中昌國際
ZHONGCHANG INTERNATIONAL

ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
中昌國際控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 859)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of directors (the "Board" or the "Directors") of Zhongchang International Holdings Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017. These interim condensed consolidated financial statements were not audited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

HIGHLIGHTS

- The unaudited revenue of the Group for the six months ended 30 September 2018 was approximately HK$19.1 million (2017: approximately HK$27.3 million), representing a decrease of approximately 30% as compared with that for the corresponding period in 2017.

- The Group recorded an unaudited profit attributable to the owners of the Company of approximately HK$16.7 million for the six months ended 30 September 2018 (2017: approximately HK$3.1 million), representing an increase of approximately 4.4 times as compared with that for the corresponding period in 2017.

- The unaudited earnings per share of the Company was approximately HK1.49 cents for the six months ended 30 September 2018 (2017: approximately HK0.29 cents).

- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (2017: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Unaudited Six months ended 30 September 2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**19,092**	27,263
Other income and gains	*4*	**4,120**	2,400
Net gain on disposal of an investment property	*5*	**–**	4,950
Net gain in fair value of investment properties	*11*	**17,000**	–
Staff costs	*6*	**(3,009)**	(4,525)
Other operating expenses		**(6,512)**	(7,905)
Profit from operations	*6*	**30,691**	22,183
Finance costs	*7*	**(11,439)**	(16,690)
Profit before taxation		**19,252**	5,493
Taxation	*8*	**(2,506)**	(2,414)
Profit for the period		**16,746**	3,079
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**88**	–
Other comprehensive income for the period, net of tax		**88**	–
Total comprehensive income for the period		**16,834**	3,079
Profit for the period attributable to the owners of the Company		**16,746**	3,079
Total comprehensive income for the period attributable to the owners of the Company		**16,834**	3,079
Earnings per share	*10*		
– Basic (in HK cents)		**1.49**	0.29
– Diluted (in HK cents)		**1.49**	0.28

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**2,706**	2,858
Investment properties	*11*	**1,944,500**	1,927,500
		1,947,206	1,930,358
CURRENT ASSETS			
Trade and other receivables	*12*	**3,860**	2,808
Derivative financial instruments	*13*	**1,537**	19
Tax recoverable		**–**	121
Cash and bank balances		**1,027,780**	749,153
		1,033,177	752,101
CURRENT LIABILITIES			
Other payables, accruals and rental deposits received, current portion		**8,236**	8,788
Bank borrowings, current portion (secured)		**25,710**	17,100
Tax payable		**2,244**	79
		36,190	25,967
NET CURRENT ASSETS		**996,987**	726,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,944,193**	2,656,492

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited	Audited
		30 September	31 March
		2018	2018
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Other payables and rental deposits received, non-current portion		**8,801**	6,312
Bank borrowings, non-current portion (secured)		**820,587**	552,900
Convertible notes	*14*	**8,510**	8,037
Deferred tax liabilities	*15*	**10,392**	10,174
		848,290	577,423
NET ASSETS		**2,095,903**	2,079,069
CAPITAL AND RESERVES			
Share capital	*16*	**112,502**	112,502
Reserves		**1,983,401**	1,966,567
TOTAL EQUITY		**2,095,903**	2,079,069

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

Statement of compliance

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements has been prepared in accordance with same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the financial statements for the nine months ended 31 December 2018. Details of any changes in accounting policies are set out in note 2.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from rental income under operating leases.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, bank trust account balances and bank balances, are measured on 12 months ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

3. 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 chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. For the six months ended 30 September 2018 and 2017, the Group only engaged operating segment in property leasing and development. No analysis of the Group's results, assets and liabilities of other reportable segment is presented.

Information about major customers

Unaudited revenue for the six months ended 30 September 2018 and 2017 represented gross rental income from investment properties in Hong Kong. None of the customers contributed 10% or more of the Group's revenue for the six months ended 30 September 2018 and 2017.

Geographical information

As all of the Group's revenue are derived from Hong Kong and most of the Group's identifiable assets and liabilities are located in Hong Kong, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

4. OTHER INCOME AND GAINS

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**1,662**	813
Change in fair value of derivative financial asset component of convertible notes *(note 14)*	**1,518**	–
Exchange gain, net	**940**	–
Forfeiture of convertible notes interest payable	**–**	1,535
Sundry income	**–**	52
	4,120	2,400

5. NET GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

Net gain on disposal of an investment property arose from the completion of disposal of the investment property – House No. 12, Villa Bel-Air, Bel-Air on the Peak, Island South, Hong Kong at a consideration of HK$205,000,000 in August 2017.

	Unaudited Six months ended 30 September 2018 *HK$'000*	2017 *HK$'000*
Sales proceeds	–	205,000
Less:		
– Carrying amount of an investment property	–	(198,000)
– Transaction costs directly attributable to the disposal of an investment property	–	(2,050)
Net gain on disposal of an investment property	–	4,950

6. PROFIT FROM OPERATIONS

	Unaudited Six months ended 30 September 2018 *HK$'000*	2017 *HK$'000*
Profit from operations has been arrived at after charging/(crediting) the followings:		
Directors' emoluments	**540**	2,600
Other staff costs	**2,469**	1,925
Total staff costs	**3,009**	4,525
Bad debts written-off	–	25
Depreciation of property, plant and equipment	**421**	435
Written-off of property, plant and equipment	–	442
Gross rental income from investment properties	**(19,092)**	(27,263)
Less: Direct operating expenses from investment properties that generated rental income during the period	**1,771**	2,747
	(17,321)	(24,516)

7. FINANCE COSTS

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**9,916**	10,248
Change in fair value of derivative financial asset component of convertible notes	**–**	2,282
Effective interest expenses on convertible notes *(note 14)*	**566**	1,500
Other finance costs	**957**	2,660
	11,439	16,690

8. TAXATION

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong		
– Provision for the period	**2,286**	1,253
– Under provisions in prior years	**2**	1,363
	2,288	2,616
Deferred taxation		
– Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income	**218**	(202)
	2,506	2,414

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%.

9. INTERIM DIVIDEND

The Directors do not recommend interim dividend for the six months ended 30 September 2018 (2017: Nil).

For the six months ended 30 September 2017, a final dividend of approximately HK$233,097,000 that relates to the year ended 31 March 2017 was paid in August 2017.

10. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share	**16,746**	3,079
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes, net of tax	**–**	–
Forfeiture of convertible notes interest payable on conversion of convertible notes	**–**	–
Fair value (gains)/losses on derivative financial assets component of convertible notes	**–**	–
Earnings for purpose of diluted earnings per share	**16,746**	3,079

	Unaudited Six months ended 30 September	
	2018	2017
	Number of ordinary shares	*Number of ordinary shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,125,027,072**	1,071,246,297
Effect of dilutive potential ordinary shares:		
Share options	**–**	11,887,025
Convertible notes	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,125,027,072**	1,083,133,322

The diluted earnings per share for the six months ended 30 September 2018 and 2017 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 September 2017, the outstanding share options were assumed to have been converted into ordinary shares.

For the six months ended 30 September 2018 and 2017, the Company's outstanding convertible notes were not included in the calculation of diluted earnings per share because the effect of which were anti-dilutive.

11. INVESTMENT PROPERTIES

	Completed investment properties, in Hong Kong
	HK$'000
FAIR VALUE:	
At 31 March 2018 (audited) and 1 April 2018 (unaudited)	1,927,500
Net gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	17,000
At 30 September 2018 (unaudited)	**1,944,500**

The fair value of the Group's investment properties as at 30 September 2018 was determined by valuations carried out by CBRE Limited (31 March 2018: Savills Valuation and Professional Services Limited). Both parties are independent qualified professional valuers not connected to the Group.

CBRE Limited and Savills Valuation and Professional Services Limited are members of the Institute of Valuers in Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined with i) the sales comparison approach, which involves an analysis of sales transactions of comparable properties within the vicinity of the subject property; and (ii) the income capitalisation approach, which involves estimating the rental incomes of the property and capitalizing them on an appropriate rate to produce a capital value.

There have been no changes to the valuation technique during the interim period.

As at 30 September 2018, investment properties with a carrying amount in aggregate of HK$1,654,000,000 (31 March 2018: HK$1,763,000,000) were pledged as collateral for the Group's bank borrowings.

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Trade receivables	**1,274**	1,383
Less: Impairment loss on trade receivables	**–**	–
	1,274	1,383
Other receivables, deposits and prepayments	**2,586**	1,425
	3,860	2,808

(i) Rentals and deposits are receivable in advance from tenants pursuant to the Group's lease agreements entered into with all tenants.

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 trade receivables. The trade receivables mainly consist of rental receivables. The rental receivables are payable in advance by tenants.

(ii) The ageing analysis of the Group's trade receivables are as follows:

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Effective rental receivables (0 days)	**1,220**	1,220
Up to 30 days	**54**	163
	1,274	1,383

(iii) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Neither past due nor impaired	**1,220**	1,220
Less than 1 month past due	**54**	163
	1,274	1,383

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers 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.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Current assets:		
Derivative financial asset component of convertible notes *(note 14)*	**1,537**	19

As at 30 September 2018, the fair value of derivative financial asset component of convertible notes with an outstanding principal amount of HK$11,000,000 was appraised by BMI Appraisals Limited. The key inputs used for the calculation of the fair value were disclosed in note 14 to the Interim Financial Statements.

14. CONVERTIBLE NOTES

The Company issued in aggregate of HK$125,000,000 1.68% convertible notes on 7 December 2015 (the "Issue Date") and recognised its book as of fair values appraised by BMI Appraisals Limited, being an independent financial valuer. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the first business day immediately following the fifth anniversary date of the Issue Date (the "Maturity Date") at a conversion price of HK$0.934 per share per convertible note. With effect from 24 August 2017, being the date immediately after the record date for determining the entitlement to the final dividend for the year ended 31 March 2017, the conversion price of convertible notes was adjusted to HK$0.802 per conversion share in accordance with the terms and conditions of convertible notes. If the notes have not been converted, they will be redeemed by the Company on the Maturity Date at the aggregate of (i) its principal amount outstanding as at the Maturity Date; and (ii) all interest accrued thereon up to and including the Maturity Date. Interest of 1.68% will be payable by the Company on maturity date.

The Company shall have the right to redeem the convertible notes, in full or in part (provided that in the case of a partial redemption the aggregate principal amount of the convertible notes being redeemed shall be at least HK$3,000,000 or above), held by the noteholder at an amount equal to the aggregate of (a) the aggregate principal amount of the convertible notes held by such noteholder being the subject of the redemption (the "Redeemed Principal"); and (b) all interest accrued thereon up to and including the date of such redemption at any time on or after the first month from the Issue Date by giving a redemption notice setting out the Redeemed Principal, the Company redemption amount and the early redemption date to such noteholder not less than five business days prior to the early redemption date.

The convertible notes contain three components: liability component, equity component and redemption option derivative, which is classified as derivative financial asset component. The equity component is presented in equity heading "convertible notes equity reserve". The effective interest rate of the liability component is 13.73% per annum. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The key inputs used for the calculation of the fair value of redemption option derivative component of convertible notes are as follows:

	Unaudited 30 September 2018	Audited 31 March 2018
Risk free rate	**2.19%**	1.58%
Expected life	**2.19 years**	2.69 years
Expected volatility	**66.58%**	64.38%
Expected dividend yield	**7.06%**	Nil

The movements of equity component, liability component and redemption option derivative of the convertible notes for the six months ended 30 September 2018 are set out below:

	Liability component	**Equity component**	**Redemption option derivative**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018 (Audited) and 1 April 2018 (Unaudited)	8,037	5,619	(19)	13,637
Effective interest charged *(note 7)*	566	–	–	566
Interest payable	(93)	–	–	(93)
Change in fair value of derivative financial asset component of convertible notes *(note 4)*	–	–	(1,518)	(1,518)
At 30 September 2018 (Unaudited)	**8,510**	**5,619**	**(1,537)**	**12,592**

As at 30 September 2018, the outstanding principal amount of the convertible notes was HK$11,000,000 (31 March 2018: HK$11,000,000).

15. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the six months ended 30 September 2018 were as follows:

	Depreciation allowances in excess of the related depreciation	**Convertible notes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2018 (Audited) and 1 April 2018 (Unaudited)	9,685	489	10,174
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income	296	(78)	218
At 30 September 2018 (Unaudited)	**9,981**	**411**	**10,392**

16. SHARE CAPITAL

	Unaudited As at 30 September 2018		Audited As at 31 March 2018	
	Number of shares '000	***Amount HK$'000***	*Number of shares '000*	*Amount HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**2,000,000**	**200,000**	2,000,000	200,000
Issued and full paid:				
Ordinary shares of HK$0.10 each				
At 1 April (Unaudited)	**1,125,027**	**112,502**	1,029,043	102,904
Issue of shares upon conversion of the convertible notes *(note (a))*	**–**	**–**	30,674	3,067
Issue of shares upon exercise of the share options *(note (b))*	**–**	**–**	65,310	6,531
At 30 September 2018 (Unaudited)/ 31 March 2018 (Audited)	**1,125,027**	**112,502**	1,125,027	112,502

Notes:

(a) During the year ended 31 March 2018, a convertible note with partial principal amount of HK$61,000,000 out of HK$72,000,000 was converted into 65,310,492 ordinary shares at its conversion price of HK$0.934 per share.

(b) During the year ended 31 March 2018, 4,065,756 ordinary shares and 26,607,290 ordinary shares of HK$0.1 each were issued as a result of exercise of share options under the 2003 Scheme and 2013 Scheme respectively.

All the shares issued by the Company for both periods rank pari passu with the then existing ordinary shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Investment Properties in Hong Kong

During the reporting period for the six months ended 30 September 2018 (the "Interim Period"), the Group's revenue was primarily derived from rental income generated from its retail investment properties, which are situated at Hong Kong Island's prime retail location. The valuation of the investment properties of the Group amounted to HK$1,944.5 million as at 30 September 2018 (31 March 2018: HK$1,927.5 million). Jardine Center remained as the core and steady income generators, accounted for approximately 77.2% of the total revenue of the Group for the Interim Period.

As a result of the disposals of (i) House No.12 villa Bel-Air; and (ii) L'hart at Nos. 487&489 Lockhart Road in 2017, the Group's revenue for the Interim Period decreased by approximately 30% to approximately HK$19.1 million as compared to the same period in 2017 (2017: approximately HK$27.3 million). Nevertheless, benefiting from the improved retail market sentiment, the investment property portfolio of the Group (excluding the disposed properties) recorded strong rental demand and higher occupancy rates, resulting in an increase in rental income of approximately 4% as compared to the same period in 2017.

Set out below is a table summarising the valuation and revenue contribution of the investment property portfolio of the Group for the Interim Period.

	Valuation of investment properties as at 30 September 2018	**Unaudited revenue for the six months ended 30 September 2018**	Unaudited revenue for the six months ended 30 September 2017	**Change**
	HK$'000	*HK$'000*	*HK$'000*	
Causeway Bay				
Jardine Center, No. 50 Jardine's Bazaar	**1,500,000**	**14,746**	14,126	4.4%
Ground Floor and Cockloft Floor, No. 38 Jardine's Bazaar	**103,000**	**1,289**	1,142	12.9%
First Floor, Nos.38 and 40 Jardine's Bazaar	**14,500**	**170**	182	(6.6%)
Ground Floor including Cockloft, No.41 Jardine's Bazaar	**136,000**	**1,343**	1,319	1.8%
Ground Floor, No. 57 Jardine's Bazaar	**140,000**	**1,544**	1,588	(2.8%)

	Valuation of investment properties as at 30 September 2018	**Unaudited revenue for the six months ended 30 September 2018**	Unaudited revenue for the six months ended 30 September 2017	**Change**
	HK$'000	*HK$'000*	*HK$'000*	
Mid-Levels				
Shop No.1 on Ground Floor of K.K. Mansion, Nos. 119, 121 & 125 Caine Road	**51,000**	**–**	–	–
Sub-total	**1,944,500**	**19,092**	18,357	4.0%
Disposed properties				
L'hart, No.487-489 Lockhart Road	**–**	**–**	8,098	(100%)
House No. 12, Villa Bel-Air, Bel-Air on the Peak	**–**	**–**	808	(100%)
Total	**1,944,500**	**19,092**	27,263	

Unrealized fair value gains on investment properties amounted to approximately HK$17 million (2017: Nil) on the back of recovery in the Hong Kong retail market; and natural competitive advantage of the prime location of our investment properties (majority of which are nestled at the heart of Causeway Bay) as well as the properties with committed rent rolls and solid and healthy tenant mix. As a result, the Group's profit attributable to the shareholders of the Company increased to approximately HK$16.7 million (2017: approximately HK$3.1 million).

Establishing a more sustainable and diverse-trade tenant portfolio

Thanks to our loyal tenants collaborating with us to build up the retail portfolio which has proven with great success by the increasing popularity of Jardine Center via various online platforms (such as Openrice, Eat and Travel Weekly, Eatigo, etc.) among local Hong Kongers and tourists. The Group strives to refine and curate its tenant mix, by understanding and fulfilling our valued tenant's and consumer's need, in turn our initiatives aim at accommodating the various business operators to create a sustainable community in the city. The composition of our tenants' trade diversity is being well optimized in the proportion of 30% beauty and healthy service; 50% celebrated Asian delicacies and 20% retail of mid-priced to affordable items retailers, including women fashion, grocery, pharmacies, health and personal care products as well as cosmetics.

For the retail-tenants category, in addition to the well-recognized tenant ("*PriceMart*") at Jardine Center, the Group recruited a newly-joined best-known one-stop personal care and healthy store brand - *Watsons* which was opened at our property located at Shop no.1 on ground floor of K.K. Mansion, Nos 119,121 & 125 Caine Road in the end of October 2018.

For the food and beverage tenant category, Jardine Center clusters various celebrated Asian delicacies, such as Chinese Sichuan-style hot pot (*Xiao Yu Hotpot Restaurant, Chili Party*), Japanese Top-ranked Omakase (*Maizuru, Tenzen*) and Meat Cuisine Hiro as well as Korean cuisine (*Hungry Korean*).

The rising importance of self-image and increasing health-conscious population have driven the rapid expansion of beauty service market in Hong Kong. Our shops at Jardine Center on above ground floor level with gross floor area of about 2,000 sq. ft. were able to ride on this opportunity of high demand from typical traditional beauty service operators targeting mid-to high price points. During the Interim Period, the Group also entered into new lettings with certain well-established beauty services tenants such as *Kan's Beauty, Hygge Spa and Victorica Medical Beauty*.

Diversifying into new project management business in PRC

As mentioned in the annual report for the year ended 31 March 2018, the Group has been seeking new opportunities in the real estate sector to penetrate its presence in the PRC thereby broadening its source of revenue and earnings base. The Board is of the view that the real estate project management business in the PRC has a positive prospect and capitalizing on this opportunity will enable the Group to achieve better growth potential and broaden its source of revenue.

As disclosed in the announcement of the Company dated 21 August 2018, Foshan Mingzhou Construction Management Consultancy Company Limited* ("Mingzhou Consultancy") (an indirect wholly-owned subsidiary of the Company) and Shanghai Sansheng Hongye Investment (Group) Company Limited* ("Shanghai Sansheng") entered into a project management master agreement (the "Master Agreement"), pursuant to which Mingzhou Consultancy and its subsidiaries may enter into individual project management agreement to provide project management services for the real estate projects in the PRC owned and developed by Shanghai Sansheng and its subsidiaries. Mingzhou Consultancy has recruited a professional team with relevant qualifications and expertise and set up an Office in Guangzhou to prepare for the expansion in real estate project management business in the PRC.

The resolution in relation to the provision of project management services under the Master Agreement was approved by the independent shareholder of the Company at the special general meeting on 11 October 2018.

In late October 2018, Mingzhou Consultancy has entered into individual agreements with subsidiaries of Shanghai Sansheng for four residential projects located in the Greater Bay Area in the PRC (i.e. Foshan, Jiangmen and Huizhou, Guangdong Province) with gross floor area of approximately 1.16 million square metres in aggregate.

OUTLOOK

As a result of the different stimulating policies promulgated by the US government, the US economy has gradually recovered as evidenced by low unemployment rate and elevated consumer confidence in the second half of 2018. Meanwhile, the PRC economy remained on track to achieve the official target growth rate of about 6.5%. In spite of the above, the global economy was volatile due to the recent escalating trade tensions between the US and the PRC and the US interest rate hike. Moreover, the possibility of Brexit had led to a pessimistic market sentiment on assets valuation. Nevertheless, the Hong Kong economy had been positive in overall terms benefiting from strong domestic demand, double-digit growth in inbound tourists, favorable labor market conditions as well as positive business sentiment. We believe the prospect of the Hong Kong economy will remain positive as it plays a greater role in the development of the Belt and Road Initiative and Greater Bay Area as well as the opening of various strategic infrastructure projects, particularly the Hong Kong-Zhuhai-Macau Bridge which connects Zhuhai with Hong Kong and Macau to form a tourism hub offering sightseeing, gaming and theme parks. The Group will continue to consolidate and strengthen its investment property portfolio with a view to enhancing the Group's profitability.

In order to capitalise on the opportunity of the rise of the Greater Bay Area, the Group has expanded into the new business segment, namely the provision of project management services in the PRC. With the Directors' knowledge, experience and expertise in the real estate market, the Board believes that the expansion into the project management business will enable the Group to achieve better growth potential and broaden its source of revenue. The Group has already entered into certain project management services agreements with members of Shanghai Sansheng for provision of project management services to projects located in the Greater Bay Area. Going forward, the Group will proactively promote the new business with an aim to diversifying the customer base by approaching other potential independent customers for the provision of the project management services.

The Group will also continue to seek other business opportunities in property investment, management and development businesses with the objective of delivering the best returns to our shareholders.

FINANCIAL REVIEW

The Group's unaudited revenue for the Interim Period was approximately HK$19.1 million, representing a decrease of approximately 30.0% against the same period of last year (2017: approximately HK$27.3 million) and represented gross rental income from investment properties. The decrease in revenue was primarily attributable to the adverse effect of disposal of two investment properties.

Other income and gains for the Interim Period increased by approximately HK$1.7 million to approximately HK$4.1 million (2017: approximately HK$2.4 million). The increase was mainly due to (i) an increase in bank interest income; and (ii) a fair value gain of derivative financial instruments recognized during the Interim Period.

Staff cost comprised salaries, directors fee and retirement benefit costs. During the Interim Period, none of executive directors received remunerations and thus the staff cost decreased by approximately 33.5% as compared with last year.

The composition of other operating expenses by nature mainly classified as following-

	For the six months ended 30 September 2018 *HK$'000*	For the six months ended 30 September 2017 *HK$'000*
Investment properties operating cost	**1,771**	2,747
Corporate compliance professional fee	**2,386**	2,224
General administrative costs	**2,355**	2,934
Total	**6,512**	7,905

Investment properties operating cost mainly comprised of repair and maintenance cost; commission incurred for new lettings and statutory property-related costs. The decrease in such costs was due to the disposal of two investment properties in the last financial year ended 31 March 2018.

Corporate compliance professional fee incurred for the period mainly included the major corporate events included (i) change of company name announced on 29 June 2018; (ii) new bank borrowings raised announced on 15 June 2018; and (iii) continuing connected transaction regarding project management agreement announced on 21 August 2018.

As at 30 September 2018, the investment properties of the Group were revalued at HK$1,944.5 million (31 March 2018; HK$1,927.5 million) by an independent professional valuer. During the period, a fair value gain on investment properties of HK$17 million was recognized in the income statement.

Finance costs for the Interim Period has decreased by approximately 31.7% to approximately HK$11.4 million (2017: approximately HK$16.7 million). The decrease was primarily attributable to the absence of (i) a fair value loss of derivative financial instruments recognized during the period; and (ii) reduction of bank borrowing cost arose from two disposed investment properties.

Net profit attributable to owners of the Company was approximately HK$16.7 million (2017: approximately HK$3.1 million), representing an increase of approximately 4.4 times as compared with the corresponding period in 2017. The increase in net profit was primarily due to the unrealised gain in fair value of investment properties.

Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and bank borrowings. As at 30 September 2018, the Group had cash and bank balances (included bank deposits) of approximately HK$1,027.8 million (31 March 2018: approximately HK$749.2 million), of which approximately 44.5% were deposited with banks in Hong Kong and the remaining of approximately 55.5% were deposited with banks in the PRC. The increase in cash and bank balances was mainly attributable to the increase in bank borrowings of approximately HK$287 million during the period. The Group's cash and bank balances were deposited in Hong Kong Dollars ("HKD") which mainly were preserved in risk-free bank deposits to maintain highly liquidity financial resources available for facilitating future investment activities and acquisitions when opportunities arise.

As at 30 September 2018, the Group's bank borrowings of approximately HK$846.3 million (31 March 2018: approximately HK$570 million) all denominated in HKD and carry interest at Hong Kong Interbank Offer Rate (HIBOR) plus a margin with maturity profile set out as follows:

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Repayable		
Within one year	**25,710**	17,100
Within a period of more than one year but within two years	**25,710**	17,100
Within a period of more than two years but within five years	**794,877**	535,800
	846,297	570,000

The Group's gearing ratio as at 30 September 2018, which is calculated on the basis of total liabilities over total assets, was approximately 29.7% (31 March 2018: approximately 22.5%) whilst the current ratio of the Group which expressed a ratio of current assets over current liabilities as at 30 September 2018, was approximately 28.5 (31 March 2018: approximately 29.0). The Group will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet its funding requirements.

Capital Structure

As at 30 September 2018, the issued share capital of the Company was 1,125,027,072 shares. During the Interim Period, there was no movement of the issued share capital of the Company.

As at 30 September 2018, the unaudited net assets amounted to approximately HK$2,095.9 million (31 March 2018: audited net assets amounted to approximately HK$2,079.1 million), representing an increase of approximately 0.8% as compared with the same as at 31 March 2018. With the total number of 1,125,027,072 ordinary shares in issue as at 30 September 2018, the unaudited net assets value per share was approximately HK$1.86 (as at 31 March 2018: approximately HK$1.85).

Treasury Policy

The Group's business has been conducted in Hong Kong and its monetary assets and liabilities are mainly denominated in HKD. The Group regularly reviews its major funding positions to assure that it has adequate financial resources in meeting its financial obligations.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2018 (2017: Nil).

CORPORATE GUARANTEE

As at 30 September 2018, the Company provided corporate guarantees in aggregate of HK$857,000,000 (31 March 2018: HK$570,000,000) which given to a bank for securing banking facilities granted to its wholly-owned subsidiaries. As at 31 March 2018, the Company has given several corporate guarantees in aggregate of HK$656,000,000 for securing banking facilities granted to its subsidiaries which were fully repaid in December 2017.

CHARGES ON GROUP ASSETS

As at 30 September 2018, the Group had pledged the following assets:

1. certain investment properties in Hong Kong with an aggregate carrying amount of HK$1,654,000,000 (31 March 2018: HK$1,763,000,000) for securing certain bank borrowings of its wholly-owned subsidiaries;

2. share mortgage of several subsidiaries for securing their respective bank borrowings; and

3. rent assignments in respect of the investment properties held by the Group.

CONTINGENT LIABILITIES

Under the agreement for sale and purchase of share in and debts owed by Seedtime International Limited signed between the Company, Rose City Group Limited (the "Vendor") and Prime Magic Holdings Limited (the "Purchaser") on 13 July 2017, the Company acts as guarantor in favour of the Purchaser for the disposal of entire issued share capital of Seedtime International Limited, which was completed on 13 December 2017.

The Company irrevocably and unconditionally guarantees to the Purchaser the due and punctual observance and performance by the Vendor of all its obligations undertaken in the agreement and the Vendor's warranties; and undertakes that if for any reason the Vendor fails to observe or perform any of such obligations and/or is in breach of any Vendor's warranties, it shall on demand observe or perform or procure the Vendor to observe or perform the same in respect of which the Vendor shall be in default and make good to the Purchaser and indemnify and hold harmless the Purchaser against all reasonable losses, damages, costs and expenses arising or incurred by the Purchaser as a result of such non-observance or non-performance.

As at 30 September 2018, there was no relevant claims reported.

Save as disclosed aforesaid, the Group did not have any significant contingent liabilities as at 30 September 2018.

COMMITMENTS

As at 30 September 2018, save for the capital commitments on PRC subsidiaries' registered capital as disclosed in the annual report for the year ended 31 March 2018, the Group had no material capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had 22 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

The Group did not have any significant investments, material acquisitions or disposals during the period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 period, with one exception as regards. Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

With Mr. Ng Ian's resignation as an executive Director and the Chairman of the Company with effect from 2 February 2018, Mr. Wang Junyong (an executive Director appointed on 12 January 2018) has been appointed as the Chairman of the Company with effect from 2 February 2018. Since then, the duties and responsibilities of the chief executive officer "(CEO") have been taken up by the executive committee of the Company. The Company is presently identifying a suitable candidate to be appointed as the CEO and will make further announcement upon such appointment.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Hung Ka Hai Clement (Chairman), Mr. Liew Fui Kiang and Mr. Wong Sai Tat. The unaudited interim results and the Interim Financial Statements have been reviewed by the Audit Committee.

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 period under review.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES 13.21 OF CHAPTER 13 OF THE LISTING RULES

On 20 March 2018, Top Bright Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with a financial institution for a term loan facility in the principal amount of HK$570 million. On 15 June 2018, Top Bright Properties Limited, entered into a supplemental agreement with a financial institution for a term loan facility in the principal amount of HK$212 million.

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

Pursuant to the terms of the aforesaid loan agreements, it will constitute an event of default if Mr. Chen Lijun and Mr. Chen Jianming (the ultimate controlling shareholder of the Company) fail to collectively maintain not less than 55% beneficial shareholding in the Company or maintain control over the management and business of the Group.

EVENTS AFTER REPORTING PERIOD

Save for the continuing connected transaction approved by the independent shareholders of the Company at a special general meeting held on 11 October 2018 as disclosed in the Company's circular dated 13 September 2018, there are no other important events affecting the Group which occurred since 30 September 2018 and up to the date hereof.

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 period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report will be despatched to the shareholders of the Company and will be available on the above websites in due course.

By Order of the Board
Zhongchang International Holdings Group Limited
Fan Xuerui
Executive Director

Hong Kong, 23 November 2018

As at the date of this announcement, the Board comprises Mr. Wang Junyong (Chairman), Mr. Fan Xuerui, Mr. Sun Meng, Ms. Li Guang and Mr. Lai Hing Kwok as executive Directors; and Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat as independent non-executive Directors.

* *The English translation of the Chinese names denoted in this announcement is for illustration purpose only.*