

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

2022

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 China Limited
Bank of Shanghai Co., Limited
Hang Seng Bank Limited
Nanyang Commercial Bank (China), Limited
The Hongkong and Shanghai Banking Corporation Limited

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 2022 (“**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.

During the period under review, the economy of Hong Kong was adversely affected by the fifth wave of COVID-19 pandemic. According to the revised figures on the Gross Domestic Product (“**GDP**”) released by the Census and Statistics Department, real GDP decreased at a moderated pace of 1.3% year-on-year in the second quarter of 2022, after contracting by 3.9% in the first quarter of 2022. The overall retail environment improved in the second quarter of 2022 with lower number of local infected cases reported and reopening of business activities in catering and certain retail sectors.

Hong Kong retail business has been hard hit by the pandemic as international traveling continues to be severely restricted and stringent social distancing measures that severely impacted operations of many businesses. The further recovery of the retail sectors in Hong Kong still largely depends on the return of visitors from Mainland China and overseas.

Property leasing business

During the Interim Period, the Group recorded rental income from investment properties of approximately HK\$17.6 million (six months ended 30 June 2021: approximately HK\$18.3 million). Under the influence of COVID-19 pandemic, the decrease in rental income was primarily attributable to the rental concession arising from renewal of certain existing tenancy agreements during the first half of 2022.

As at 30 June 2022, 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 2021: approximately 94.7%). Jardine Center remained as the Group’s core and steady income generator, accounted for approximately 84.6% of the total revenue of the Group during the Interim Period.

Management Discussion and Analysis

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

The table below sets out a summary of the valuation of the investment properties portfolio of the Group in Hong Kong as at the end of the Interim Period and 31 December 2021 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 2021:

	Valuation of investment properties as at 30 June 2022 HK\$'000	Valuation of investment properties as at 31 December 2021 HK\$'000	Decrease in fair value of investment properties HK\$'000	Revenue for the six months ended 30 June 2022 HK\$'000	Revenue for the six months ended 30 June 2021 HK\$'000	Increase/(decrease) in revenue %
Causeway Bay						
Jardine Center, No.50 Jardine's Bazaar ⁽¹⁾	1,420,000	1,430,000	(10,000)	14,909	14,756	1.0
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar ⁽²⁾	88,000	91,000	(3,000)	–	–	–
First Floor, Nos.38 and 40 Jardine's Bazaar ⁽²⁾	12,900	13,300	(400)	217	225	(3.6)
Ground Floor including Cockloft, No.41 Jardine's Bazaar ⁽²⁾	117,000	121,000	(4,000)	978	1,409	(30.6)
Ground Floor, No.57 Jardine's Bazaar ⁽²⁾	116,000	122,000	(6,000)	1,003	1,417	(29.2)
Mid-Levels						
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road ⁽²⁾	49,000	50,000	(1,000)	518	487	6.4
Total	1,802,900	1,827,300	(24,400)	17,625	18,294	(3.7)

⁽¹⁾ Ginza-style building

⁽²⁾ Street-shop

As at 30 June 2022, the investment properties of the Group were revalued at HK\$1,802.9 million (31 December 2021: HK\$1,827.3 million) by an independent professional valuer. During the Interim Period, the loss in fair value of investment properties of HK\$24.4 million (six months ended 30 June 2021: loss in fair value in investment properties of HK\$17.4 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 the general market sentiment from the continuing impact of COVID-19 pandemic in Hong Kong.

Management Discussion and Analysis

Property development business

The Group is also interested in 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, Zhenjiang Province, PRC (the “**Jinhua Project**”).

The Jinhua Project

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

As at 30 June 2022, all residential units, 2,085 car parking spaces out of total 2,267 car parking spaces, 56 offices and 8 retail shops (30 June 2021: all residential units, 1,226 car parking spaces out of total 1,874 car parking spaces, 43 offices and 3 retail shops) of the Jinhua Project were presold. During the Interim Period, no revenue from phase I and phase II was recognised (six months ended 30 June 2021: approximately RMB770.5 million).

The Group's associate, namely, Yitai, recorded a loss amounted approximately HK\$4.3 million for the Interim Period (six months ended 30 June 2021: profit of approximately HK\$48.4 million). The Group did not resume to share of profits of Yitai even it recorded a profit during Interim Period. It is because that there were cumulative unrecognised share of losses of this associate amounted approximately HK\$237.5 million as at 31 December 2021. The Group will only resume recognising its share of profits in Jinhua Mingrui only after its share of the profits equals the share of losses not recognised.

OUTLOOK

Looking forward, the challenges arising from the combined effect of the ongoing geopolitical tensions, the prolonged and complex COVID-19 pandemic situation as well as the global interest and inflation hikes will continue to bring uncertainties to the Hong Kong economy including the Group's business operations. Nonetheless, if cross-boundary logistics disruptions between the Mainland and Hong Kong show more visible easing, Hong Kong's external trade may get some relief.

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\$17.6 million, representing a decrease of approximately 3.8% from approximately HK\$18.3 million recorded in the corresponding period of last year. Under the influence of COVID-19 pandemic, the decrease in revenue was primarily attributable to the rental reduction concession arising from renewal of certain existing tenancy agreements during the first half of 2022.

Other income

Other income for the Interim Period were approximately HK\$0.3 million (six months ended 30 June 2021: approximately HK\$3.5 million). The decrease was mainly due to (i) absence of net exchange gain during the Interim Period, as compared to the net exchange gain of approximately HK\$1.6 million recognised in the corresponding period of last year; and (ii) significant decrease in bank interest income during the Interim Period.

Staff costs

For the Interim Period, the Group's staff costs amounted to approximately HK\$2.6 million, representing a decrease of approximately 39.5% from approximately HK\$4.3 million recorded in the corresponding period of last year. The decrease in staff costs was mainly due to departures of certain staff in the PRC during the year of 2021 in which the related staff costs was absent during the Interim Period.

Other operating expenses

Other operating expenses amounted to approximately HK\$9.3 million for the Interim Period, representing an increase of 29.2% from approximately HK\$7.2 million recorded in the same period of last year. The composition of other operating expenses by nature mainly classified as follows:

	Unaudited	
	Six months ended	Six months ended
	30 June 2022	30 June 2021
	HK\$'000	HK\$'000
Investment properties operating costs	906	3,364
Professional fees	1,065	1,522
General administrative costs	917	2,358
Exchange loss, net	6,380	–
Total	9,268	7,244

Investment properties operating costs mainly composed of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. The decrease in investment properties operating costs of approximately HK\$2.5 million was primarily due to significant decrease in repairs and maintenance work of the Group's investment properties compared to the corresponding period of last year.

Management Discussion and Analysis

Professional fees decreased by approximately HK\$0.4 million or 26.7%, 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\$6.4 million for the Interim Period was arising from the translation of assets and liabilities denominated in RMB, in which RMB depreciated against HKD during the Interim Period.

Share of results of an associate

The associate of the Group, Yitai, recorded a loss of approximately HK\$4.3 million during the Interim Period (six months ended 30 June 2021: profit of approximately HK\$48.4 million). The share of net loss of associates is restricted to the Group's entire interest in an associate and 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 30 June 2022, the investment properties of the Group were revalued at HK\$1,802.9 million (31 December 2021: HK\$1,827.3 million) by an independent professional valuer. During the Interim Period, a fair value loss on investment properties of HK\$24.4 million was recognised in the condensed consolidated statement of profit or loss and other comprehensive income. The fair value loss on the investment properties was primarily due to the continuing impact from the COVID-19 pandemic including the travel restrictions remained, social distancing measures did not fully relax and that the consumer sentiment remained low despite gradual recovery.

Finance costs

For the Interim Period, finance costs of the Group amounted to approximately HK\$7.2 million, representing a decrease of approximately 29.4% from approximately HK\$10.2 million as compared to the corresponding period of last year. The decrease was mainly attributable to (i) repayment of other borrowings of HK\$50 million during the six months ended 30 June 2021; and (ii) partial repayment of bank borrowings during the year ended 31 December 2021.

Impairment losses under the expected credit loss ("ECL") model

No impairment losses for certain financial assets under the ECL model recognised during the Interim Period (six months ended 30 June 2021: approximately HK\$0.2 million).

Loss for the period from continuing operations

Loss for the period from continuing operations for the Interim Period amounted to approximately HK\$29.0 million (six months ended 30 June 2021: loss of approximately HK\$20.8 million). As a result of the reasons mentioned above, the loss for the Interim Period was primarily due to loss in fair value of investment properties in Hong Kong of approximately HK\$24.4 million and finance costs of approximately HK\$7.2 million incurred.

Loss for the period attributable to the owners of the Company

The net loss attributable to the owners of the Company for the Interim Period amounted to approximately HK\$29.0 million (six months ended 30 June 2021: loss of approximately HK\$77.7 million). The reduction in net loss attributable to the owners of the Company was mainly due to the absence of loss from discontinued operation for the Interim Period (six months ended 30 June 2021: loss of approximately HK\$56.9 million).

Management Discussion and Analysis

Liquidity and financial resources

The Group's business operations were generally funded by its internal resources and bank borrowings. As at 30 June 2022, the Group's outstanding bank borrowings amounted to approximately HK\$837.3 million (31 December 2021: approximately HK\$857.8 million), of which all outstanding secured bank borrowings are repayable within one year as of 30 June 2022. The decrease in bank borrowings during the Interim Period was mainly attributable to repayment of bank borrowings of approximately HK\$21.0 million during the Interim Period.

As at 30 June 2022, the Group maintained cash and cash equivalents of approximately HK\$116.3 million (31 December 2021: approximately HK\$136.6 million). The decrease in cash and cash equivalents was mainly attributable to repayment of bank borrowings during the Interim Period.

The Group's gearing ratio as at 30 June 2022, which is calculated on the basis of total liabilities over total assets, was approximately 45.2% (31 December 2021: approximately 45.3%). The current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 30 June 2022, was approximately 0.14 (31 December 2021: approximately 0.16).

As at 30 June 2022, the Group recorded net current liabilities of approximately HK\$730.0 million (31 December 2021: approximately HK\$732.3 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, after taking into account the reasons as mentioned in the Note 2 to the condensed consolidated financial statements, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within one year.

Capital structure

As at 30 June 2022, 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 2022, the unaudited net assets of the Group amounted to approximately HK\$1,055.2 million, representing a decrease of approximately 2.2% from the net assets of approximately HK\$1,078.4 million as at 31 December 2021. With the total number of 1,125,027,072 ordinary shares in issue as at 30 June 2022, the net assets value per share was approximately HK\$0.94 (31 December 2021: approximately HK\$0.96).

Treasury Policy

The Group's transactions and its monetary assets and liabilities are principally denominated Hong Kong dollars ("**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 2021: Nil).

CORPORATE GUARANTEE

As at 30 June 2022, 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 2021: HK\$1,127 million).

Management Discussion and Analysis

CHARGES ON GROUP ASSETS

As at 30 June 2022, the Group has pledged the following assets:

- (a) Investment properties in Hong Kong with an aggregate carrying amount of HK\$1,802.9 million for securing the Group's bank borrowings;
- (b) Share mortgage of certain subsidiaries for securing their respective bank borrowings; and
- (c) Rent assignments in respect of the investment properties held by the Group.

CONTINENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 10 employees (31 December 2021: 10 employees). The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus and mandatory provident fund schemes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

EVENT AFTER THE REPORTING PERIOD

On 15 August 2022, Hang Seng Bank Limited (“**HSB**”) approved the application by Top Bright Properties Limited (“**Top Bright**”), Smart Land Properties Limited (“**Smart Land**”) and Pioneer Delight Limited (“**Pioneer Delight**”) (collectively the “**Borrowers**”, and each a “**Borrower**”) 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.

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.

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 30 June 2022, there were no outstanding share options under the Share Option Scheme.

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 2022, 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 2022, 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 2022	
		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)") ⁽²⁾⁽³⁾	Beneficial owner	L – 843,585,747	74.98%
Bonds & Sons Holdings Limited ⁽⁴⁾	Beneficial owner	L – 111,642,295	9.93%
Bonds & Sons International Limited ⁽⁴⁾	Interest in controlled corporation	L – 111,642,295	9.93%
Bonds Chan Family Holdings (PTC) Ltd. ⁽⁴⁾	Interest in controlled corporation	L – 111,642,295	9.93%
China Cinda Asset Management Co., Ltd. ⁽²⁾⁽³⁾	Interest in controlled corporation	L – 843,585,747	74.98%
DCP China Credit Fund I, L.P. ⁽⁵⁾	Interest of controlled corporation	L – 843,585,747	74.98%
Dignari Capital Partners GP Limited ⁽⁵⁾	Interest of controlled corporation	L – 843,585,747	74.98%
Tan Mei Zie Grace ⁽⁵⁾	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 2022.
- (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 2022, 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 Acknowledgments respectively dated 29 October 2021.

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 2021 interim report of the Company 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.

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.

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.

Additional Information Required under the Listing Rules

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 2022 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 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	Unaudited	
		Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
CONTINUING OPERATIONS			
Revenue	4	17,625	18,294
Other income, net	5	274	3,538
Net loss in fair value of investment properties	12	(24,400)	(17,400)
Staff costs	6	(2,646)	(4,262)
Depreciation of property, plant and equipment	6	(90)	(493)
Depreciation of right-of-use assets	6	(599)	(599)
Impairment losses under expected credit loss model	16	–	(209)
Other operating expenses		(9,268)	(7,244)
Loss from continuing operations	6	(19,104)	(8,375)
Finance costs	7	(7,151)	(10,171)
Loss before tax from continuing operations		(26,255)	(18,546)
Income tax expense	8	(2,719)	(2,208)
Loss for the period from continuing operations		(28,974)	(20,754)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	9	–	(56,928)
Loss for the period		(28,974)	(77,682)
Other comprehensive income/(loss), net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operations		5,771	(1,678)
Other comprehensive income/(loss) for the period, net of tax		5,771	(1,678)
Total comprehensive loss for the period		(23,203)	(79,360)
Loss for the period attributable to the owners of the Company		(28,974)	(77,682)
Total comprehensive loss for the period attributable to the owners of the Company		(23,203)	(79,360)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
– For loss for the period (in HK cents)	11	(2.58)	(6.90)
– For loss from continuing operations (in HK cents)	11	(2.58)	(1.84)

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

		Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		218	308
Right-of-use assets		399	998
Investment properties	12	1,802,900	1,827,300
Financial assets at fair value through profit or loss	14	–	–
		1,803,517	1,828,606
Current assets			
Trade and other receivables, deposits and prepayments	15	5,243	4,902
Tax recoverable		37	37
Cash and cash equivalents		116,307	136,575
		121,587	141,514
Current liabilities			
Other payables, deposits and accrued expenses	17	11,471	12,426
Lease liabilities		443	1,094
Bank borrowings	18	837,333	857,797
Tax payables		2,383	2,511
		851,630	873,828
Net current liabilities		(730,043)	(732,314)
Total assets less current liabilities		1,073,474	1,096,292
Non-current liabilities			
Other payables and deposits	17	5,682	5,975
Deferred tax liabilities		12,603	11,925
		18,285	17,900
Net assets		1,055,189	1,078,392
CAPITAL AND RESERVES			
Share capital	19	112,502	112,502
Reserves	20	942,687	965,890
TOTAL EQUITY		1,055,189	1,078,392

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 (Unaudited)

	Attributable to the owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note 20)	Exchange reserve HK\$'000 (Note 20)	Contributions from shareholders HK\$'000 (Note 20)	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2022	112,502	168,300	9,628	(23,728)	233,606	5,619	572,465	1,078,392
Loss for the period	-	-	-	-	-	-	(28,974)	(28,974)
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	-	-	(28,974)	(23,203)
At 30 June 2022 (Unaudited)	112,502	168,300*	9,628*	(17,957)*	233,606*	5,619*	543,491*	1,055,189

* These reserve accounts comprise the consolidated reserves of HK\$942,687,000 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 20)	Exchange reserve HK\$'000 (Note 20)	Contributions from shareholders HK\$'000 (Note 20)	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021	112,502	168,300	9,628	(21,090)	233,606	5,619	326,182	834,747
Loss for the period	-	-	-	-	-	-	(77,682)	(77,682)
Other comprehensive loss, net of tax: Items that may be reclassified subsequently to profit or loss: Exchange difference on translating foreign operations	-	-	-	(1,678)	-	-	-	(1,678)
Total comprehensive loss for the period	-	-	-	(1,678)	-	-	(77,682)	(79,360)
At 30 June 2021 (Unaudited)	112,502	168,300	9,628	(22,768)	233,606	5,619	248,500	755,387

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Net cash generated from operating activities	8,538	87,620
Cash flows from investing activities		
Other investing activities	216	2,081
Net cash generated from investing activities	216	2,081
Cash flows from financing activities		
Repayment of bank and other borrowings	(20,955)	(70,955)
Repayment of lease liabilities	(672)	(1,212)
Interests paid	(6,576)	(9,440)
Net cash used in financing activities	(28,203)	(81,607)
Net (decrease)/increase in cash and cash equivalents	(19,449)	8,094
Cash and cash equivalents at the beginning of the period	136,575	356,144
Effect of foreign exchange rate changes	(819)	8,724
Cash and cash equivalents at the end of the period	116,307	372,962
Analysis of balances of cash and cash equivalents Being:		
Cash and bank balances	36,307	372,962
Non-pledged time deposits with original maturity of less than three months	80,000	–
	116,307	372,962

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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

The Company is engaged in investment holding and the principal activities of the Group are property leasing and property development (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**”) and its sole subsidiary, Zhenjiang Tiangong Yijingyuan Real Estate Co., Limited* (鎮江天工頤景園房地產有限公司) (“**Zhenjiang Tiangong**”) (collectively as “**Shanghai Yuexin Group**”) on 26 September 2021).

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

2. BASIS OF PREPARATION

Statement of compliance

The interim condensed consolidated financial statements for the six months ended 30 June 2022 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 2021.

Going concern

As at 30 June 2022, the Group's total current liabilities exceeded its total current assets by approximately HK\$730,043,000 (31 December 2021: approximately HK\$732,314,000). The net current liabilities were mainly due to maturity of the Group's bank borrowings which were repayable within one year. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The 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. In addition, in order to improve the Group's 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. 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, the Directors are of the opinion that it is appropriate to adopt the going concern basis in preparing the condensed consolidated financial statements.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the unaudited interim condensed financial statements to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets to current assets and to reclassify non-current liabilities to current liabilities. No such adjustments were reflected in the unaudited condensed interim financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018 – 2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, 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 2022

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. REVENUE AND SEGMENT INFORMATION

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

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

- (i) Property investment – leasing of investment properties located in Hong Kong; and
- (ii) Property development in the PRC, which was discontinued subsequent to completion of disposal of Shanghai Yuexin on 26 September 2021.

On 26 September 2021, Shanghai Yuexin Group, 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 the Note 9 to the condensed consolidated financial statements. Accordingly, no operating segment is presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. OTHER INCOME, NET

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Bank interest income	216	1,895
Exchange gain, net	–	1,609
Government grants	56	–
Sundry income	2	34
	274	3,538

During the Interim Period, 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.

6. LOSS FROM CONTINUING OPERATIONS

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
The Group's loss from continuing operations is arrived at after charging/(crediting):		
Directors' emoluments	270	299
Other staff costs	2,376	3,963
Total staff costs	2,646	4,262
Depreciation of property, plant and equipment	90	493
Depreciation of right-of-use assets	599	599
Impairment loss under expected credit loss model (Note 16)	–	209
Gross rental income from investment properties	(17,625)	(18,294)
Less: Direct operating expenses from investment properties that generated rental income during the period	906	3,364
	(16,719)	(14,930)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

7. FINANCE COSTS

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	7,130	10,118
Interest on lease liabilities	21	53
	7,151	10,171

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Current tax		
Hong Kong profits tax		
– Provision for the period	1,875	1,265
– Under-provision in prior years	–	210
	1,875	1,475
The PRC		
– Enterprise income tax (“EIT”)	166	538
	2,041	2,013
Deferred taxation		
– Charged to the condensed consolidated statement of profit or loss and other comprehensive income	678	195
	2,719	2,208

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

9. DISCONTINUED OPERATION

On 10 August 2021, Zhoushan Mingyi Cultural Assets Investment 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* (浦江嘉澤企業管理有限公司) (“**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 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, 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 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:

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Revenue	-	-
Other income, net	-	187
Staff costs	-	(1,138)
Depreciation of property, plant and equipment	-	(10)
Depreciation of right-of-use assets	-	(239)
Impairment losses under expected credit loss model	-	(2,756)
Other operating expenses	-	(2,854)
Finance costs	-	(50,118)
Loss before tax from the discontinued operation	-	(56,928)
Income tax expense	-	-
Loss for the periods from the discontinued operation	-	(56,928)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

9. DISCONTINUED OPERATION (Continued)

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

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Operating activities	-	86,638
Investing activities	-	186
Financing activities	-	(524)
Net cash inflow	-	86,300

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Loss per share: Basic and diluted from the discontinued operation (in HK cents)	-	(5.06)

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

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Loss		

Loss

Loss attributable to ordinary equity holders of the Company from a discontinued operation	-	(56,928)
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	Six months ended 30 June 2022 '000	Six months ended 30 June 2021 '000

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation (Note 11)	1,125,027	1,125,027
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Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10. INTERIM DIVIDEND

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

11. 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:

	Unaudited	
	Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000

Loss

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

From continuing operations	(28,974)	(20,754)
From a discontinued operation	–	(56,928)
	<u>(28,974)</u>	<u>(77,682)</u>

	Six months ended 30 June 2022 '000	Six months ended 30 June 2021 '000
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Number of shares

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

<u>1,125,027</u>	<u>1,125,027</u>
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For the six months ended 30 June 2022 and 2021, 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 2022 and 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

12. INVESTMENT PROPERTIES

	Completed investment properties, in Hong Kong HK\$'000
FAIR VALUE:	
At 1 January 2022	1,827,300
Net loss in fair value recognised in the condensed consolidated statement of profit or loss and other comprehensive income	<u>(24,400)</u>
At 30 June 2022 (Unaudited)	<u>1,802,900</u>

The fair value of the Group's investment properties as at 30 June 2022 and 31 December 2021 was determined by valuations carried out by Knight Frank Petty Limited, an independent qualified professional valuer not connected to the Group.

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

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

The resulting decrease in fair value of investment properties of HK\$24,400,000 (six months ended 30 June 2021: HK\$17,400,000) has been recognised directly in the condensed consolidated statements of profit or loss and other comprehensive income for the Interim Period.

As at 30 June 2022, investment properties with a carrying amount in aggregate of HK\$1,802,900,000 (31 December 2021: HK\$1,827,300,000) were pledged as collateral for the Group's bank borrowings.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Share of net assets	-	-
Goodwill on acquisition	-	-
	-	-
Amount due from an associate	56,724	59,332
Allowance of credit loss	(56,724)	(59,332)
	-	-

Particulars of the Group's associate as at 30 June 2022 and 31 December 2021 is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Yitai	Ordinary shares	The British Virgin Islands	49%	Investment holding

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (Continued)

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Current assets	486,811	734,575
Non-current assets, excluding goodwill	114,711	123,251
Goodwill on acquisition of the associate	–	–
Current liabilities	(1,073,681)	(1,347,338)
Net liabilities	(472,159)	(489,512)
Net liabilities, excluding goodwill	(472,159)	(489,512)
Equity attributable to owners of the associate	(467,500)	(484,617)
Non-controlling interests	(4,659)	(4,895)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net liabilities of the associate, excluding goodwill	–	–
Goodwill on acquisition	–	–
Carrying amount of the investment	–	–

	Unaudited Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Revenue	–	924,019
(Loss)/profit for the period	(4,290)	48,417
Other comprehensive income/(loss)	21,644	(2,475)
Total comprehensive income for the period	17,354	45,942

The Group has discontinued the recognition of its share of losses of an associate because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. During the Interim Period, this associate subsequently reported losses amounted to approximately HK\$4,290,000 (six months ended 30 June 2021: profit of approximately HK\$48,417,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (Continued)

The Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. The amounts of the Group's unrecognised share of losses of this associate for the current period were approximately HK\$2,102,000 (six months ended 30 June 2021: profit of approximately HK\$23,487,000) and cumulatively were approximately HK\$239,565,000 (six months ended 30 June 2021: approximately HK\$86,584,000), respectively.

At 30 June 2022 and 31 December 2021, amount due from an associate was approximately HK\$56,724,000 and HK\$59,332,000, respectively. The Directors considered that the recoverability of the receivables due from Yitai was remote and the expected credit loss were HK\$56,724,000 and HK\$59,332,000, respectively.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
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Unlisted equity investments (Note)

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Note:

During the year ended 31 December 2019, Zhoushan Mingtai Property Management Co., Limited* (舟山銘泰物業管理有限公司) ("Zhoushan Mingtai"), an indirect wholly-owned subsidiary of the Group, entered into a limited partnership agreement to subscribe, as a limited partner. The investment entity is principally engaged in investment management and equity investments, Zhoushan Mingtai is a limited partner of the investment entity and does not have control nor significant influence in the operational and financing decisions of the investment entity.

As at 30 June 2022, the fair value of financial assets at fair value through profit or loss was nil (31 December 2021: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Rental receivables (Note (i))	1,262	298
Property project management service receivables (Note (ii))	–	–
	<hr/>	<hr/>
	1,262	298
Less: Allowance for credit loss (Note (iii))	–	–
	<hr/>	<hr/>
	1,262	298
Other receivables, deposits and prepayments, net of allowance for credit losses (Note (iv))	3,981	4,604
	<hr/>	<hr/>
	5,243	4,902
	<hr/>	<hr/>

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 2022 HK\$'000	Audited 31 December 2021 HK\$'000
0 to 30 days	261	94
31 to 60 days	256	84
61 to 90 days	272	84
91 to 180 days	339	–
181 to 365 days	98	11
More than 365 days	36	25
	<hr/>	<hr/>
	1,262	298
	<hr/>	<hr/>

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

- (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:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
More than 365 days	-	-

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
At 1 January	-	1
Impairment losses, net	-	612
Amount written off as uncollectible	-	(613)
At 30 June/31 December	-	-

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Prepayments	547	643
Deposits and other receivables	296,057	310,043
Prepaid tax	15	13
	296,619	310,699
Less: Allowance for credit losses	(292,638)	(306,095)
	3,981	4,604

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(iv) (Continued)

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
At 1 January	306,095	295,785
Impairment losses, net	–	228,752
Decrease on disposal of subsidiaries	–	(224,830)
Exchange realignment	(13,457)	6,388
	<hr/>	<hr/>
At 30 June/31 December	292,638	306,095

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Unaudited Six months ended 30 June 2022 HK\$'000	Six months ended 30 June 2021 HK\$'000
Impairment loss recognised in respect of trade receivables	–	209

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the Interim Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

During the Interim Period, no impairment allowance was provided by the Group (six months ended 30 June 2021: the Group provided impairment allowances of approximately HK\$209,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17. OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Rental deposits received	10,878	10,966
Other payables and accrued expenses (Note)	5,665	6,722
	16,543	17,688
Advance rental received	610	713
	17,153	18,401
Less: Non-current portion of deposits	(5,682)	(5,975)
	11,471	12,426

Note:

As at 30 June 2022, the amount included bank loan interest payable of approximately HK\$357,000 (31 December 2021: approximately HK\$294,000) and amounts due to former related companies of approximately HK\$264,000 (31 December 2021: approximately HK\$274,000).

18. BANK BORROWINGS

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective interest rate	Maturity	HK\$'000	Effective interest rate	Maturity	HK\$'000
Current	HIBOR plus	Within		HIBOR plus		
Bank loans – secured	1.25%-2%	one year	837,333	1.25%-2%	On demand	857,797

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
On demand or within one year	837,333	857,797
Less: Amounts due within one year shown under current liabilities	(837,333)	(857,797)
Amounts shown under non-current liabilities	–	–

The bank borrowings are secured by the Group's assets which were set out in the section "Financial review - 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 "Financial review - Charges on Group Assets" and "Financial review - Corporate Guarantee" of this interim report respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2022 '000	31 December 2021 '000	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Authorised:				
Ordinary of shares of HK\$0.1 each	2,000,000	2,000,000	200,000	200,000
Issued and fully paid	1,125,027	1,125,027	112,502	112,502

20. 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 16 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 with the amount of approximately HK\$233,606,000 from the former controlling shareholder – Mr. Ng Chun For, Henry.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. 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 2022	Audited 31 December 2021			
Financial assets	HK\$'000	HK\$'000			
Financial assets at fair value through profit or loss	–	–	Level 3	Net asset value	N/A (note)

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 2022

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	–	–	–	–

Fair value hierarchy as at 31 December 2021

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	–	–	–	–

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. 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)*

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

- (a) 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
- (b) 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.

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 2022 (Unaudited)		31 December 2021 (Audited)	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Financial liabilities				
Bank borrowings	837,333	837,333	857,797	857,797

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

22. OPERATING LEASES

The Group as lessor

The Group leases its investment properties (Note 12) 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\$17,625,000 (six months ended 30 June 2021: approximately HK\$18,294,000), details of which are included in Note 4 to the financial statements.

At 30 June 2022 and 31 December 2021, 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 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Within one year	21,084	24,184
In the second to fifth year inclusive	14,792	14,489
	35,876	38,673

23. MATERIAL RELATED PARTY TRANSACTIONS

As at 30 June 2022 and 31 December 2021, the Group had no material outstanding balances with related parties.

24. CAPITAL COMMITMENTS

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Contracted, but not provided for: Capital contribution to a limited partnership (Note 14)	43,850	45,866

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25. EVENTS AFTER THE REPORTING PERIOD

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.