbu Metal Storage Equipment Co., Limited\* (寧波信步金屬倉儲設備有限公司) made an application to wind-up Jinhua Mingrui. On 9 February 2023, Jinhua City Middle People’s Court (金華市中級人民法院) announced the acceptance of the said application. On 16 February 2023, Zhejiang Province Jinhua City Jindong District People’s Court (浙江省金華市金東區人民法院) appointed an administrator to Jinhua Mingrui.

The share of net loss of associates is restricted to the Group’s entire interest in an associate. The carrying amount of the investment in Yitai was reduced to nil since the financial year ended 31 December 2019. Hence, the Group has no obligation to take up further losses.

## CONTINUING DISCLOSURES PURSUANT TO RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

### Breach of financial covenant of HSB loans

On 20 March 2018, Top Bright Properties Limited (“**Top Bright**”), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Hang Seng Bank Limited (“**HSB**”) for a term loan facility in the principal amount of HK\$570 million. On 15 June 2018, Top Bright entered into a supplemental agreement with HSB for a term loan facility in the principal amount of HK\$212 million.

On 15 June 2018, each of Smart Land Properties Limited (“**Smart Land**”) and Pioneer Delight Limited (“**Pioneer Delight**”), both being indirect wholly-owned subsidiaries of the Company, entered into an agreement with HSB for a term loan facility in the principal amount of HK\$50 million and HK\$25 million, respectively.

On 5 February 2021, Pioneer Delight, Smart Land and Top Bright (the “**Borrowers**”, and each a “**Borrower**”), each received a letter from HSB (through its solicitors) (the “**Letter**”) noted that 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 (the “**Breach**”). As stated in the Letter to the respective Borrower, HSB may waive the Breach if the relevant Borrower could satisfy certain waiver conditions (the “**Waiver Conditions**”), including to make a partial repayment of not less than HK\$164.0 million to HSB (the “**Partial Repayment**”), and provide HSB with satisfactory evidence as HSB may require within one month from the date of the Letter.

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; and (ii) providing HSB with satisfactory evidence on or before 30 June 2021, HSB is minded to waive the Breach.

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. HSB informed the Borrowers that an extension was granted to the Borrowers until 30 September 2021 for making the Partial Repayment.

On 4 October 2021, the Borrowers respectively received replies from HSB (through its solicitors) that (i) given the Borrowers did not make any repayment of the Partial Repayment on or before 30 September 2021 as per the extension given pursuant to their letters dated 23 August 2021, the failure of making such repayment was considered an event of default under the respective facility letter and the facility agreement; and (ii) HSB made the final demand for repayment in writing, and the Partial Repayment must be repaid immediately and in any event by 8 October 2021, failing of which HSB will take appropriate actions, including but not limited to enforcing the securities maintained by HSB and commencing legal proceedings against the Borrowers.

On 8 October 2021, the Borrowers respectively received further replies from HSB (through its solicitors) that (i) the Partial Repayment that the Borrowers are to be repaid will reduce from HK\$164.0 million to HK\$100.0 million (the “**Reduced Partial Repayment**”); (ii) the Reduced Partial Repayment must be repaid by 29 October 2021; and (iii) the Borrowers shall bear the legal fees incurred by HSB in connection with the recovery of outstanding loans owed by the Borrowers.

On 29 October 2021, the Borrowers have received further letters from HSB (through its solicitors) that HSB is minded to waive the Breach, subject to the following waiver conditions (the “**New Waiver Conditions**”):

- (i) any of the Borrowers to make the Reduced Partial Repayment to HSB by 29 October 2021;
- (ii) any of the Borrowers to make the payment of legal fees in the amount of HK\$50,000 to HSB for dealing with the Breach and their waiver applications;
- (iii) written acknowledgements of the waiver of the Breach by HSB under the letter (including the New Waiver Conditions) shall be signed respectively by, among others, the Borrowers and the Company (as the guarantor under the Facility Letter and Facility Agreement) (the “**Written Acknowledgments**”); and
- (iv) notwithstanding the Breach and the waiver by HSB, the terms of the Facility Letter, the Facility Agreement, the finance documents and the security documents (including the guarantee and security provided therein) shall remain in full force and effect. The waiver is without prejudice to and shall not affect other rights and benefits which HSB may have under the Facility Letter, the Facility Agreement, the finance documents and the security documents. Nothing in the letter shall be deemed to be a waiver by HSB of, or consent by HSB to, any breach or potential breach (present or future) of any provision of the Facility Letter, the Facility Agreement, the finance documents and the security documents, except the specific waiver expressly given in the letter.

On 29 October 2021, in accordance with the terms of the New Waiver Conditions set out in the letters from HSB (through its solicitors) to the respective Borrowers, the Borrowers have (i) repaid the Reduced Partial Repayment of HK\$100.0 million; (ii) paid the legal fees incurred by HSB in connection with the recovery of the outstanding loans owed by the Borrowers of HK\$50,000; and (iii) returned the signed Written Acknowledgements respectively dated 29 October 2021.

On 15 August 2022, HSB approved the application by the Borrowers under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK\$78.4 million from 15 August 2022 to 15 February 2023 by satisfying the following conditions:

1. Make partial principal repayment of HK\$35 million on 15 August 2022;
2. For loan principal amount of approximately HK\$78.4 million, the Borrowers are obliged to pay monthly loan interests for the period from 15 August 2022 to 15 February 2023; and
3. For remaining HSB bank borrowings in aggregate principal amount of approximately HK\$722.0 million, the Borrowers are obliged to make monthly repayment of loan principal and loan interests as scheduled.

The Borrowers have performed in accordance with the above conditions.

On 8 March 2023, HSB approved the application by the Borrowers under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK\$78.4 million from 15 February 2023 to 15 August 2023 by satisfying the following conditions:

- (a) Make partial principal repayment of HK\$2.0 million on or before 13 March 2023; and
- (b) From 15 February 2023 to 15 August 2023, the Borrowers are obliged to pay loan interests charged on the remaining loan principal amount.

The Borrowers have performed in accordance with the above conditions.

On 21 March 2023, HSB approved the application by Top Bright under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK\$468.8 million from 23 March 2023 to 23 September 2023 by satisfying the following conditions:

- (a) Make partial principal repayment of HK\$5.5 million on or before 31 March 2023; and
- (b) From 23 March 2023 to 23 September 2023, Top Bright is obliged to pay loan interests charged on the remaining loan principal amount.

Top Bright has performed in accordance with the above conditions.

On 26 June 2023, HSB approved the application by the Borrowers under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK\$236.0 million from 27 June 2023 to 27 December 2023 by satisfying the following conditions:

- (a) Make partial principal repayment of HK\$3.0 million on or before 7 July 2023; and
- (b) From 27 June 2023 to 27 December 2023, the Borrowers are obliged to pay loan interests charged on the remaining loan principal amount.

The Borrowers have performed in accordance with the above conditions.

On 11 August 2023, HSB approved the application by the Borrowers under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of HK\$71.0 million from 15 August 2023 to 31 October 2023 by satisfying the following conditions:

- (a) Make partial principal repayment of HK\$2.0 million on or before 8 September 2023; and
- (b) From 16 August 2023 to 31 October 2023, the Borrowers are obliged to pay loan interests charged on the remaining loan principal amount.

The Borrowers have performed in accordance with the above conditions.

On 31 October 2023, HSB approved the application by the Borrowers for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK\$770.8 million to 31 December 2024 by satisfying the following conditions:

- (a) Make principal repayment in aggregate of HK\$100.0 million on or before 29 December 2023; and
- (b) From 31 October 2023 to 31 December 2024, the Borrowers are obliged to pay loan interests charged on the remaining loan principal amount.

The Borrowers have performed in accordance with the above conditions.

Please refer to the announcements of the Company dated 5 February 2021, 18 March 2021, 23 August 2021, 4 October 2021, 8 October 2021, 29 October 2021, the 2023 Interim Report and the 2023 Annual Report for further details, including the waiver conditions from HSB.

Please also refer to the announcements of the Company dated 12 June 2020 and 29 December 2020 for the waiver of the event of default obtained from HSB in relation to the loan-to-value ratio under the HSB loan facilities.

## **OUTLOOK**

Looking ahead, the difficult economic environment will continue to put pressure on Hong Kong economy in the second half of 2024. Nonetheless, the central government's various measures benefiting Hong Kong, as well as Hong Kong government's strenuous efforts to promote a mega-event economy and support the development of the local retail sector, should benefit economic recovery. We will continue enhancing our operational flexibility to ensure agility during the current economic situation.

Under the impact of ongoing uncertainties, the Group will continue to focus on its core business in property leasing and will continue to act with prudence and caution. The business priorities of the Group are to improve its liquidity and financial position. The Group is negotiating with financial institutions to roll over or to reschedule the loan repayments. The Group will continue with its best effort to adopt prudent capital management and liquidity risk management in order to preserve adequate buffer to meet the challenges ahead.

## **FINANCIAL REVIEW**

### **Revenue**

For the Interim Period, the revenue of the Group amounted to approximately HK\$16.9 million, representing an increase of approximately 3.0% from approximately HK\$16.4 million recorded in the corresponding period of last year. Uncertainties in the geopolitical and economic environment led to negative rental reversion of some tenants in Jardine Center, but more than offset by increase in rental income from the property at G/F, No.38 Jardine's Bazaar.

### **Other income**

Other income for the Interim Period was approximately HK\$1.1 million, (six months ended 30 June 2023: approximately HK\$0.9 million). The increase was mainly due to refund of Jardine Center building management fee during the Interim Period.

### Staff costs

For the Interim Period, the Group's staff costs amounted to approximately HK\$1.5 million, representing a decrease of approximately 28.6% from approximately HK\$2.1 million recorded in the corresponding period of last year. The decrease in staff costs was mainly due to departures of certain staff during the year ended 31 December 2023.

### Other operating expenses

Other operating expenses amounted to approximately HK\$2.2 million for the Interim Period, representing a decrease of approximately 40.5% from approximately HK\$3.7 million recorded in the same period of last year. The composition of other operating expenses by nature mainly classified as follows:

	Unaudited	
	Six months ended	Six months ended
	30 June 2024	30 June 2023
	HK\$'000	HK\$'000
Investment properties operating costs	1,234	1,292
Professional fees	175	547
General administrative costs	778	835
Exchange loss, net	—	1,003
	<hr/>	<hr/>
Total	<b>2,187</b>	<b>3,677</b>
	<hr/> <hr/>	<hr/> <hr/>

Investment properties operating costs mainly composed of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. There were no significant changes compared to the corresponding period of last year.

Professional fees decreased by approximately HK\$0.3 million in the Interim Period as compared to the same period last year. This is primarily due to reduction of legal and professional fees during the Interim Period.

General administrative cost decreased by approximately HK\$0.1 million in the Interim Period as compared to the same period last year. This is primarily due to reduction of bank charges and financial printing service costs during the Interim Period.

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

As at 30 June 2024, the investment properties of the Group were revalued at HK\$1,719.4 million (31 December 2023: HK\$1,731.1 million) by an independent professional valuer. During the Interim Period, a fair value loss on investment properties of approximately HK\$12.0 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 challenging macro environment.

### **Finance costs**

For the Interim Period, finance costs of the Group amounted to approximately HK\$25.8 million, representing an increase of approximately 38.0% from approximately HK\$18.7 million recorded in the corresponding period of last year. Such increase was mainly attributable to the interest arising from shareholder's loan and bank borrowings during the Interim period.

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

Loss for the period attributable to the owners of the Company for the Interim Period amounted to approximately HK\$26.3 million (six months ended 30 June 2023: approximately HK\$22.1 million). As a result of the reasons mention above, the loss for the Interim Period was primarily due to loss in fair value of investment properties of approximately HK\$12.0 million and finance costs of approximately HK\$25.8 million incurred.

### **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 2024, the Group's outstanding bank and other amounted to approximately HK\$776.9 million (31 December 2023: approximately HK\$870.9 million), of which all outstanding bank and other borrowings are repayable within one year. The decrease in bank and other borrowings during the Interim Period was mainly attributable to repayment of bank borrowings during the Interim Period.

As at 30 June 2024, the Group maintained cash and cash equivalents of approximately HK\$15.1 million (31 December 2023: approximately HK\$123.0 million). The decrease in cash and cash equivalents was mainly attributable to: (i) repayment of bank borrowings and (ii) payment of interest on bank borrowings during the Interim Period.

The Group's gearing ratio as at 30 June 2024, which is calculated on the basis of total liabilities over total assets, was approximately 46.7% (31 December 2023: approximately 48.7%). The current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 30 June 2024, was approximately 0.02 (31 December 2023: approximately 0.14). The decrease in current ratio as at 30 June 2024 as compared to 31 December 2023 was mainly due to the significant decrease in cash and bank balances of the Group.

As at 30 June 2024, the Group recorded net current liabilities of approximately HK\$775.2 million (31 December 2023: approximately HK\$760.6 million). The net current liabilities were mainly due to maturity of the Group's bank and other borrowings which were repayable within one year. The Group's ability to continue as a going concern largely depends on the sufficiency of financial resources available to the Group. The Directors are of the view that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within one year.

### **Capital structure**

As at 30 June 2024, 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 2024, the unaudited net assets of the Group amounted to approximately HK\$927.2 million, representing a decrease of approximately 2.8% from the net assets of approximately HK\$953.5 million as at 31 December 2023. With the total number of 1,125,027,072 ordinary shares in issue as at 30 June 2024, the net assets value per share was approximately HK\$0.82 (31 December 2023: approximately HK\$0.85).

### **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 Interim Period (six months ended 30 June 2023: Nil).

### **CORPORATE GUARANTEE**

As at 30 June 2024, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK\$1,127.0 million (31 December 2023: HK\$1,127 million).

## **CHARGES ON GROUP ASSETS**

As at 30 June 2024, the Group has pledged the following assets:

- (a) Investment properties in Hong Kong with an aggregate carrying amount of HK\$1,719.4 million for securing the Group's bank borrowings;
- (b) Share mortgage of certain subsidiaries for securing their respective bank borrowings;  
and
- (c) Rent assignments in respect of the investment properties held by the Group.

## **CONTINENT LIABILITIES**

As at 30 June 2024, the Group had no significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2024, the Group had 5 employees (31 December 2023: 5 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**

No significant events have been taken place subsequent since 30 June 2024 and up to the date of this announcement.

## **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 C1 to Listing Rules from time to time as the guidelines for corporate governance of the Company. The Company has complied with the CG Code throughout Interim Period save for the following deviation:

*Code Provision C.1.6 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend the general meetings of the Company.*

Mr. Liew Fui Kiang, an independent non-executive Director, did not attend one annual general meeting of the Company held on 21 June 2024 due to other business engagement.

## **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 C3 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 2024 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 2024 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, 28 August 2024

*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*