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## **ZHONGZHENG INTERNATIONAL COMPANY LIMITED**

### **中證國際有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 943)**

### **PROFIT WARNING**

This announcement is made by the board (the “**Board**”) of directors of Zhongzheng International Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board wishes to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that, based on a preliminary review of the latest unaudited consolidated management accounts of the Group for the year ended 30 June 2024 (“**FY2023/24**”) and information currently available to the Board, the Group is expected to record a consolidated loss attributable to the owners of the Company in the range of HK\$680 million to HK\$720 million, as compared with a consolidated profit attributable to the owners of the Company of approximately HK\$69 million for the year ended 30 June 2023 (“**FY2022/23**”).

The loss recorded for the year was mainly attributable to (i) the decline in gross profit from approximately HK\$254 million for FY2022/23 to about HK\$23 million for FY2023/24. During FY2022/23, the Group’s results were favourably supported by the delivery to buyers a majority of the residential units of the property development project in Dongguan City, the PRC in July 2022, which had contributed approximately HK\$697 million to the revenue for FY2022/23. FY2023/24 saw revenue of about HK\$47 million only from the Dongguan project. In the meantime, there was also a decline in revenue from the healthcare and household products business to about HK\$100 million (FY2022/23: HK\$172 million). The decrease was primarily due to a destocking process of certain customers which commenced in or around the beginning of the calendar year of 2023; (ii) an impairment loss on interest in an associate engaging in primary land development in Luanping City, the PRC (the “**Associate**”) of approximately HK\$289 million (FY2022/23: HK\$76 million); (iii) an impairment loss on the amount due from the Associate of approximately HK\$68 million (FY2022/23: Nil); (iv) an impairment loss on properties under development for sales of the property development project in

Nanjing City, the PRC (“**PUD**”) of approximately HK\$196 million (FY2022/23: Nil); (v) finance costs of about HK\$192 million (FY2022/23: HK\$85 million) mainly due to the overdue bank loan for the Nanjing project; (vi) an impairment loss on other receivables of approximately HK\$66 million (FY2022/23: HK\$2 million); and (vii) share of losses of associates of about HK\$68 million (FY2022/23: HK\$38 million). The effects of the above were partially offset by the reversal of impairment loss on exploration and evaluation assets of approximately HK\$32 million due to reinstatement of the coal mining licence and a reduction in administrative expenses of about HK\$10 million.

It is noted that the unaudited consolidated loss attributable to owners of the Company for the six months ended 31 December 2023 (“**HY2023/24**”) was approximately HK\$694 million. In this light, the unaudited consolidated loss attributable to the owners of the Company for FY2023/24 approximates to that for HY2023/24, for the reason that subsequent to the year end date, in July 2024 the Group completed the disposal of its entire interests in Hong Kong Zhongzheng City Investment Limited (the “**Disposed Company**”) and its subsidiaries and the Associate. The Disposed Company held, among other things, the PUD. In estimating the net realisable value of the PUD as at 30 June 2024, the Group allocated the consideration for the disposal (being approximately HK\$53.7 million) to the assets (other than PUD) and liabilities disposed of, with residual value being allocated to the PUD. On this basis, a write-down of approximately HK\$196 million was provided for FY2023/24, which is less than the write-down of approximately HK\$405 million provided for during HY2023/24 (which had been determined with reference to the valuation of the PUD on the basis of sale under repossession). Completion of the aforesaid disposal has therefore effectively resulted in a partial reversal of impairment loss on PUD provided in HY2023/24.

The Group ceased to have any property development and investments interests in the PRC after completion of the said disposal. Despite this, the Group remains to be interested in a property development project in Malaysia through its 35% equity interest in an associate namely Pacific Memory Sdn Bhd (“**Pacific Memory**”). Pacific Memory is engaged in a commercial development at Port Dickson, Malaysia with facilities including a hotel, yacht club, event venues and retail spaces and related amenities. The Group acquired its interests (35% equity plus shareholder’s loan) in Pacific Memory in March 2018 for a total consideration of approximately HK\$662 million, which was satisfied as to HK\$239 million in cash and the remaining balance of approximately HK\$423 million by way of allotment and issue of 1,569,420,951 consideration shares (the “**Consideration Shares**”) at a price of HK\$0.27 per consideration share as agreed between the Group as buyer and the seller. Upon completion of the transaction, the full amount of the Consideration Shares were issued to the seller. However, in accordance with the applicable accounting standards, in accounting for the cost of the acquisition, the Consideration Shares were measured at fair value based on the closing price of the Shares of HK\$0.209 per Share at the date of completion of the acquisition, resulting in the cost of acquisition recorded in the books of the Group being at the amount of approximately HK\$567 million, with a gain on bargain purchase in the amount of

HK\$112 million recognised in the Group's consolidated profit or loss statement. The property development of Pacific Memory is in progress and not up for sale or leasing yet. Based on the latest unaudited consolidated management accounts of the Group for FY2023/24, the Group recorded share of loss of Pacific Memory of approximately HK\$8 million, which was mainly attributable to the overheads, administrative and other operating expenses. No impairment on the interest in and amount due from Pacific Memory was required after assessing its recoverable amount and expected credit loss.

The Company is still in the process of finalising its final results for FY2023/24. The information contained in this announcement is only based on a preliminary review by the management of the Company on the unaudited consolidated management accounts of the Group for FY2023/24 currently available, which has not been audited by the auditors or reviewed by the audit committee of the Company and may be subject to adjustment or change. The Company expects to announce its final results for FY2023/24 on 27 September 2024.

**Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Zhongzheng International Company Limited**  
**Liu Liyang**  
*Executive Director*

Hong Kong, 23 September 2024

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tam Lup Wai, Franky, and Mr. Liu Liyang; one non-executive Director, namely Mr. Lim Kim Chai, J.P.; and three independent non-executive Directors, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen.*