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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board ("**Board**") of directors (the "**Directors**") of Zhongchang International Holdings Group Limited (the "**Company**") hereby announces the results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**" or "**FY2021**"), together with the comparative figures for the year ended 31 December 2020 ("**FY2020**") which are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
Revenue	3	**36,594**	36,990
Other income, net	5	**433**	11,663
Net loss in fair value of investment properties		**(35,700)**	(58,600)
Staff costs		**(7,846)**	(11,277)
Depreciation of property, plant and equipment		**(786)**	(989)
Depreciation of right-of-use assets		**(1,197)**	(1,224)
Impairment losses under expected credit loss model		**(612)**	–
Other operating expenses		**(14,688)**	(20,526)
Loss from continuing operations	6	**(23,802)**	(43,963)
Gain on disposal of subsidiaries	14	**414,955**	8,431
Finance costs	7	**(18,865)**	(29,305)
Profit/(loss) before tax from continuing operations		**372,288**	(64,837)
Income tax expense	8	**(4,229)**	(5,981)

	Notes	Year ended 31 December **2021** ***HK$'000***	 2020 *HK$'000*
Profit/(loss) for the year from continuing operations		**368,059**	(70,818)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	9	**(121,776)**	(110,262)
Profit/(loss) for the year		**246,283**	(181,080)
EARNINGS / (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted:			
– For profit/(loss) for the year (in HK cents)	11	**21.89**	(16.10)
– For profit/(loss) from continuing operations (in HK cents)	11	**32.72**	(6.29)
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(2,638)**	(11,599)
Other comprehensive loss for the year, net of tax		**(2,638)**	(11,599)
Total comprehensive income/(loss) for the year		**243,645**	(192,679)
Profit/(loss) attributable to the owners of the Company		**246,283**	(181,080)
Total comprehensive income/(loss) attributable to the owners of the Company		**243,645**	(192,679)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2021** *HK$'000*	As at 31 December 2020 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**308**	1,127
Right-of-use assets		**998**	2,748
Investment properties		**1,827,300**	1,863,000
Financial assets at fair value through profit or loss		**–**	5,941
		1,828,606	1,872,816
Current assets			
Properties for sale		**–**	628,372
Trade and other receivables, deposits and prepayments	12	**4,902**	43,815
Tax recoverables		**37**	3,185
Cash and cash equivalents		**136,575**	356,144
		141,514	1,031,516
Current liabilities			
Trade and other payables, deposits and accrued expenses	13	**12,426**	440,807
Lease liabilities		**1,094**	1,747
Bank and other borrowings		**857,797**	1,604,842
Tax payables		**2,511**	3,214
		873,828	2,050,610
Net current liabilities		**(732,314)**	(1,019,094)
Total assets less current liabilities		**1,096,292**	853,722

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Non-current liabilities			
Other payables and deposits	13	**5,975**	6,010
Lease liabilities		**–**	1,126
Deferred tax liabilities		**11,925**	11,839
		17,900	18,975
Net assets		**1,078,392**	834,747
CAPITAL AND RESERVES			
Share capital		**112,502**	112,502
Reserves		**965,890**	722,245
Total equity		**1,078,392**	834,747

Notes:

1. GENERAL

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 leasing and property development (discontinued upon completion of disposal of Shanghai Yuexin Enterprise Management Consultancy Co., Limited* (上海岳信企業管理諮詢有限公司) ("**Shanghai Yuexin**") on 26 September 2021).

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

2.1 BASIS OF PREPARATION

These financial informations have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial informations are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

As at 31 December 2021, the Group's total current liabilities exceeded its total current assets by approximately HK$732,314,000 (2020: approximately HK$1,019,094,000). The directors of the Company considered that the controlling shareholder of the Company has the intention to provide unconditional 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 of the Company 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 informations.

Basis of consolidation

The consolidated financial informations include the financial informations of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial informations of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial informations.

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

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

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

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("**HIBOR**") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

3. REVENUE

	2021	2020
	HK$'000	*HK$'000*
Gross rental income from investment properties in Hong Kong	**36,594**	36,990

4. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board, being the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments are therefore as follows:

(i) Property investment – leasing of investment properties in Hong Kong; and

(ii) Property development in the People's Republic of China (the "**PRC**"), which was discontinued subsequent to completion of disposal of Shanghai Yuexin on 26 September 2021.

On 26 September 2021, Shanghai Yuexin and its subsidiary, Zhenjiang Tiangong Yijingyuan Real Estate Co., Limited* (鎮江天工頤景園房地產有限公司) ("**Zhenjiang Tiangong**"), the subsidiaries of the Group, which engaged in property development were disposed and the Group ceased its property development business. The property development segment revenue and results were included in Note 9. Accordingly, no operating segment is presented.

Geographical information

The following tables set out information about the Group's revenue from external customers by geographical locations, based on the location at which the properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

	Revenue from external customers	
	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**36,594**	36,990

	Non-current assets	
	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**1,828,606**	1,866,290
The PRC	**–**	6,526
	1,828,606	1,872,816

Information about major customers

There were no customers individually contributing over 10% of the revenue for the years reported.

5. OTHER INCOME, NET

	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**2,259**	1,697
Fair value loss of derivative financial asset component of convertible notes	**–**	(89)
Fair value loss of financial assets at fair value through profit or loss	**(6,024)**	–
Compensation received from tenant	**–**	511
Exchange gain, net	**4,093**	8,517
Government grants	**53**	447
Sundry income	**52**	580
	433	11,663

6. LOSS FROM CONTINUING OPERATIONS

The Group's loss from continuing operations is arrived at after charging/(crediting):

	2021	2020
	HK$'000	*HK$'000*
Directors' emoluments	**569**	2,031
Other staff costs		
Salaries and allowances	**6,093**	8,310
Retirement benefit scheme contributions	**128**	134
Social security contributions	**488**	724
Other benefits in kind	**568**	78
Total staff costs	**7,846**	11,277
Bank interest income	**(2,259)**	(1,697)
Fair value loss of financial assets at fair value through profit or loss	**6,024**	–
Fair value loss of derivative financial asset component of convertible notes	**–**	89
Net loss in fair value of investment properties	**35,700**	58,600
Exchange gain, net	**(4,093)**	(8,517)
Auditors' remuneration		
– Audit services	**1,560**	3,390
– Non-audit services	**420**	610
Depreciation of property, plant and equipment	**786**	989
Depreciation of right-of-use assets	**1,197**	1,224
Impairment losses under expected credit loss model	**612**	–
Lease payments not included in the measurement of lease liabilities	**209**	533
Gross rental income from investment properties	**(36,594)**	(36,990)
Less: Direct operating expenses from investment properties that generated rental income during the year	**5,655**	4,186
	(30,939)	(32,804)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2021	2020
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**18,775**	27,826
Interest on lease liabilities	**90**	152
Effective interest expense on convertible notes	**–**	1,327
	18,865	29,305

8. INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
Current tax		
Hong Kong		
– Provision for the year	**2,619**	2,498
– Over-provision in prior years	**(66)**	–
	2,553	2,498
The PRC		
– Provision for the year	**1,289**	2,670
– Under-provision in prior years	**301**	–
	1,590	2,670
	4,143	5,168
Deferred taxation		
– Charged to the consolidated statement of profit or loss and other comprehensive income	**86**	813
	4,229	5,981

The provision for Hong Kong Profits Tax for the Reporting Period is calculated at 16.5% of the estimated assessable profits for the year (2020: 16.5%). The concession of 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government was taken up by an indirect wholly-owned subsidiary incorporated in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 December 2020 and 2021.

9. DISCONTINUED OPERATIONS

On 10 August 2021, Zhoushan Mingyi Cultural Assets Investments Co., Limited* (舟山銘義文化產業投資有限公司) ("**Zhoushan Mingyi**") as the vendor and Pujiang Jiaze Enterprise Management Co., Limited* (浦江嘉澤管理有限公司) ("**Pujiang Jiaze**"), as the successful bidder and purchaser entered into the equity transfer agreement for the sale and purchase of the entire equity interests of Shanghai Yuexin and its sole subsidiary, Zhenjiang Tiangong ("**Shanghai Yuexin Group**"), together with certain assets held and liabilities owned by Shanghai Yuexin Group at a consideration of RMB1,000,000 (equivalent to approximately HK$1,205,000) (the "**Yuexin Equity Transfer Agreement**"). On the same day, Zhoushan Mingyi, Pujiang Jiaze, Shanghai Yuexin and Zhenjiang Tiangong entered in the supplemental agreements supplementing the terms of the Yuexin Equity Transfer Agreement setting out the details of, among others, the right to legal recourse on the part of Zhoushan Mingyi as regards certain loans and other amounts due from Shanghai Yuexin Group to the Group (the "**Yuexin Supplemental Agreements**").

Shanghai Yuexin was an investment holding company. Zhenjiang Tiangong, the subsidiary of Shanghai Yuexin, primarily engages in property development. The Group has decided to cease its property development business because it plans to divest the debts and liabilities owned by Shanghai Yuexin Group, and to realise the investment in the project. The disposal of Shanghai Yuexin Group was completed on 26 September 2021. With the disposal of the Shanghai Yuexin Group, the property development business was classified as discontinued operation and was no longer included in the note for operating segment information.

The results of Shanghai Yuexin Group for the periods are presented below:

	From 1 January 2021 to 26 September 2021 *HK$'000*	Year ended 31 December 2020 *HK$'000*
Revenue	**–**	–
Other income, net	**510**	219
Staff costs	**(1,657)**	(2,624)
Depreciation of property, plant and equipment	**(15)**	(17)
Depreciation of right-of-use assets	**(354)**	(448)
Write-down of properties under development to net realisable value	**(36,751)**	–
Impairment losses under expected credit loss model	**(5,275)**	(7,627)
Other operating expenses	**(3,700)**	(9,042)
Finance costs	**(74,534)**	(90,723)
Loss before tax from the discontinued operation	**(121,776)**	(110,262)
Income tax expense	**–**	–
Loss for the periods from the discontinued operation	**(121,776)**	(110,262)

The net cash flows incurred by Shanghai Yuexin Group are as follows:

	2021	2020
	HK$'000	*HK$'000*
Operating activities	**74,503**	(11,592)
Investing activities	**509**	179
Financing activities	**(535)**	23,427
Net cash inflow	**74,477**	12,014

	2021	2020
Loss per share:		
Basic and diluted from the discontinued operation (HK cents)	**(10.83)**	(9.81)

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2021	2020
	HK$'000	*HK$'000*
Loss attributable to ordinary equity holders of the Company from the discontinued operation	**(121,776)**	(110,262)

	Number of shares	
	2021	2020
	'000	*'000*
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,125,027**	1,125,027

10. DIVIDEND

The Directors do not recommend dividend for the year ended 31 December 2021 (2020: Nil).

11. EARNINGS/(LOSS) PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	**368,059**	(70,818)
From a discontinued operation	**(121,776)**	(110,262)
	246,283	(181,080)

	Number of shares	
	2021	2020
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**1,125,027**	1,125,027

For the years ended 31 December 2021 and 2020, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021	2020
	HK$'000	*HK$'000*
Rental receivables *(Note (i))*	**298**	4,547
Property project management service receivables *(Note (ii))*	**–**	594
	298	5,141
Less: Allowance for credit losses *(Note (iii))*	**–**	(1)
	298	5,140
Security deposits for financing arrangements *(Note (iv))*	**–**	825
Other receivables, deposits and prepayments, net of allowance for credit losses *(Note (v))*	**4,604**	37,850
	4,902	43,815

(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:

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**94**	1,319
31 to 60 days	**84**	1,402
61 to 90 days	**84**	95
91 to 180 days	**–**	1,683
181 to 365 days	**11**	48
More than 365 days	**25**	–
	298	4,547

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

	2021	2020
	HK$'000	*HK$'000*
More than 365 days	**–**	593

(iii) The movements in the allowance for credit losses of trade receivables are as follows:

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**1**	1
Impairment losses, net	**612**	–
Amount written off as uncollectible	**(613)**	–
At 31 December	**–**	1

(iv) As at 31 December 2020, the amounts are deposited in a financial institution for securing the other borrowings of the Group. With the disposal of subsidiaries, the amount was nil as at 31 December 2021.

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

	2021	2020
	HK$'000	*HK$'000*
Prepayments	**643**	938
Deposits and other receivables	**310,043**	308,872
Prepaid tax	**13**	23,825
	310,699	333,635
Less: Allowance for credit losses	**(306,095)**	(295,785)
	4,604	37,850

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

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**295,785**	270,335
Impairment losses, net	**228,752**	7,627
Decrease on disposal of subsidiaries	**(224,830)**	–
Exchange realignment	**6,388**	17,823
At 31 December	**306,095**	295,785

13. TRADE AND OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	2021	2020
	HK$'000	*HK$'000*
Trade payables *(Note (a))*	**–**	118,895
Rental deposits received	**10,966**	11,096
Contract liabilities *(Note (b))*	**–**	148,892
Other payables and accrued expenses *(Note (c))*	**6,722**	167,327
	17,688	446,210
Advance rental received	**713**	607
	18,401	446,817
Less: Non-current portion of other payables and deposits	**(5,975)**	(6,010)
	12,426	440,807

Notes:

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

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**–**	68,244
31 to 90 days	**–**	1,733
91 to 180 days	**–**	3,474
181 to 365 days	**–**	13,500
More than 365 days	**–**	31,944
	–	118,895

Trade payables arise from property development segment. On 26 September 2021, Shanghai Yuexin and Zhenjiang Tiangong, the subsidiaries of the Group, which engage in property development were disposed and the Group ceased its property development business. As a result, the trade payables were nil at 31 December 2021 (2020: approximately HK$118,895,000).

(b) Contract liabilities represent proceeds received from pre-sale of properties at the end of the Reporting Period.

With the disposal of subsidiaries mentioned in (a), the contract liabilities were nil at 31 December 2021 (2020: approximately HK$148,892,000).

(c) As at 31 December 2020, the amount included interest payables to Shanghai Aijian Trust Co., Limited ("**Shanghai Aijian**") with an amount of approximately HK$96,190,000. With the disposal of Shanghai Yuexin and Zhenjiang Tiangong, the interest payables to Shanghai Aijian were nil as at 31 December 2021.

As at 31 December 2021, the amount included bank loan interest of approximately HK$294,000 (2020: HK$455,000) and amounts due to former shareholder of approximately HK$274,000 (2020: HK$1,129,000).

14. GAIN ON DISPOSAL OF SUBSIDIARIES

On 10 August 2021, the Yuexin Equity Transfer Agreement and the Yuexin Supplemental Agreements were entered into for the disposal of the Shanghai Yuexin Group, which was completed on 26 September 2021.

Net liabilities disposed of:

	As at 26 September 2021 *HK$'000*
Property, plant and equipment	18
Right-of-use assets	204
Properties for sale	691,120
Other receivables, deposits and prepayments	42,919
Tax recoverable	6,539
Cash and cash equivalents	100,787
Trade and other payables, deposits and accrued expenses	(914,093)
Other borrowings	(565,747)
	(638,253)
Write-off of certain other payables due to the Group	223,477
	(414,776)
Gain on disposal of subsidiaries	414,955
Exchange realignment	1,026
	1,205
Satisfied by:	
Cash	1,205

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

Cash consideration	1,205
Cash and bank balances disposed of	(100,787)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(99,582)

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is currently and principally engaged in property investment and leasing in Hong Kong. During FY2020, the Group also engaged in the property development business in the PRC up to 25 September 2021 which was discontinued upon completion of disposal of Shanghai Yuexin Group on 26 September 2021.

In 2021, China achieved remarkable results in coordinating economic growth and pandemic prevention and control, and its macro-economy continued to recover steadily and maintained a steady upward trend. China's gross domestic products ("**GDP**") grew by 8.1% over the previous year. The economic growth rate was ahead among the world's major economies. However, since the second half of the year, the property regulatory policies in the PRC, especially in terms of capital and property prices, have been comprehensively tightened and the real estate industry deleveraged in all aspects. Some real estate enterprises began to suffer from domestic and foreign debt repayment crises and broke their capital supply chains. This led to a strong wait-and-see sentiment in the real estate market and a gradual weakening of demand in the PRC.

Despite lingering concerns posed by China-US geopolitical tensions and intermittent COVID-19 outbreak resurgences, Hong Kong economy enjoyed a modest revival in 2021 with an annual GDP growth of 6.4%. However, the impact of COVID-19 continued to be felt across all of the Group's property leasing business in Hong Kong and the operating environment remained challenging in 2021. Visitor arrivals in Hong Kong plummeted by approximately 97.4% to approximately 91,398 visitors in aggregate for FY2021, which impacted the retail sector, especially those depended on tourists. The further recovery of the retail sectors in Hong Kong still depends on the return of visitors from Mainland China and overseas.

Property leasing business

During FY2021, the Group recorded rental income from investment properties in Hong Kong of approximately HK$36.6 million, which represented a slight decrease of approximately 1.1% from HK$37.0 million recorded in FY2020. The Group's overall rental reversion on renewals and new lettings remained constant in FY2021 as compared to FY2020.

As at 31 December 2021, 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 94.7% (31 December 2020: approximately 90.7%). Jardine Center remained as the Group's core and steady income generator, accounted for approximately 82.1% of the total revenue of the Group during FY2021.

The Group's revenue growth and occupancy rates are the key measurements used for the assessment of its core leasing business performance. Cost effectiveness is assessed by the Group's management using the property expenses ratio (as a percentage of turnover). Set out below is a table summarising the key performance indicators for the Group's property leasing business in Hong Kong for FY2020 and FY2021.

Key performance indicators	**Definition**	**Business performance**	
		FY2021	**FY2020**
Revenue growth	Rental revenue in current year vs the previous year	–1.1%	–5.6%
Occupancy rate	Percentage of total lettable area leased/total lettable area at year-end	94.7%	90.7%
Property expenses ratio	Property expenses divided by turnover	15.5%	11.3%

In 2021, 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.

Set out below is a table summarising the valuation of the investment properties portfolio of the Group in Hong Kong as at the end of FY2020 and FY2021 and revenue contribution of the investment properties portfolio of the Group in Hong Kong in FY2021 as compared to that in FY2020.

	Valuation of investment properties as at 31 December		Decrease in fair value of investment properties	Revenue for		Increase/ (decrease) in revenue
	2021	2020		**FY2021**	FY2020	
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	%
Causeway Bay						
Jardine Center, No.50 Jardine's Bazaar[1]	**1,430,000**	1,450,000	20,000	**30,049**	27,690	8.5
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar[2]	**91,000**	95,000	4,000	**–**	2,159	(100.0)
First Floor, Nos.38 and 40 Jardine's Bazaar[2]	**13,300**	14,000	700	**444**	491	(9.6)
Ground Floor including Cockloft, No.41 Jardine's Bazaar[2]	**121,000**	126,000	5,000	**2,673**	2,834	(5.7)
Ground Floor, No.57 Jardine's Bazaar[2]	**122,000**	128,000	6,000	**2,595**	2,836	(8.5)
Mid-Levels						
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road[2]	**50,000**	50,000	–	**833**	980	(15.0)
Total	**1,827,300**	1,863,000	35,700	**36,594**	36,990	(1.1)

(1) Ginza-style building

(2) Street-shop

As at 31 December 2021, the investment properties of the Group were revalued at HK$1,827.3 million (31 December 2020: HK$1,863.0 million) by an independent professional valuer. During FY2021, the loss in fair value of investment properties of HK$35.7 million (FY2020: HK$58.6 million) was recognised in the consolidated statement of profit or loss and other comprehensive income. The loss in fair value of investment properties was mainly due to the general market sentiment from the continuing impact of COVID-19 pandemic in Hong Kong.

Property development business

For the property development business in the PRC, the Group had one property development project through a wholly-owned subsidiary, Zhenjiang Tiangong in Zhenjiang, Jiangsu Province, the PRC, known as Phase II of Nanshan Qianshuiwan (南山淺水灣) (the "**Zhenjiang Project**"), which was disposed by the Group on 26 September 2021. Subsequent to the completion of the disposal of the Shanghai Yuexin Group, the Group no longer engaged in the property development business.

The Group is also interested in another property development project through an associate of the Company, namely, Yitai International (BVI) Holdings Limited ("**Yitai**"), which holds 99% indirect equity interest in Jinhua Mingrui Real Estate Development Co., Ltd.* (金華銘瑞房地產開發有限公司) ("**Jinhua Mingrui**") in Jinhua City, Zhejiang Province, the PRC (the "**Jinhua Project**").

The Zhenjiang Project

The Zhenjiang Project is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai. It is planned to be developed into a mixed-used residential and commercial development with total planned gross floor area ("**GFA**") of approximately 160,000 square metres ("**sq.m.**"), including residential area of approximately 151,700 sq.m., commercial area of approximately 3,900 sq.m. and ancillary area of approximately 2,400 sq.m..

As at 25 September 2021, being the last day that the Group held interest in the Zhenjiang Project, 238 residential units out of total 1,132 units of the Zhenjiang Project (31 December 2020: 131 residential units out of total 1,132 units), were presold and proceeds from presale of the residential units amounted to approximately RMB283.2 million (equivalent to approximately HK$341.3 million) (31 December 2020: approximately RMB125.3 million (equivalent to approximately HK$148.9 million)).

As at 25 September 2021, the carrying value of the Zhenjiang Project (excluding 8 sets of completed properties held by Zhenjiang Tiangong) was approximately RMB552.0 million (equivalent to approximately HK$665.3 million) (31 December 2020: approximately RMB507.4 million (equivalent to approximately HK$602.9 million)).

Disposal of the Zhenjiang Project through the disposal of the Shanghai Yuexin Group

As disclosed in the interim report of the Company for the six months ended 30 June 2021 ("**2021 Interim Report**"), Agile Scene Limited ("**Agile Scene**"), a wholly-owned subsidiary of the Company, exercised the put option pursuant to the terms of the sale and purchase agreement dated 9 December 2018 for the sale and purchase of the entire interest in High Morality Limited ("**High Morality**") entered into between Agile Scene as purchaser and Sanshenghongye (BVI) Holdings Limited ("**Sansheng BVI**") as the vendor. A put option notice was sent to Sansheng BVI and Shanghai Sansheng Real Estate (Group) Company Limited* (上海三盛房地產(集團)有限責任公司) ("**Sansheng Real Estate**") as the guarantor on 5 January 2021 after obtaining the shareholders' approval at the special general meeting of the Company held on 5 January 2021 to the exercise of the put option (the "**Put Option**") to require Sansheng BVI and Sansheng Real Estate to acquire all the issued share of High Morality immediately before the completion of the put option and the outstanding loan (if any) owed by any of High Morality and its subsidiaries (the "**High Morality Group**") to Agile Scene immediately before the completion of the Put Option. On 6 January 2021, the Company received a response from Sansheng BVI and Sansheng Real Estate that (i) neither Sansheng BVI nor Sansheng Real Estate would be able to settle the consideration for the exercise of the Put Option, and (ii) the Company could sell all or part of High Morality, or High Morality Group as the Company and Agile Scene deems fit.

As disclosed in the announcements of the Company dated 25 June 2021 and 10 August 2021, the Company was exploring other opportunities to realise its investment in the Zhenjiang Project since receiving the response from Sansheng BVI and Sansheng Real Estate on 6 January 2021. On 25 June 2021, the public tender process (the "**Public Tender**") was commenced via the Shanghai United Assets and Equity Exchange* (上海聯合產權交易所有限公司) (the "**Shanghai UAEE**") to dispose of the 100% equity interest in Shanghai Yuexin. The bidding period of the Public Tender ended on 22 July 2021. On 26 July 2021, Shanghai UAEE informed the Company that there was one successful bidder, Pujiang Jiaze, an independent third party. On 10 August 2021, Zhoushan Mingyi as the vendor and Pujiang Jiaze as the successful bidder and purchaser, entered into the Yuexin Equity Transfer Agreement and also together with Shanghai Yuexin and Zhenjiang Tiangong, entered into the Yuexin Supplemental Agreements for the disposal of the Shanghai Yuexin Group, which was the disposal of the entire equity interest in Shanghai Yuexin and its subsidiary, Zhenjiang Tiangong, together with all the assets held and liabilities owed by Shanghai Yuexin and Zhenjiang Tiangong (other than legal recourse on the part of Zhoushan Mingyi relating to the aggregate loans and other amounts due from Shanghai Yuexin and Zhenjiang Tiangong to the Group amounting to RMB354.0 million comprising RMB183.5 million of shareholder's loan and RMB170.5 million of prepaid construction costs made by Zhenjiang Tiangong to the main contractor for the Zhenjiang Project (the "**Prepaid Construction Costs**") suspected to have been dissipated by Shanghai Sansheng (the "**Dissipated Funds**")). The consideration was RMB1.0 million, being the minimum consideration as it was the initial bidding price indicated in the Public Tender. The conditions precedent to the completion were fulfilled on 26 September 2021 and the disposal of the Shanghai Yuexin Group was completed at the same date. The gain of the disposal of the Zhenjiang Project was approximately HK$415.0 million.

For details, please refer to the Company's announcements dated 16 September 2020, 9 and 23 October 2020, 30 November 2020, 5 January 2021, 6 January 2021, 19 February 2021, 25 June 2021 and 10 August 2021, the circulars of the Company dated 14 December 2020 and 17 September 2021, and the 2021 Interim Report.

Updates on the Special Investigation Committee

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

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

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

As further disclosed in the announcement of the Company dated 1 November 2021 (the "**SIC Final Findings Announcement**"), based on the final investigation results and/or advice of the PRC counsel to the Company for the investigation, it was found and/or recommended that, among others, (i) as completion of the disposal of the Shanghai Yuexin Group pursuant to the Yuexin Equity Transfer Agreement took place on 26 September 2021, the Group ceased to bear the legal risks in relation to the entry into of the Alleged Zhenjiang Tiangong SPA (which was allegedly entered into in December 2017 prior to the acquisition of Shanghai Yuexin Group by the Group in March 2019), and (ii) in relation to the Prepaid Construction Costs, the Group was recommended to file criminal reports with the relevant PRC authorities against the then controller, directly responsible person and/or person-in-charge of Zhenjiang Tiangong for suspected misappropriation of money and duty embezzlement and cooperate with PRC authorities regarding such criminal proceedings going forward, with the cooperation of Shanghai Yuexin, Zhenjiang Tiangong and the Purchaser.

For further details, please refer to the SIC Preliminary Findings Announcement, the SIC Final Findings Announcement and 2021 Interim Report.

The Jinhua Project

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

As at 31 December 2021, all residential units, 2,085 car parking spaces out of total 2,267 car parking spaces, 56 offices and 8 retail shops (31 December 2020: all residential units, 972 car parking spaces out of total 2,267 car parking spaces, 24 offices and one retail shop) of the Jinhua Project were presold. On 7 January 2021, Jinhua Mingrui further obtained the second Filing Form for Acceptance and Examination upon Completion of Construction Project* (建築工程竣工驗收備案表) (the "**Filing Form**") for phase II of the Jinhua Project issued by Local Urban Construction Bureau of the PRC* (中國地方城市建設局). After obtaining this Filing Form, from which the physical possession and the legal title of the completed properties can be transferred to purchasers, revenue is recognised when the control of the property is transferred. During

FY2021, approximately RMB979.9 million from phase I and phase II was recognised as revenue by Yitai (FY2020: approximately RMB856.3 million). Among which, all residential units, 8 units of retail shops and 43 units of offices from phase I and phase II were transferred to the relevant purchasers during the Reporting Period.

The Group's associate, namely, Yitai, recorded loss of approximately HK$251.1 million for FY2021 (FY2020: loss of approximately HK$134.7 million). The Group did not resume to share of profits of Yitai even it recorded a profit during FY2021 as there were cumulative unrecognised share of losses of this associate amounted to approximately HK$234.0 million as at 31 December 2021. The Group will only resume recognising its share of profits in Yitai only after its share of the profits equals the share of losses not recognised.

OUTLOOK

The economic outlook for the year of 2022 remains uncertain, following the emergence of the highly transmissible Omicron variant in Hong Kong. It remains uncertain on the duration and extent of the ongoing COVID-19 related restrictions in Hong Kong and its impact on the Group's operations. However, as most of the investment properties of the Group are situated in the prime shopping district of Causeway Bay in Hong Kong, the Group believes it remains well-placed to serve consumer growth for a post COVID-19 recovery. The Group will continue to refine the diverse-trade tenants mix and to develop strong relationships with its tenants.

Under the impact of ongoing uncertainties, the Group's priorities in operation are to maintain stable growth and to act with prudence. The Group will continue to drive the performance of core businesses at a steady pace, to enhance the financial position of the Group and to lay a defensive and solid foundation for the Group's sustainable growth.

FINANCIAL REVIEW

Revenue

For FY2021, the revenue of the Group amounted to approximately HK$36.6 million, representing a slight decrease of approximately 1.1% from approximately HK$37.0 million in FY2020. All of the Group's revenue for FY2020 and FY2021 were gross rental income from investment properties in Hong Kong.

Other income, net

Other income for FY2021 was approximately HK$0.4 million (FY2020: approximately HK$11.7 million), representing a decrease of approximately 96.6% or approximately HK$11.3 million recorded in FY2020. The decrease was mainly due to (i) a significant decrease in net exchange gain recognised in FY2021 as compared to FY2020 of approximately HK$4.4 million as the functional currency certain of the Group's subsidiaries was in Renminbi whereas the reporting currency of the Group was in Hong Kong dollars; and (ii) fair value loss of financal assets at fair value through profit or loss of approximately HK$6.0 million during FY2021.

Staff costs

For FY2021, the Group's staff costs amounted to approximately HK$7.8 million, representing a decrease of approximately 31.0% from approximately HK$11.3 million recorded in FY2020. The decrease in staff costs was mainly due to departures of certain senior management staff in late June 2020 in which the related staff costs were absent during FY2021.

Other operating expenses

Other operating expense amounted to approximately HK$14.7 million for FY2021, representing a decrease of approximately 28.3% from approximately HK$20.5 million recorded in FY2020. The composition of other operating expenses by nature mainly classified as follows:

	FY2021	FY2020
	HK$'000	*HK$'000*
Investment properties operating cost	**5,655**	4,186
Professional fees	**5,681**	11,218
General administrative costs	**3,352**	5,122
Total	**14,688**	20,526

Investment properties operating cost mainly comprised of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. The increase of investment properties operating cost of approximately HK$1.5 million was primarily due to (i) significant increase in repair and maintenance works of Jardine Centre; and (ii) increase in new lettings, leading to expenses increased as compared to FY2020.

Professional fees decreased by approximately HK$5.5 million or 49.1% in FY2021 as compared to FY2020. The decrease was mainly attributable to (i) substantial decrease in auditor's remuneration; and (ii) absence of professional fees arising from mandatory unconditional general offer and major transactions during FY2020.

Share of results of an associate

The associate of the Group, Yitai, recorded a loss of approximately HK$251.1 million during FY2021 (FY2020: loss of approximately HK$134.7 million). The share of net loss of associates is restricted to the Group's entire interest in an associate, the carrying amount of the investment of an associate was reduced to nil since the financial year ended 31 December 2019. Hence, the Group has no obligation to take up further losses.

Net loss in fair value of investment properties

As at 31 December 2021, the investment properties of the Group were revalued at HK$1,827.3 million (31 December 2020: HK$1,863.0 million) by an independent professional valuer. During FY2021, a fair value loss on investment properties of HK$35.7 million was recognised in the consolidated statement of profit or loss and other comprehensive income. The fair value loss on the investment properties was primarily due to the continuing impact from the COVID-19 pandemic including the travel restrictions remained, social distancing measures did not fully relaxed and that the consumer sentiment remained low despite gradual recovery.

Gain on disposal of subsidiaries

In FY2021, the Group recorded a one-time gain on disposal of subsidiaries (namely, the disposal of Shanghai Yuexin Group) amounted to approximately HK$415.0 million (FY2020: approximately HK$8.4 million for the disposal of 杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd*) in FY2020). Such gain was derived from the consideration of RMB1.0 million (equivalent to approximately HK$1.2 million) and less: (i) net liabilities of Shanghai Yuexin Group of approximately HK$414.8 million; and (ii) exchange realignment of approximately HK$1.0 million on the date of completion of the disposal of Shanghai Yuexin Group.

Finance costs

For FY2021, finance costs of the Group amounted to approximately HK$18.9 million, representing a decrease of approximately 35.5% from approximately HK$29.3 million as compared to FY2020. The decrease was mainly attributable to (i) repayment of other borrowings of HK$50.0 million; and (ii) partial repayment of bank borrowings during FY2021.

Impairment losses under the expected credit loss model

The impairment losses for certain financial assets under the expected credit loss model for FY2021 was approximately HK$0.6 million (FY2020: nil). The increase was mainly driven by the ruined credit rating of these certain financial assets, in particular, property project management service receivables of approximately HK$0.6 million.

Profit/(loss) for the year attributable to the owners of the Company

As a result of the reasons mentioned above, net profit attributable to the owners of the Company for FY2021 amounted to approximately HK$246.3 million (FY2020: net loss of approximately HK$181.1 million).

Shanghai Aijian loan facilities

References are made to the announcements of the Company dated 14 February 2020, 13 May 2020, 15 May 2020 and 21 May 2020, and the circular of the Company dated 21 April 2020 relating to the demand letters received from Shanghai Aijian for certain outstanding loan facilities taken out by Shanghai Yuexin and Zhenjiang Tiangong. In summary, the loan facilities were granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong in 2019. Shanghai Yuexin and Zhenjiang Tiangong had drawn down from the loan facilities a total principal amount of RMB469.4 million, of which RMB398.4 million bears interest at a rate of 11% per annum and RMB71.0 million bears interest at a rate of 23% per annum. Interests accrued are payable in arrears on a quarterly basis and the principal amount shall be repayable in full on 13 February 2020.

On 20 May 2020, the Company received notices from Shanghai Aijian notifying Shanghai Yuexin and Zhenjiang Tiangong, respectively, that, among others, the aggregate demanding repayment of the loan facilities (including outstanding principal interest accrued and penalty interest payable). As disclosed in the announcement of the Company dated 27 January 2021, Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingtai and Shanghai Aijian entered into the renewal agreements, pursuant to which Shanghai Aijian agreed to renew the loan facilities such that the final maturity date of the facilities has been extended to 13 February 2022. Subsequent to the completion of the disposal of the Shanghai Yuexin Group, the loan with Shanghai Aijian was transferred to Pujian Jiaze along with the Shanghai Yuexin Group.

Please refer to the announcements of the Company dated 14 February 2020, 13, 15 and 21 May 2020, and 27 January 2021 and circulars of the Company dated 21 April 2020, 17 September 2021 for further details.

Liquidity and financial resources

The Group's business operations were generally funded by its internal resources and bank and other borrowings. As at 31 December 2021, the Group's outstanding bank and other borrowings amounted to approximately HK$857.8 million (31 December 2020: approximately HK$1,604.8 million), of which all outstanding secured bank and other borrowings are repayable on demand as of 31 December 2021. The decrease in bank and other borrowings during FY2021 was mainly attributable to (i) repayment of bank and other borrowings of approximately HK$192.0 million; and (ii) derecognition of other borrowings of approximately HK$565.7 million upon completion of disposal of Shanghai Yuexin Group during FY2021.

As at 31 December 2021, the Group maintained bank balances and cash of approximately HK$136.6 million (31 December 2020: approximately HK$356.1 million). The decrease in cash and bank balances was mainly attributable to (i) repayment of bank and other borrowings; and (ii) completion of disposal of Shanghai Yuexin Group during FY2021.

The Group's gearing ratio as at 31 December 2021, which is calculated on the basis of total liabilities over total assets, was approximately 45.3% (31 December 2020: approximately 71.3%), the decrease in gearing ratio was mainly due to the completion of disposal of Shanghai Yuexin Group during FY2021, whereby the loan facilities with Shanghai Aijian was transferred to Pujian Jiaze along with Shanghai Yuexin Group. The current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 31 December 2021, was approximately 0.16 (31 December 2020: approximately 0.5).

As at 31 December 2021, the Group recorded net current liabilities of approximately HK$732.3 million (31 December 2020: approximately HK$1,019.1 million). The net current liabilities was mainly due to a technical breach of a financial covenant of the HSB loans. The Board is of the opinion that, after taking into account the existing available borrowing facilities and other internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements within the next twelve months.

Capital Structure

As at 31 December 2021, the issued share capital of the Company was 1,125,027,072 shares. During the Reporting Period, there was no movement of the issued share capital of the Company.

As at 31 December 2021, the net assets of the Group amounted to approximately HK$1,078.4 million, representing an increase of approximately 29.2% from the net assets of approximately HK$834.7 million as at 31 December 2020. With the total number of 1,125,027,072 ordinary shares in issue as at 31 December 2021, the net assets value per share was approximately HK$0.96 (31 December 2020: approximately HK$0.74).

Treasury Policy

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

DIVIDEND

The Directors do not recommend any dividend for FY2021 (FY2020: Nil).

CONTINUING DISCLOSURES PURSUANT TO RULE 13.21 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 or 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 is 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.

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 is 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.

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 2021 Interim 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.

CORPORATE GUARANTEES

As at 31 December 2021, 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 2020: HK$1,127 million).

As at 31 December 2020, certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK$150 million. Such corporate guarantees were released upon repayment of other borrowings during FY2021.

CHARGES ON GROUP ASSETS

As at 31 December 2021, the Group has pledged the following assets:

a) Investment properties in Hong Kong with an aggregate carrying amount of HK$1,827.3 million for securing the Group's bank and certain other 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 31 December 2021, the Group had no significant contingent labilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 10 employees (31 December 2020: 39 employees). The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save for the disposal of the Shanghai Yuexin Group as disclosed in this announcement, there was no other significant investments, material acquisitions and disposals during the Reporting Period.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2021 and up to the date of this announcement.

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 the Listing Rules from time to time as the guidelines for corporate governance of the Company and has complied with the CG Code throughout the Reporting Period.

DIRECTORS' SECURITIES TRANSACTIONS COMPLIANCE WITH MODEL CODE

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

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 Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises two independent non-executive Directors, namely, Mr. Yip Tai Him (chairman of the Audit Committee) and Mr. Liu Xin, and one non-executive Director, Ms. Yu Dan. The Audit Committee has reviewed and discussed with management the accounting standards and practices adopted by the Group, risk and internal controls and financial reporting matters and has reviewed the consolidated financial informations for FY2021 as set out in this announcement.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial informations for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The date of the annual general meeting of the Company (the "**AGM**") will be announced in due course. Shareholders of the Company should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Company at *www.zhongchangintl.hk* and the website of the Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The annual report 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 year. 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, 29 March 2022

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*