

# 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



INTERIM REPORT

# 2023

## BOARD OF DIRECTORS

### Executive directors

Mr. Chen Zhiwei (*Chairman*)  
Ms. Ku Ka Lee (*Chief executive officer*)  
Mr. Tang Lunfei

### Non-executive directors

Dr. Huang Qiang  
Mr. Wong Chi Keung, Kenjie  
Ms. Yu Dan

### Independent non-executive directors

Mr. Liew Fui Kiang  
Mr. Liu Xin  
Mr. Yip Tai Him

## COMMITTEES

### Audit Committee

Mr. Yip Tai Him (*Chairman*)  
Mr. Liu Xin  
Ms. Yu Dan

### Nomination Committee

Mr. Chen Zhiwei (*Chairman*)  
Mr. Liew Fui Kiang  
Mr. Liu Xin

### Remuneration Committee

Mr. Liu Xin (*Chairman*)  
Mr. Wong Chi Keung, Kenjie  
Mr. Yip Tai Him

## AUTHORISED REPRESENTATIVES

Mr. Chen Zhiwei  
Mr. Chow Hok Lim

## COMPANY SECRETARY

Mr. Chow Hok Lim

## AUDITOR

Ernst & Young  
*Certified Public Accountants*

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1711  
Tower 2 Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL BANKERS

(*In Alphabetical order*)

Bank of Shanghai Co., Limited  
China Construction Bank (Asia) Corporation Limited  
Hang Seng Bank Limited  
Nanyang Commercial Bank (China), Limited  
Shanghai Pudong Development Bank Co, Limited  
Hong Kong Branch

## LEGAL ADVISERS

As to Hong Kong law:  
Morgan, Lewis & Bockius  
King & Wood Mallesons

As to Bermuda law:  
Conyers Dill & Pearman

As to PRC law:  
King & Wood Mallesons

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor  
Cedar House  
41 Cedar Avenue  
Hamilton, HM12  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## CORPORATE WEBSITE

<http://www.zhongchangintl.hk>

## STOCK CODE

859

# Management Discussion and Analysis

## Overview

During the six months ended 30 June 2023 (“**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.

With the resumption of cross-border travel between Hong Kong and the Mainland China, Hong Kong economy achieved a stable recovery in the first half of 2023, especially in the retail market. According to the advance estimates released by the Census and Statistics Department, Gross Domestic Product (“**GDP**”) increased by 1.5% in real terms in the second quarter of 2023 over a year earlier, compared with the increase of 2.9% in the first quarter of 2023. The continuous expansion in GDP in the second quarter of 2023 was mainly attributable to the sustained growth in private consumption and services trade.

## Property leasing business

During the Interim Period, the Group recorded rental income from investment properties of approximately HK\$16.4 million (six months ended 30 June 2022: approximately HK\$17.6 million). The decrease in rental income was primarily attributable to relatively higher occupancy rate during the first half of 2022 as compared to the Interim Period.

As at 30 June 2023, 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 91.5% (31 December 2022: approximately 89.7%). Jardine Center remained as the Group’s core and steady income generator, accounted for approximately 82.7% 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.

# Management Discussion and Analysis

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 2022 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 2022:

	Valuation of investment properties as at 30 June 2023 HK\$'000	Valuation of investment properties as at 31 December 2022 HK\$'000	Decrease in fair value of investment properties HK\$'000	Revenue for the six months ended 30 June 2023 HK\$'000	Revenue for the six months ended 30 June 2022 HK\$'000	Increase/(decrease) in revenue %
<b>Causeway Bay</b>						
Jardine Center, No.50 Jardine's Bazaar <sup>(1)</sup>	1,400,000	1,410,000	(10,000)	13,541	14,909	(9.2)
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar <sup>(2)</sup>	84,000	85,000	(1,000)	61	–	N/A
First Floor, Nos.38 and 40 Jardine's Bazaar <sup>(2)</sup>	12,500	12,500	–	267	217	23.0
Ground Floor including Cockloft, No.41 Jardine's Bazaar <sup>(2)</sup>	113,000	114,000	(1,000)	984	978	0.6
Ground Floor, No.57 Jardine's Bazaar <sup>(2)</sup>	111,000	112,000	(1,000)	1,005	1,003	0.2
<b>Mid-Levels</b>						
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road <sup>(2)</sup>	48,000	48,000	–	524	518	1.2
<b>Total</b>	<b>1,768,500</b>	<b>1,781,500</b>	<b>(13,000)</b>	<b>16,382</b>	<b>17,625</b>	<b>(7.1)</b>

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

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

As at 30 June 2023, the investment properties of the Group were revalued at HK\$1,768.5 million (31 December 2022: HK\$1,781.5 million) by an independent professional valuer. During the Interim Period, the loss in fair value of investment properties of HK\$13.0 million (six months ended 30 June 2022: HK\$24.4 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.

# Management Discussion and Analysis

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 6 August 2019, each of Top Bright, Smart Land and Pioneer Delight entered into their respective facility agreements with HSB for term loan facilities in the aggregate principal amount of HK\$270 million.

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 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 repayment of HK\$100 million 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.

# Management Discussion and Analysis

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 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.

# Management Discussion and Analysis

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 will comply with the above conditions.

For details, please refer to the announcements of the Company dated 5 February 2021, 18 March 2021, 23 August 2021, 4 October 2021, 8 October 2021 and 29 October 2021, and the 2022 annual report of the Company, 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, both international and domestic uncertainties will continue to have vital impacts on the Group's business operations. In general, economies across the globe remain sluggish coming out of COVID-19, with relatively low GDP growth and rising interest rates. For the rest of the year of 2023, inbound tourism and private consumption will remain the major drivers of economic growth in Hong Kong. However, exports of goods will continue to face intense pressure, as slower global economic growth weighs on external demand. The operating environment in Hong Kong is expected to be challenging for the rest of the year.

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 is also looking for suitable opportunities to dispose certain assets of the Group so as to raise additional cash. 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.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

For the Interim Period, the revenue of the Group amounted to approximately HK\$16.4 million, representing a decrease of approximately 6.8% from approximately HK\$17.6 million recorded in the corresponding period of last year. The decrease in revenue was primarily attributable to the relatively higher occupancy rate during the first half of 2022 as compared to the Interim Period.

### Other income

Other income for the Interim Period was approximately HK\$0.9 million, (six months ended 30 June 2022: approximately HK\$0.3 million). The increase was mainly due to (i) increase in bank interest income and (ii) increase in sundry income arising from forfeiture of rental deposits and advance rental payment from tenants during the Interim Period.

### Staff costs

For the Interim Period, the Group's staff costs amounted to approximately HK\$2.1 million, representing a decrease of approximately 19.2% from approximately HK\$2.6 million recorded in the corresponding period of last year. The decrease in staff costs was mainly due to the reduction in number of employees during the Interim Period.

### Other operating expenses

Other operating expenses amounted to approximately HK\$3.7 million for the Interim Period, representing a decrease of approximately 60.2% from approximately HK\$9.3 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 30 June 2023 HK\$'000	Six months ended 30 June 2022 HK\$'000
Investment properties operating costs	1,292	906
Professional fees	547	1,065
General administrative costs	835	917
Exchange loss, net	1,003	6,380
Total	3,677	9,268

Investment properties operating costs mainly composed of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. The increase in investment properties operating costs of approximately HK\$0.4 million was primarily due to (i) increase in repairs and maintenance work of the Group's investment properties; (ii) increase in building management fee of vacant units and (iii) increase in government rent arising from reassessment of rateable value compared to the corresponding period of last year.

Professional fees decreased by approximately HK\$0.5 million in the Interim Period as compared to the same period last year. This is primarily due to the reduction of corporate transaction professional fees during the Interim Period.

The exchange loss of approximately HK\$1.0 million for the Interim Period was arised from the translation of assets and liabilities denominated in RMB, in which RMB depreciated against HKD during the Interim Period.



# Management Discussion and Analysis

## Net loss in fair value of investment properties

As at 30 June 2023, the investment properties of the Group were revalued at HK\$1,768.5 million (31 December 2022: HK\$1,781.5 million) by an independent professional valuer. During the Interim Period, a fair value loss on investment properties of HK\$13.0 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\$18.7 million, representing an increase of approximately 159.7% from approximately HK\$7.2 million recorded in the corresponding period of last year. Such increase was mainly attributable to significant increase in interest rate of bank borrowings during the Interim period as compared with six months ended 30 June 2022.

## 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\$22.1 million (six months ended 30 June 2022 (restated): loss of approximately HK\$28.9 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\$13.0 million and finance costs of approximately HK\$18.7 million incurred.

## Liquidity and financial resources

The Group's business operations were generally funded by its internal resources and bank borrowings. As at 30 June 2023, the Group's outstanding bank borrowings amounted to approximately HK\$777.8 million (31 December 2022: approximately HK\$790.5 million), of which all outstanding secured bank borrowings are repayable within one year as of 30 June 2023. The decrease in bank borrowings during the Interim Period was mainly attributable to repayment of bank borrowings during the Interim Period.

As at 30 June 2023, the Group maintained cash and cash equivalents of approximately HK\$41.4 million (31 December 2022: approximately HK\$63.3 million). The decrease in cash and cash equivalents was mainly attributable to repayment of bank borrowings and interests on bank borrowings during the Interim Period.

The Group's gearing ratio as at 30 June 2023, which is calculated on the basis of total liabilities over total assets, was approximately 44.6% (31 December 2022 (restated): approximately 44.6%). The current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 30 June 2023, was approximately 0.06 (31 December 2022: approximately 0.08).

As at 30 June 2023, the Group recorded net current liabilities of approximately HK\$745.9 million (31 December 2022: approximately HK\$738.2 million). The net current liabilities were mainly due to maturity of the Group's bank 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 (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.

# Management Discussion and Analysis

## Capital structure

As at 30 June 2023, 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 2023, the unaudited net assets of the Group amounted to approximately HK\$1,005.1 million, representing a decrease of approximately 2.06% from the net assets of approximately HK\$1,026.1 million (restated) as at 31 December 2022. With the total number of 1,125,027,072 ordinary shares in issue as at 30 June 2023, the net assets value per share was approximately HK\$0.89 (31 December 2022 (restated): approximately HK\$0.91).

## 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 2022: Nil).

## CORPORATE GUARANTEE

As at 30 June 2023, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK\$1,127 million (31 December 2022: HK\$1,127 million).

## CHARGES ON GROUP ASSETS

As at 30 June 2023, the Group has pledged the following assets:

- (a) Investment properties in Hong Kong with an aggregate carrying amount of HK\$1,768.5 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.

## CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had 6 employees (31 December 2022: 8 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.

# Management Discussion and Analysis

## **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**

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 will comply with the above conditions.

# Additional Information Required under the Listing Rules

## SHARE OPTION SCHEME

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the Annual General Meeting (“AGM”) held on 3 September 2013 (the “Share Option Scheme”) for a term of ten years from 3 September 2013 to replace the previous share option scheme, which expired on 2 September 2013.

The primary purpose of the Share Option Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

Pursuant to Note (2) to Rule 17.03(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercise under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the number of the Company’s shares in issue from time to time. No options may be granted under any scheme of the Company if this will result in this 30% limit being exceeded.

The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company’s shares in issue, subject to approval from shareholders of the Company. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the annual general meeting held on 24 August 2018. The total number of issued shares of the Company as at 24 August 2018 was 1,125,027,072 and thus the maximum number of Shares allowed to be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 112,502,707 shares which represented 10% of the total number of issued shares as at 24 August 2018. As at 30 June 2023, the maximum number of shares allowed to be issued under the Share Option Scheme and any other share option scheme of the Company shall not exceed 112,502,707 shares, represented 10% of the total number of issued shares.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of Directors (the “Board”) may think fit. An option may be exercised at any time, during a period determined and notified by the Board by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the Board and will be at least the highest of the following:

- (a) the closing price of shares at the date of grant of a share option;
- (b) the average closing price of the shares for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a share.

As at 1 January 2023, there were no outstanding share options under the Share Option Scheme. There is no movement in the share options granted to the Directors, employees of the Company and other eligible participants under the Share Option Scheme during the Interim Period. As at 30 June 2023, there were no outstanding share options under the Share Option Scheme. The Share Option Scheme will be expired on 2 September 2023.

# Additional Information Required under the Listing Rules

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 30 June 2023, persons, other than a director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO (the "Register") or had otherwise notified to the Company and the Stock Exchange were as follows:

Name of substantial shareholder	Capacity and nature of interest	As at 30 June 2023	
		Number of Shares and underlying Shares interested L (long position) S (short position)	Approximate percentage of issued share capital of the Company (Note 1)
China Cinda (HK) Asset Management Co., Limited ("China Cinda (HK)") <sup>(2)(3)</sup>	Beneficial owner	L – 843,585,747	74.98%
Bonds & Sons Holdings Limited <sup>(4)</sup>	Beneficial owner	L – 111,642,295	9.93%
Bonds & Sons International Limited <sup>(4)</sup>	Interest in controlled corporation	L – 111,642,295	9.93%
Bonds Chan Family Holdings (PTC) Ltd. <sup>(4)</sup>	Interest in controlled corporation	L – 111,642,295	9.93%
China Cinda Asset Management Co., Ltd. <sup>(2)(3)</sup>	Interest in controlled corporation	L – 843,585,747	74.98%
DCP China Credit Fund I, L.P. <sup>(5)</sup>	Interest of controlled corporation	L – 843,585,747	74.98%
Dignari Capital Partners GP Limited <sup>(5)</sup>	Interest of controlled corporation	L – 843,585,747	74.98%
Tan Mei Zie Grace <sup>(5)</sup>	Interest of controlled corporation	L – 843,585,747	74.98%

# Additional Information Required under the Listing Rules

## Notes:

- (1) Based on 1,125,027,072 ordinary shares of the Company in issue at 30 June 2023.
- (2) China Cinda (HK) is the beneficial owner of 843,585,747 shares.
- (3) China Cinda Asset Management Co., Ltd. controlled 100% of China Cinda (HK) Holdings Company Limited, which is the sole shareholder of China Cinda (HK) and is deemed under the SFO to be interested in the 843,585,747 Shares held by China Cinda (HK).
- (4) To the best knowledge, information and belief of the Directors, Bonds & Sons Holdings Limited is 100% controlled by Bonds & Sons International Limited, which is in turn 100% controlled by Bonds Chan Family Holdings (PTC) Ltd. Accordingly, Bonds Chan Family Holdings (PTC) Ltd. and Bonds & Sons International Limited are deemed under the SFO to be interested in the 111,642,295 Shares held by Bonds & Sons Holdings Limited.
- (5) To the best knowledge, information and belief of the Directors, DCP China Credit Fund I, L.P., Dignari Capital Partners GP Limited and Tan Mei Zie Grace are interested in 843,585,747 shares of the Company and/or underlying shares of the Company, among which there are interests in 34,139,680 underlying shares of the Company pursuant to physically settled unlisted derivatives; DCP China Credit Fund I, L.P. controlled 100% of Dragons 616 Limited, whilst DCP China Credit Fund I, L.P. was controlled by Dignari Capital Partners GP Limited, and Tan Mei Zie Grace controlled 99% of Dignari Capital Partners GP Limited.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

## 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, an indirect wholly-owned subsidiary of the Company, entered into an agreement with 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 and 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 6 August 2019, each of Top Bright, Smart Land and Pioneer Delight entered into their respective facility agreements with HSB for term loan facilities in the aggregate principal amount of HK\$270 million.

On 5 February 2021, the Borrowers 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.

## Additional Information Required under the Listing Rules

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 repayment of HK\$100 million 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 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.

## Additional Information Required under the Listing Rules

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 will comply with the above conditions.

For details, please refer to the announcements of the Company dated 5 February 2021, 18 March 2021, 23 August 2021, 4 October 2021, 8 October 2021 and 29 October 2021, and the 2022 annual report of the Company, 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.

### CHANGE OF DIRECTORS' INFORMATION

During the Interim Period, there is no change in the information of the director of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



# Additional Information Required under the Listing Rules

## 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 the 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

As at the date of this report, 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. This interim report of the Group for the six months ended 30 June 2023 and the unaudited interim financial statements have been reviewed by the Audit Committee.

## 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.

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

Hong Kong, 30 August 2023

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Unaudited	
		Six months ended 30 June 2023 HK\$'000	Six months ended 30 June 2022 (Restated) HK\$'000
Revenue	4	16,382	17,625
Other income, net	5	915	274
Net loss in fair value of investment properties	11	(13,000)	(24,400)
Staff costs	6	(2,099)	(2,646)
Depreciation of property, plant and equipment	6	(75)	(90)
Depreciation of right-of-use assets	6	(428)	(599)
Other operating expenses		(3,677)	(9,268)
Loss from operations	6	(1,982)	(19,104)
Finance costs	7	(18,666)	(7,151)
Loss before tax		(20,648)	(26,255)
Income tax expense	8	(1,488)	(2,620)
<b>Loss for the period</b>		<b>(22,136)</b>	<b>(28,875)</b>
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operations		1,098	5,771
Other comprehensive income for the period, net of tax		1,098	5,771
<b>Total comprehensive loss for the period</b>		<b>(21,038)</b>	<b>(23,104)</b>
<b>Loss for the period attributable to the owners of the Company</b>		<b>(22,136)</b>	<b>(28,875)</b>
<b>Total comprehensive loss for the period attributable to the owners of the Company</b>		<b>(21,038)</b>	<b>(23,104)</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	(1.97)	(2.57)

# Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 (Restated) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		60	135
Right-of-use assets		1,928	2,356
Investment properties	11	1,768,500	1,781,500
		<b>1,770,488</b>	<b>1,783,991</b>
<b>Current assets</b>			
Trade and other receivables, deposits and prepayments	12	3,249	4,299
Tax recoverable		–	191
Cash and cash equivalents		41,406	63,268
		<b>44,655</b>	<b>67,758</b>
<b>Current liabilities</b>			
Other payables, deposits and accrued expenses	13	9,478	11,350
Lease liabilities		838	805
Bank borrowings	14	777,825	790,505
Tax payables		2,348	3,271
		<b>790,489</b>	<b>805,931</b>
<b>Net current liabilities</b>		<b>(745,834)</b>	<b>(738,173)</b>
<b>Total assets less current liabilities</b>		<b>1,024,654</b>	<b>1,045,818</b>
<b>Non-current liabilities</b>			
Other payables and deposits	13	5,678	5,380
Lease liabilities		1,147	1,575
Deferred tax liabilities		12,727	12,723
		<b>19,552</b>	<b>19,678</b>
<b>Net assets</b>		<b>1,005,102</b>	<b>1,026,140</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	112,502	112,502
Reserves	16	892,600	913,638
<b>Total equity</b>		<b>1,005,102</b>	<b>1,026,140</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 (Unaudited)

	Attributable to the owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note 16)	Exchange reserve HK\$'000 (Note 16)	Contributions from shareholders HK\$'000 (Note 16)	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2023 (Restated)	112,502	168,300	9,628	(12,513)	233,606	5,619	508,998	1,026,140
Loss for the period	-	-	-	-	-	-	(22,136)	(22,136)
Other comprehensive income, net of tax: Items that may be reclassified subsequently to profit or loss: Exchange difference on translating foreign operations	-	-	-	1,098	-	-	-	1,098
Total comprehensive loss for the period	-	-	-	1,098	-	-	(22,136)	(21,038)
At 30 June 2023 (Unaudited)	112,502	168,300*	9,628*	(11,415)	233,606*	5,619*	486,862	1,005,102

\* These reserve accounts comprise the consolidated reserves of HK\$892,600,000 in the condensed consolidated statement of financial position.

	Attributable to the owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note 16)	Exchange reserve HK\$'000 (Note 16)	Contributions from shareholders HK\$'000 (Note 16)	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2022 (Restated)	112,502	168,300	9,628	(23,728)	233,606	5,619	572,300	1,078,227
Loss for the period (restated)	-	-	-	-	-	-	(28,875)	(28,875)
Other comprehensive income, net of tax: Items that may be reclassified subsequently to profit or loss: Exchange difference on translating foreign operations	-	-	-	5,771	-	-	-	5,771
Total comprehensive loss for the period	-	-	-	5,771	-	-	(28,875)	(23,104)
At 30 June 2022 (Unaudited)	112,502	168,300	9,628	(17,957)	233,606	5,619	543,425	1,055,123

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June 2023 HK\$'000	Six months ended 30 June 2022 HK\$'000
<b>Net cash generated from operating activities</b>	<b>9,465</b>	8,538
<b>Cash flows from investing activities</b>		
Other investing activities	578	216
<b>Net cash generated from investing activities</b>	<b>578</b>	216
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(13,938)	(20,955)
Repayment of lease liabilities	(485)	(672)
Interests paid	(17,318)	(6,576)
<b>Net cash used in financing activities</b>	<b>(31,741)</b>	(28,203)
<b>Net decrease in cash and cash equivalents</b>	<b>(21,698)</b>	(19,449)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>63,268</b>	136,575
Effect of foreign exchange rate changes	(164)	(819)
<b>Cash and cash equivalents at the end of the period</b>	<b>41,406</b>	116,307
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	10,406	36,307
Non-pledged time deposits with original maturity of less than three months	31,000	80,000
	<b>41,406</b>	116,307

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 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 property investment and leasing.

The Company's shares are listed on the Stock Exchange. The registered office and the principal place of business of the Company are disclosed in the corporate information section of this interim report.

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 information for the six months ended 30 June 2023 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 2022.

### Going concern

As at 30 June 2023, the Group's total current liabilities exceeded its total current assets by approximately HK\$745,834,000 (31 December 2022: approximately HK\$738,173,000). 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the 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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 8	Definition of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim condensed consolidated statement of financial position:

	Increase/(decrease)		
	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000	As at 1 January 2022 HK\$'000
<b>Liabilities</b>			
Deferred tax liabilities (Note)	129	129	165
Total non-current liabilities	129	129	165
Net assets	(129)	(129)	(165)
<b>Equity</b>			
Retained profits	(129)	(129)	(165)
Total equity	(129)	(129)	(165)

Note:

The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (Continued)

Impact on the interim condensed consolidated statement of profit or loss and other comprehensive income:

	Increase/(decrease)	
	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Income tax expense	-	(99)
Loss for the period	-	(99)
Loss for the period attributable to the owners of the Company	-	(99)
Total comprehensive loss for the period	-	(99)
Total comprehensive loss for the period attributable to the owners of the Company	-	(99)
Impact on the loss per share attributable to ordinary equity holders of the Company		
	Increase/(decrease)	
	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Basic and diluted (in HK cents)	-	(0.01)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two Model Rules, the amendments did not have any impact to 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 segment under HKFRS 8 Operating Segments is property investment – leasing of investment properties located in Hong Kong. Accordingly, no operating segment is presented.

## 5. OTHER INCOME, NET

	Unaudited	
	Six months ended 30 June 2023	Six months ended 30 June 2022
	HK\$'000	HK\$'000
Bank interest income	578	216
Government grants (Note)	–	56
Sundry income	337	2
	<b>915</b>	<b>274</b>

Note:

During the six months ended 30 June 2022, the Group recognised government grants of approximately HK\$56,000 in respect of COVID-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 6. LOSS FROM OPERATIONS

	Unaudited	
	Six months ended 30 June 2023 HK\$'000	Six months ended 30 June 2022 HK\$'000
The Group's loss from operations is arrived at after charging/(crediting):		
Directors' emoluments	270	270
Other staff costs	1,829	2,376
Total staff costs	2,099	2,646
Depreciation of property, plant and equipment	75	90
Depreciation of right-of-use assets	428	599
Gross rental income from investment properties	(16,382)	(17,625)
Less: Direct operating expenses from investment properties that generated rental income during the period	1,292	906
	(15,090)	(16,719)

## 7. FINANCE COSTS

	Unaudited	
	Six months ended 30 June 2023 HK\$'000	Six months ended 30 June 2022 HK\$'000
Interest on bank borrowings wholly repayable within five years	18,576	7,130
Interest on lease liabilities	90	21
	18,666	7,151

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June 2023 HK\$'000	Six months ended 30 June 2022 (Restated) HK\$'000
Current tax		
Hong Kong profits tax		
– Provision for the period	1,640	1,875
The PRC		
– Provision for the period	–	166
– Over-provision in prior years	(156)	–
	(156)	166
	1,484	2,041
Deferred taxation		
– Charged to the condensed consolidated statement of profit or loss and other comprehensive income	4	579
	1,488	2,620

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 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 2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2022: 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%.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 9. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the Interim Period (six months ended 30 June 2022: 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 2023</b>	<b>Six months ended 30 June 2022</b>
	<b>HK\$'000</b>	<b>(Restated) HK\$'000</b>

### Loss

Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share

**(22,136)**

**(28,875)**

	<b>Six months ended 30 June 2023</b>	<b>Six months ended 30 June 2022</b>
	<b>'000</b>	<b>'000</b>

### Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share

**1,125,027**

**1,125,027**

For the six months ended 30 June 2023 and 2022, 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 2023 and 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 11. INVESTMENT PROPERTIES

	<b>Completed investment properties, in Hong Kong HK\$'000</b>
<b>FAIR VALUE:</b>	
At 1 January 2023	1,781,500
Net loss in fair value recognised in the condensed consolidated statement of profit or loss and other comprehensive income	<u>(13,000)</u>
<b>At 30 June 2023 (Unaudited)</b>	<b><u>1,768,500</u></b>

The fair value of the Group's investment properties as at 30 June 2023 was determined by valuations carried out by Vincorn Consulting and Appraisal Limited (31 December 2022: Vincorn Consulting and Appraisal Limited), an independent qualified professional valuer not connected to the Group.

The responsible valuers of Vincorn Consulting and Appraisal 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 HK\$13,000,000 (six months ended 30 June 2022: HK\$24,400,000) 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 2023, investment properties with a carrying amount in aggregate of HK\$1,768,500,000 (31 December 2022: HK\$1,781,500,000) were pledged as collateral for the Group's bank borrowings.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Rental receivables (Note (i))	103	264
Less: Allowance for credit loss	–	–
	<b>103</b>	264
Other receivables, deposits and prepayments, net of allowance for credit losses (Note (ii))	<b>3,146</b>	4,035
	<b>3,249</b>	4,299

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 2023 HK\$'000	Audited 31 December 2022 HK\$'000
0 to 30 days	89	84
31 to 60 days	–	111
61 to 90 days	–	–
91 to 180 days	3	54
181 to 365 days	11	15
	<b>103</b>	264

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(ii) The amount represents other receivables, deposits and prepayments:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Prepayments	421	509
Deposits and other receivables	274,147	283,674
Prepaid tax	14	14
	<b>274,582</b>	<b>284,197</b>
Less: Allowance for credit losses	<b>(271,436)</b>	<b>(280,162)</b>
	<b>3,146</b>	<b>4,035</b>

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
At 1 January	280,162	306,095
Exchange realignment	<b>(8,726)</b>	<b>(25,933)</b>
At 30 June/31 December	<b>271,436</b>	<b>280,162</b>

## 13. OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Rental deposits received	10,796	10,580
Other payables and accrued expenses	3,801	5,418
	<b>14,597</b>	<b>15,998</b>
Contract liabilities (Note)	<b>559</b>	<b>732</b>
	<b>15,156</b>	<b>16,730</b>
Less: Non-current portion of other payables and deposits	<b>(5,678)</b>	<b>(5,380)</b>
	<b>9,478</b>	<b>11,350</b>



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 13. OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES (Continued)

Note:

Details of contract liabilities are as follows:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Short-term advance payments received from tenants	<b>559</b>	732

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

## 14. BANK BORROWINGS

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Effective interest rate	Maturity	HK\$'000	Effective interest rate	Maturity	HK\$'000
<b>Current</b>						
Bank loans – secured	HIBOR plus 1.25%-2%	On demand	<b>777,825</b>	HIBOR plus 1.25%-2%	On demand	790,505

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
On demand or within one year	<b>777,825</b>	790,505

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

Details of pledge of assets and corporate guarantees of the Group were set out in the section "Charges on Group Assets" and "Corporate Guarantee" of this interim report respectively.

## 15. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2023 '000	31 December 2022 '000	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Authorised:				
Ordinary of shares of HK\$0.10 each	<b>2,000,000</b>	2,000,000	<b>200,000</b>	200,000
Issued and fully paid	<b>1,125,027</b>	1,125,027	<b>112,502</b>	112,502

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the condensed consolidated statement of changes in equity on page 19 of this interim report.

### Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

### Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy adopted for exchange reserve.

### Contribution from shareholders

The contributions from shareholders represent the aggregation of discount on acquisitions of an indirect wholly-owned subsidiary, Uptodate Management Limited with the amount of approximately HK\$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

## 17. FINANCIAL RISK MANAGEMENT

### Fair values measurements of financial instruments

(i) **Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000			
Financial assets					
Financial assets at fair value through profit or loss	–	–	Level 3	Net asset value	N/A (note)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 17. FINANCIAL RISK MANAGEMENT (Continued)

### Fair values measurements of financial instruments (Continued)

(i) **Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)**

Note:

The Group has determined that the net asset value represents fair value at the end of the reporting period.

#### Fair value hierarchy as at 30 June 2023

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	-	-	-	-

#### Fair value hierarchy as at 31 December 2022

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	-	-	-	-

There were no transfers between Level 1 and 2 during the Interim Period.

(ii) **Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 17. FINANCIAL RISK MANAGEMENT (Continued)

### Fair values measurements of financial instruments (Continued)

(ii) *Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)*

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate to their fair values.

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
<b>Financial liabilities</b>				
Bank borrowings	<b>777,825</b>	<b>777,825</b>	790,505	790,505

## 18. OPERATING LEASES

### The Group as lessor

The Group leases its investment properties (Note 11) consisting of commercial properties in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

Rental income recognised by the Group for the Interim Period was approximately HK\$16,382,000 (six months ended 30 June 2022: approximately HK\$17,625,000), details of which are included in Note 4 to the financial statements.

At 30 June 2023 and 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within one year	<b>19,297</b>	20,708
In the second to fifth year inclusive	<b>8,802</b>	10,866
	<b>28,099</b>	31,574

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 19. MATERIAL RELATED PARTY TRANSACTIONS

As at 30 June 2023 and 31 December 2022, the Group had no material outstanding balances or material transactions with related parties.

## 20. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following significant commitments:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Contracted, but not provided for:		
Capital contribution to a limited partnership	<b>40,673</b>	41,981

## 21. EVENTS AFTER THE REPORTING PERIOD

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 will comply with the above conditions.