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

(incorporated in Bermuda with limited liability)

(Stock code: 859)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board ("**Board**") of directors (the "**Directors**") of Zhongchang International Holdings Group Limited (the "**Company**") hereby announces the results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**" or "**FY2023**"), together with the comparative figures for the year ended 31 December 2022 ("**FY2022**") which are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Revenue	3	**33,778**	33,678
Other income	5	**3,326**	1,097
Net loss in fair value of investment properties		**(50,400)**	(45,800)
Staff costs	6	**(3,956)**	(5,155)
Depreciation of property, plant and equipment	6	**(118)**	(173)
Depreciation of right-of-use assets	6	**(857)**	(1,212)
Other operating expenses		**(7,258)**	(19,617)
Loss from operations	6	**(25,485)**	(37,182)
Finance costs	7	**(43,428)**	(22,109)
Loss before tax		**(68,913)**	(59,291)
Income tax expense	8	**(3,951)**	(4,059)
Loss for the year		**(72,864)**	(63,350)

	Note	Year ended 31 December **2023** *HK$'000*	2022 *HK$'000* (Restated)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**125**	11,215
Other comprehensive income for the year, net of tax		**125**	11,215
Total comprehensive loss for the year		**(72,739)**	(52,135)
Loss for the year attributable to the owners of the Company		**(72,864)**	(63,350)
Total comprehensive loss for the year attributable to the owners of the Company		**(72,739)**	(52,135)
Loss per share attributable to ordinary equity holders of the Company			
– Basic and diluted (in HK cents)	10	**(6.48)**	(5.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 December 2023** *HK$'000*	As at 31 December 2022 *HK$'000*	As at 1 January 2022 *HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**17**	135	308
Right-of-use assets		**1,499**	2,356	998
Investment properties		**1,731,100**	1,781,500	1,827,300
		1,732,616	1,783,991	1,828,606
Current assets				
Trade and other receivables, deposits and prepayments	11	**2,974**	4,299	4,902
Tax recoverables		**–**	191	37
Cash and cash equivalents		**123,047**	63,268	136,575
		126,021	67,758	141,514

	Note	**As at 31 December 2023 *HK$'000***	As at 31 December 2022 *HK$'000* (Restated)	As at 1 January 2022 *HK$'000* (Restated)
Current liabilities				
Other payables, deposits and accrued expenses	12	**11,046**	11,350	12,426
Lease liabilities		**872**	805	1,094
Interest-bearing bank and other borrowings		**870,857**	790,505	857,797
Tax payable		**3,858**	3,271	2,511
		886,633	805,931	873,828
Net current liabilities		**(760,612)**	(738,173)	(732,314)
Total assets less current liabilities		**972,004**	1,045,818	1,096,292
Non-current liabilities				
Other payables and deposits	12	**4,518**	5,380	5,975
Lease liabilities		**702**	1,575	–
Deferred tax liabilities		**13,250**	12,590	11,909
		18,470	19,545	17,884
Net assets		**953,534**	1,026,273	1,078,408
CAPITAL AND RESERVES				
Share capital		**112,502**	112,502	112,502
Reserves		**841,032**	913,771	965,906
Total equity		**953,534**	1,026,273	1,078,408

Notes:

1. CORPORATE INFORMATION

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

The Company acts as an investment holding company and the principal activities of the Group are leasing of investment properties in Hong Kong.

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

2 BASIS OF PREPARATION

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

Going concern

As at 31 December 2023, the Group's total current liabilities exceeded its total current assets by approximately HK$760,612,000 (2022: HK$738,173,000). The Directors considered that the controlling shareholder of the Company has the intention to provide unconditional continuing financial support to the Company so as to enable the Company to meet its liabilities as and when they fall due. Accordingly, the Directors believe that the Group has adequate resources to continue its operations in the foreseeable future of not less than 12 months from the end of the reporting period. Therefore, they are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

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

Impact on the consolidated statements of financial position:

		Increase/(decrease)	
	As at 31 December 2023	As at 31 December 2022	As at 1 January 2022
	HK$'000	*HK$'000*	*HK$'000*
Liabilities			
Deferred tax liabilities *(Note)*	**(12)**	(4)	(16)
Total non-current liabilities	**(12)**	(4)	(16)
Total liabilities	**(12)**	(4)	(16)
Net assets	**12**	4	16
Equity			
Retained profits (included in reserves)	**12**	4	16
Total equity	**12**	4	16

Note:

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

Impact on the consolidated statement of profit or loss:

	Increase/(decrease) **For the year ended 31 December**	
	2023	2022
	HK$'000	*HK$'000*
Income tax expense	**(8)**	12
Loss for the year	**(8)**	12
Loss for the year attributable to the owners of the Company	**(8)**	12
Total comprehensive loss for the year	**(8)**	12
Total comprehensive loss attributable to the owners of the Company	**(8)**	12

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted loss per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. REVENUE

	2023	2022
	HK$'000	*HK$'000*
Gross rental income from investment properties in Hong Kong	**33,778**	33,678

4. OPERATING SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business, which is the leasing of investment properties in Hong Kong. Accordingly, no segmental analysis is presented.

Information about major customers

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

5. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**1,119**	792
Government grants	**–**	168
Sundry income	**2,207**	137
	3,326	1,097

6. LOSS FROM OPERATIONS

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

	2023	2022
	HK$'000	*HK$'000*
Directors' emoluments	**540**	540
Other staff costs:		
Salaries and allowances	**3,159**	4,264
Retirement benefit scheme contributions	**88**	110
Social security contributions	**–**	91
Other benefits in kind	**169**	150
Total staff costs	**3,956**	5,155
Bank interest income	**(1,119)**	(792)
Net loss in fair value of investment properties	**50,400**	45,800
Exchange loss, net	**152**	12,443
Auditors' remuneration		
– Audit services	**1,130**	1,380
– Non-audit services	**–**	350
Depreciation of property, plant and equipment	**118**	173
Depreciation of right-of-use assets	**857**	1,212
Lease payments not included in the measurement of lease liabilities	**298**	175
Gross rental income from investment properties	**(33,778)**	(33,678)
Less: Direct operating expenses from investment properties that generated rental income during the year	**2,753**	1,992
	(31,025)	(31,686)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**43,264**	22,033
Interest on lease liabilities	**164**	76
	43,428	22,109

8. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Current tax		
Hong Kong		
– Provision for the year	**3,444**	3,224
– Over-provision in prior years	**–**	(6)
	3,444	3,218
The PRC		
– Provision for the year	**–**	160
– Over-provision in prior years	**(153)**	–
	(153)	160
	3,291	3,378
Deferred taxation		
– Charged to the consolidated statement of profit or loss and other comprehensive income	**660**	681
	3,951	4,059

The provision for Hong Kong Profits Tax for the year ended 31 December 2023 is calculated at 16.5% of the estimated assessable profits for the year (2022: 16.5%). The concession of 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government was taken up by an indirect wholly-owned subsidiary incorporated in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2023 and 2022.

9. DIVIDEND

The Directors do not recommend any dividend for the year ended 31 December 2023 (2022: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	**(72,864)**	(63,350)

	Number of shares	
	2023	2022
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,125,027**	1,125,027

For the years ended 31 December 2023 and 2022, the diluted loss per share is the same as the basic loss per share. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	HK$'000	*HK$'000*
Rental receivables, net of allowance for credit losses *(Note (i))*	**61**	264
Other receivables, deposits and prepayments, net of allowance for credit losses *(Note (ii))*	**2,913**	4,035
	2,974	4,299

(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:

	2023	2022
	HK$'000	*HK$'000*
0 to 30 days	**10**	84
31 to 60 days	**11**	111
61 to 90 days	**–**	–
91 to 180 days	**–**	54
181 to 365 days	**–**	15
More than 365 days	**40**	–
	61	264

Rental receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2023	2022
	HK$'000	*HK$'000*
Prepayments	**24**	509
Deposits and other receivables	**279,033**	283,674
Prepaid tax	**14**	14
	279,071	284,197
Less: Allowance for credit losses	**(276,158)**	(280,162)
	2,913	4,035

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

	2023	2022
	HK$'000	*HK$'000*
At 1 January	**280,162**	306,095
Exchange realignment	**(4,004)**	(25,933)
At 31 December	**276,158**	280,162

12. OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

	2023	2022
	HK$'000	*HK$'000*
Rental deposits received	**10,514**	10,580
Other payables and accrued expenses	**4,897**	5,418
	15,411	15,998
Contract liabilities *(Note)*	**153**	732
	15,564	16,730
Analysed into:		
Non-current portion	**4,518**	5,380
Current portion	**11,046**	11,350

Note:

Details of contract liabilities are as follows:

	31 December 2023	31 December 2022	1 January 2022
	HK$'000	*HK$'000*	*HK$'000*
Short-term advance payments received from tenants	**153**	732	713

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in leasing of investment properties in Hong Kong. During the Reporting Period, the Group's revenue was primarily derived from rental income from its investment properties in Hong Kong. The Group's investment properties are mainly situated at prime retail and shopping locations in Causeway Bay, Hong Kong Island.

2023 was a challenging year for the Group. Although Hong Kong posted a real gross domestic product growth rate of 3.2% in 2023, structural pressure is hindering the growth of retail sectors. This is not only about the slow return of visitors, but also changes in consumer preferences as Chinese tourists now seek more unique experience beyond shopping. Against the backdrop of elevated interest rate and a strong HK dollar, domestic residents have prioritized outbound tourism and weekend trips to Shenzhen over local spending. The dwindling stock markets and real estate markets have also affected local consumption sentiment in 2023. The challenging external environment amid heightened geopolitical tensions and tightened financial conditions constrained the pace of recovery in Hong Kong.

Property leasing business

During FY2023, the Group recorded rental income from investment properties in Hong Kong of approximately HK$33.8 million, which represented an increase of approximately 0.3% from approximately HK$33.7 million recorded in FY2022. The average rental reversion rate on renewals and new lettings was approximately similar to that in the last year.

As at 31 December 2023, the investment properties 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 84.6% (31 December 2022: approximately 89.7%). The decrease in occupancy rate was mainly due to overall market softness. Jardine Center remained as the Group's core and steady income generator, accounted for approximately 80.4% of the total revenue of the Group during FY2023.

The Group's revenue growth and occupancy rates are the key measurements used for the assessment of its core leasing business performance. In response to the economic situation, the Group adopted rigorous cost control measures and keep our operating costs down during FY2023. Set out below is a table summarising the key performance indicators for the Group's property leasing business in Hong Kong for FY2022 and FY2023.

Key performance indicators	**Definition**	**Business performance**	
		FY2023	FY2022
Revenue growth	Rental revenue in current year vs the previous year	**0.3%**	(7.9%)
Occupancy rate	Percentage of total lettable area leased/total lettable area at year-end	**84.6%**	89.7%
Operating cost ratio	(Staff costs plus other operating expenses) divided by revenue	**33.2%**	73.6%

In 2023, 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. During FY2023, the tenants of the Group were mainly engaged in catering, beauty parlour and other retailing businesses.

Set out below is a table summarising the valuation of the investment properties portfolio of the Group in Hong Kong as at the end of FY2022 and FY2023 and revenue contribution of the investment properties portfolio of the Group in Hong Kong in FY2023 as compared to that in FY2022.

	Valuation of investment properties as at 31 December		Decrease in fair value of investment properties	Revenue for		Increase/ (decrease) in revenue
	2023	2022		**FY2023**	FY2022	
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***	*HK$'000*	%
Causeway Bay						
Jardine Center, No. 50 Jardine's Bazaar[1]	**1,372,000**	1,410,000	**(38,000)**	**27,144**	28,393	(4.4)
Ground Floor and Cockloft Floor, No. 38 Jardine's Bazaar[2]	**81,500**	85,000	**(3,500)**	**1,023**	–	100.0
First Floor, Nos. 38 and 40 Jardine's Bazaar[2]	**12,100**	12,500	**(400)**	**502**	424	18.4
Ground Floor including Cockloft, No. 41 Jardine's Bazaar[2]	**110,000**	114,000	**(4,000)**	**1,998**	1,899	5.2
Ground Floor, No. 57 Jardine's Bazaar[2]	**108,000**	112,000	**(4,000)**	**2,061**	1,941	6.2
Mid-Levels						
Shop No. 1 on Ground Floor of K.K. Mansion, Nos. 119, 121 & 125 Caine Road[2]	**47,500**	48,000	**(500)**	**1,050**	1,021	2.8
Total	**1,731,100**	1,781,500	**(50,400)**	**33,778**	33,678	0.3

(1) Ginza-style building

(2) Street-shop

As at 31 December 2023, the investment properties of the Group were revalued at HK$1,731.1 million (31 December 2022: HK$1,781.5 million) by an independent professional valuer. During FY2023, the loss in fair value of investment properties of HK$50.4 million (FY2022: HK$45.8 million) was recognised in the consolidated statement of profit or loss and other comprehensive income. The loss in fair value of investment properties was mainly due to challenging macro environment.

The Jinhua Project

The Company is interested in 49% of the issued share capital of Yitai International (BVI) Holdings Limited ("**Yitai**"), together with its subsidiaries, (the "**Yitai Group**"), a company which holds 99% indirect equity interest in Jinhua Mingrui Real Estate Development Co., Ltd.* (金華銘瑞房地產開發有限公司) ("**Jinhua Mingrui**"). The Jinhua Project comprises a mixed-use residential and commercial complex in two phases with a total GFA of approximately 337,530 sq.m., including residential area of approximately 195,100 sq.m., commercial area of approximately 50,200 sq.m. and basement (inclusive of car parking spaces) of approximately 88,600 sq.m. Both phases of the Jinhua Project were completed in 2020.

On 10 January 2023, Ningbo Xinbu Metal Storage Equipment Co., Limited* (寧波信步金屬倉儲設備有限公司) made an application to wind-up Jinhua Mingrui. On 9 February 2023, Jinhua City Middle People's Court (金華市中級人民法院) announced the acceptance of the said application. On 16 February 2023, Zhejiang Province Jinhua City Jindong District People's Court (浙江省金華市金東區人民法院) appointed an administrator to Jinhua Mingrui.

The share of net loss of associates is restricted to the Group's entire interest in an associate. The carrying amount of the investment in Yitai was reduced to nil since the financial year ended 31 December 2019. Hence, the Group has no obligation to take up further losses.

OUTLOOK

Looking ahead, the difficult external environment will continue to put pressure on Hong Kong economy in 2024. Although clouded by uncertainties from continued geopolitical tensions, the situation may stabilize later in the year if advanced economies begin to cut interest rate. Meanwhile, visitor arrivals should increase further as handling capacity continues to recover, with additional boost from the Hong Kong Government's efforts to promote mega events. As the investment properties of the Group are mainly situated in the prime shopping district of Causeway Bay in Hong Kong, the Group believes it remains well-placed to capture potential growth opportunities during the recovery of Hong Kong's tourism and retail industry. The Group will continue to refine the diverse-trade tenants mix and to develop strong relationships with its tenants.

The Group remains cautious for our performance in 2024. The Group will continue to drive the performance of its core businesses at a steady pace and to improve the financing position and the financial condition of the Group.

FINANCIAL REVIEW

Revenue

For FY2023, the revenue of the Group amounted to approximately HK$33.8 million, representing an increase of approximately 0.3% from approximately HK$33.7 million in FY2022. The average rental reversion rate on renewals and new lettings was approximately similar to that in the last year.

Other income

Other income for FY2023 was approximately HK$3.3 million (FY2022: approximately HK$1.1 million), representing an increase of approximately HK$2.2 million as compared to FY2022. The increase was mainly due to (i) increase in bank interest income, (ii) forfeiture of rental deposits arising from termination of tenancy agreement and (iii) refund of Jardine Center building management fee during FY2023.

Staff costs

For FY2023, the Group's staff costs amounted to approximately HK$4.0 million, representing a decrease of approximately 23.1% from approximately HK$5.2 million recorded in FY2022. The decrease in staff costs was mainly due to departures of certain staff during FY2023.

Other operating expenses

Other operating expenses amounted to approximately HK$7.3 million for FY2023, representing a decrease of approximately 62.8% from approximately HK$19.6 million recorded in FY2022. In response to the economic situation, the Group adopted rigorous cost control measures and keep our operating costs down during FY2023. The composition of other operating expenses by nature mainly classified as follows:

	FY2023 ***HK$'000***	FY2022 *HK$'000*
Investment properties operating costs	**2,753**	1,992
Professional fees	**2,952**	3,640
General administrative costs	**1,401**	1,542
Exchange loss, net	**152**	12,443
Total	**7,258**	19,617

Investment properties operating costs mainly comprised of repair and maintenance costs, commission incurred for new lettings and statutory property-related costs. The increase of investment properties operating costs of approximately HK$0.8 million was primarily due to (i) decrease in rates concession and (ii) increase in building management fee arising from decrease in occupancy rate as compared to FY2022.

Professional fees decreased by approximately HK$0.6 million as compared to FY2022. The decrease was mainly attributable to the reduction of legal fees during FY2023.

Foreign exchange net loss reduced to HK$0.2 million for FY2023 as against loss of HK$12.4 million for FY2022.

Net loss in fair value of investment properties

As at 31 December 2023, the investment properties of the Group were revalued at HK$1,731.1 million (31 December 2022: HK$1,781.5 million) by an independent professional valuer. During FY2023, a fair value loss on investment properties of HK$50.4 million was recognised in the consolidated statement of profit or loss and other comprehensive income. The fair value loss on the investment properties was mainly due to the challenging macro environment.

Finance costs

For FY2023, finance costs of the Group amounted to approximately HK$43.4 million, representing an increase of approximately 96.4% from approximately HK$22.1 million recorded in FY2022. The increase was mainly due to significant increase in interest rate of bank borrowings as compared with FY2022.

Loss for the year attributable to the owners of the Company

Loss for the year attributable to the owners of the Company for FY2023 amounted to approximately HK$72.9 million (FY2022 (restated): loss of approximately HK$63.4 million). As a result of the reasons mention above, the loss for FY2023 was primarily due to loss in fair value of investment properties of approximately HK$50.4 million and finance costs of approximately HK$43.4 million incurred.

Liquidity and financial resources

The Group's business operations were generally funded by its internal resources and bank and other borrowings. Pursuant to a loan agreement entered into between China Cinda (HK) Asset Management Co., Limited ("**China Cinda (HK)**"), a controlling shareholder of the Company and the Company on 28 December 2023, China Cinda (HK) has agreed to grant an unsecured loan facility to the Company in the principal amount of up to HK$130 million at simple interest rate of 12% per annum to 31 December 2024 which is renewable up to 31 December 2025. As at 31 December 2023, China Cinda (HK) granted the Company a loan of HK$100 million, with an simple interest rate of 12% per annum to 31 December 2024.

As at 31 December 2023, the Group's outstanding bank and other borrowings amounted to approximately HK$870.9 million (31 December 2022: approximately HK$790.5 million), of which all outstanding secured bank and other borrowings are repayable within one year as of 31 December 2023. The increase in bank and other borrowings during FY2023 was mainly attributable to provision of loan from a controlling shareholder of the Company of HK$100 million, less repayment of bank borrowings during FY2023.

As at 31 December 2023, the Group maintained cash and bank balances of approximately HK$123.0 million (31 December 2022: approximately HK$63.3 million). The increase in cash and bank balances was mainly attributable to provision of loan from a controlling shareholder of the Company of HK$100 million, less repayment of bank borrowings during FY2023.

The Group's gearing ratio as at 31 December 2023, which is calculated on the basis of total liabilities over total assets, was approximately 48.7% (31 December 2022: approximately 44.6%). The current ratio of the Group, which is calculated by dividing current assets over current liabilities as at 31 December 2023, was approximately 0.14 (31 December 2022: approximately 0.08). The increase in current ratio as at 31 December 2023 as compared to 31 December 2022 was mainly due to the increase in cash and bank balances of the Group.

As at 31 December 2023, the Group recorded net current liabilities of approximately HK$760.6 million (31 December 2022: approximately HK$738.2 million). The net current liabilities were mainly due to maturity of the Group's bank and other 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 are of the view that, the Group has sufficient working capital to meet its financial obligations as and when they fall due within one year.

Capital Structure

As at 31 December 2023, the issued share capital of the Company was 1,125,027,072 shares. During the Reporting Period, there was no movement of the issued share capital of the Company.

As at 31 December 2023, the net assets of the Group amounted to approximately HK$953.5 million, representing a decrease of approximately 7.1% from the net assets of approximately HK$1,026.3 million (restated) as at 31 December 2022. With the total number of 1,125,027,072 ordinary shares in issue as at 31 December 2023, the net assets value per share was approximately HK$0.85 (31 December 2022 (restated): approximately HK$0.91).

Treasury Policy

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

DIVIDEND

The Directors do not recommend any dividend for FY2023 (FY2022: Nil).

CONTINUING DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

Breach of financial covenant of HSB loans

On 20 March 2018, Top Bright Properties Limited ("**Top Bright**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Hang Seng Bank Limited ("**HSB**") for a term loan facility in the principal amount of HK$570 million. On 15 June 2018, Top Bright entered into a supplemental agreement with HSB for a term loan facility in the principal amount of HK$212 million.

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

On 5 February 2021, Pioneer Delight, Smart Land and Top Bright (the "**Borrowers**", and each a "**Borrower**"), each received a letter from HSB (through its solicitors) (the "**Letter**") noted that the respective Borrower was in breach of the financial covenant whereby the consolidated tangible net worth of the Company (as their respective guarantor) was less than the requisite minimum of HK$2,000,000,000 (the "**Breach**"). As stated in the Letter to the respective Borrower, HSB may waive the Breach if the relevant Borrower could satisfy certain waiver conditions (the "**Waiver Conditions**"), including to make a partial repayment of not less than HK$164.0 million to HSB (the "**Partial Repayment**"), and provide HSB with satisfactory evidence as HSB may require within one month from the date of the Letter.

On 18 March 2021, the Borrowers have respectively received replies from HSB (through is solicitors) on their respective requests to waive the Breach. HSB informed the Borrowers that subject to, among other things, the Borrowers (i) satisfying the Waiver Conditions; and (ii) providing HSB with satisfactory evidence on or before 30 June 2021, HSB is minded to waive the Breach.

On 23 August 2021, the Borrowers have respectively received replies from HSB (through its solicitors) on their respective request to extend the deadline for making the Partial Repayment to HSB. HSB informed the Borrowers that an extension was granted to the Borrowers until 30 September 2021 for making the Partial Repayment.

On 4 October 2021, the Borrowers respectively received replies from HSB (through is solicitors) that (i) given the Borrowers did not make any repayment of the Partial Repayment on or before 30 September 2021 as per the extension given pursuant to their letters dated 23 August 2021, the failure of making such repayment was considered an event of default under the respective facility letter and the facility agreement; and (ii) HSB made the final demand for repayment in writing, and the Partial Repayment must be repaid immediately and in any event by 8 October 2021, failing of which HSB will take appropriate actions, including but not limited to enforcing the securities maintained by HSB and commencing legal proceedings against the Borrowers.

On 8 October 2021, the Borrowers respectively received further replies from HSB (through its solicitors) that (i) the Partial Repayment that the Borrowers are to be repaid will reduce from HK$164.0 million to HK$100.0 million (the "**Reduced Partial Repayment**"); (ii) the Reduced Partial Repayment must be repaid by 29 October 2021; and (iii) the Borrowers shall bear the legal fees incurred by HSB in connection with the recovery of outstanding loans owed by the Borrowers.

On 29 October 2021, the Borrowers have received further letters from HSB (through its solicitors) that HSB is minded to waive the Breach, subject to the following waiver conditions (the "**New Waiver Conditions**"):

(i) any of the Borrowers to make the Reduced Partial Repayment to HSB by 29 October 2021;

(ii) any of the Borrowers to make the payment of legal fees in the amount of HK$50,000 to HSB for dealing with the Breach and their waiver applications;

(iii) written acknowledgements of the waiver of the Breach by HSB under the letter (including the New Waiver Conditions) shall be signed respectively by, among others, the Borrowers and the Company (as the guarantor under the Facility Letter and Facility Agreement) (the "**Written Acknowledgments**"); and

(iv) notwithstanding the Breach and the waiver by HSB, the terms of the Facility Letter, the Facility Agreement, the finance documents and the security documents (including the guarantee and security provided therein) shall remain in full force and effect. The waiver is without prejudice to and shall not affect other rights and benefits which HSB may have under the Facility Letter, the Facility Agreement, the finance documents and the security documents. Nothing in the letter shall be deemed to be a waiver by HSB of, or consent by HSB to, any breach or potential breach (present or future) of any provision of the Facility Letter, the Facility Agreement, the finance documents and the security documents, except the specific waiver expressly given in the letter.

On 29 October 2021, in accordance with the terms of the New Waiver Conditions set out in the letters from HSB (through its solicitors) to the respective Borrowers, the Borrowers have (i) repaid the Reduced Partial Repayment of HK$100.0 million; (ii) paid the legal fees incurred by HSB in connection with the recovery of the outstanding loans owed by the Borrowers of HK$50,000; and (iii) returned the signed Written Acknowledgements respectively dated 29 October 2021.

On 15 August 2022, HSB approved the application by the Borrowers under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK$78.4 million from 15 August 2022 to 15 February 2023 by satisfying the following conditions:

1. Make partial principal repayment of HK$35 million on 15 August 2022;

2. For loan principal amount of approximately HK$78.4 million, the Borrowers are obliged to pay monthly loan interests for the period from 15 August 2022 to 15 February 2023; and

3. For remaining HSB bank borrowings in aggregate principal amount of approximately HK$722.0 million, the Borrowers are obliged to make monthly repayment of loan principal and loan interests as scheduled.

The Borrowers have performed in accordance with the above conditions.

On 8 March 2023, HSB approved the application by the Borrowers under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK$78.4 million from 15 February 2023 to 15 August 2023 by satisfying the following conditions:

(a) Make partial principal repayment of HK$2.0 million on or before 13 March 2023; and

(b) From 15 February 2023 to 15 August 2023, the Borrowers are obliged to pay loan interests charged on the remaining loan principal amount.

The Borrowers have performed in accordance with the above conditions.

On 21 March 2023, HSB approved the application by Top Bright under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK$468.8 million from 23 March 2023 to 23 September 2023 by satisfying the following conditions:

(a) Make partial principal repayment of HK$5.5 million on or before 31 March 2023; and

(b) From 23 March 2023 to 23 September 2023, Top Bright is obliged to pay loan interests charged on the remaining loan principal amount.

Top Bright has performed in accordance with the above conditions.

On 26 June 2023, HSB approved the application by the Borrowers under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK$236.0 million from 27 June 2023 to 27 December 2023 by satisfying the following conditions:

(a) Make partial principal repayment of HK$3.0 million on or before 7 July 2023; and

(b) From 27 June 2023 to 27 December 2023, the Borrowers are obliged to pay loan interests charged on the remaining loan principal amount.

The Borrowers have performed in accordance with the above conditions.

On 11 August 2023, HSB approved the application by the Borrowers under Pre-approved Principal Payment Holiday Scheme proposed by the Hong Kong Monetary Authority, for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of HK$71.0 million from 15 August 2023 to 31 October 2023 by satisfying the following conditions:

(a) Make partial principal repayment of HK$2.0 million on or before 8 September 2023; and

(b) From 16 August 2023 to 31 October 2023, the Borrowers are obliged to pay loan interests charged on the remaining loan principal amount.

The Borrowers have performed in accordance with the above conditions.

On 31 October 2023, HSB approved the application by the Borrowers for which HSB allowed the extension of maturity date of bank borrowings in aggregate principal amount of approximately HK$770.8 million to 31 December 2024 by satisfying the following conditions:

(a) Make principal repayment in aggregate of HK$100.0 million on or before 29 December 2023; and

(b) From 31 October 2023 to 31 December 2024, the Borrowers are obliged to pay loan interests charged on the remaining loan principal amount.

The Borrowers have performed in accordance with the above conditions.

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 2023 Interim Report for further details, including the waiver conditions from HSB.

Please also refer to the announcements of the Company dated 12 June 2020 and 29 December 2020 for the waiver of the event of default obtained from HSB in relation to the loan-to-value ratio under the HSB loan facilities.

CORPORATE GUARANTEES

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

CHARGES ON GROUP ASSETS

As at 31 December 2023, the Group has pledged the following assets:

a) Investment properties in Hong Kong with an aggregate carrying amount of HK$1,731.1 million for securing the Group's bank borrowings;

b) Share mortgage of certain subsidiaries for securing their respective bank borrowings; and

c) Rent assignments in respect of the investment properties held by the Group.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no significant contingent labilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 5 employees (31 December 2022: 8 employees). The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job responsibilities. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus and mandatory provident fund schemes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

EVENTS AFTER THE REPORTING PERIOD

On 2 January 2024, the Borrowers made principal repayment to HSB in aggregate of HK$100.0 million.

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 C1 to the Listing Rules from time to time as the guidelines for corporate governance of the Company and has complied with the CG Code throughout the Reporting Period.

DIRECTORS' SECURITIES TRANSACTIONS COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules ("**Model Code**") as its own code of conduct regarding Directors' securities transactions. Following specific enquiry by the Company, all of the Directors have confirmed that they have fully complied with the Model Code for the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises two independent non-executive Directors, namely, Mr. Yip Tai Him (chairman of the Audit Committee) and Mr. Liu Xin, and one non-executive Director, Ms. Yu Dan. The Audit Committee has reviewed and discussed with management the accounting standards and practices adopted by the Group, risk and internal controls and financial reporting matters and has reviewed the consolidated financial informations for FY2023 as set out in this announcement.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial informations for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Company at *www.zhongchangintl.hk* and the website of the Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The annual report will be despatched to the shareholders of the Company upon their request and will be available on the above websites in due course.

APPRECIATION

Finally, we would like to take this opportunity to thank the Group's shareholders and business partners for their support and encouragement to the Group during the past year. We would also like to thank our Directors and all staff member of the Group for their hard work and contribution to the Group.

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

Hong Kong, 25 March 2024

As at the date of this announcement, the Board comprises Mr. Chen Zhiwei (Chairman), Ms. Ku Ka Lee and Mr. Tang Lunfei as executive directors; Dr. Huang Qiang, Mr. Wong Chi Keung, Kenjie and Ms. Yu Dan as non-executive directors; and Mr. Liew Fui Kiang, Mr. Liu Xin and Mr. Yip Tai Him as independent non-executive directors.

* *For identification purpose only*