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珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

珠光控股集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1176)

2022 INTERIM RESULTS

The board (“Board”) of directors (“Directors”) of Zhuguang Holdings Group Company Limited (“Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (“Period Under Review”) together with the comparative figures for the corresponding period in 2021 as follows:

FINANCIAL HIGHLIGHTS

RESULTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue by operating segment:		
— Property development	322,912	535,117
— Project management services	923,673	954,462
— Property investment	90,033	99,596
Fair value loss on investment properties, net	(130,084)	(54,331)
(Loss)/profit for the period	(450,454)	271,917
(Loss)/profit for the period attributable to ordinary equity holders of the parent	<u>(453,220)</u>	<u>278,228</u>
	At	At
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Total assets	40,558,538	42,897,797
Total liabilities	32,033,133	33,821,494
Total equity	<u>8,525,405</u>	<u>9,076,303</u>

* Chinese name is translated for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

The global economy remained unstable and challenging in the first half of 2022. Notwithstanding that the control of the Coronavirus Disease 2019 has attained a certain degree of success on a global scale, the situation of the pandemic outbreak still remained volatile. The rise of global inflation, the raise of the interest rates earlier and quicker than expected, the gradual phase out of the quantitative easing policy, as well as the impact of the pandemic on the global supply chain have brought uncertainties to global economic growth and the global financial markets.

During the Period Under Review, the property market in the People's Republic of China ("PRC") remained weak. However, the number of messages conveyed by the government on the maintenance of the stability of the real estate market continued to increase, including those regarding the support of the commercial housing market to better meet the reasonable housing demands of buyers, so as to stabilise land prices, property prices and expectations, as well as those relating to the implementation of measures according to local conditions, to promote a virtuous cycle and healthy development in the property market. The Group will adhere to the position of the government that housing is for accommodation, not for speculative trading, support the local governments in improving their property policies according to the relevant actual circumstances, strive to meet the rigid and improved demands for housing, and promote the steady and sound development of the real estate market in China.

The urban renewal group of the Company will continue its professionalism as an urban renewal specialist to implement the Group's urban renewal projects in Guangzhou, secure the Group's source of land supply and strengthen the characteristics and competitive edge of the Group for its future development. The Group will also accelerate its efforts in cooperation with its strategic partners in various aspects to strengthen and consolidate its position as an urban renewal specialist.

The Group will focus on its strategy of "Optimising the structure, Enhancing capabilities and Improving quality" and strive to overcome the challenges arising from the major adjustments in China's property market.

Property Development and Sales

During the Period Under Review, the Group continued its focus on the first-tier and key second-tier cities in the PRC with potential growth in demand for properties. The Group has achieved contracted sales of approximately HK\$788,939,000 and contracted gross floor area (“GFA”) sold of approximately 25,058 square meters (“sqm”) during the Period Under Review, representing decreases of approximately 45.9% and 45.2%, respectively, compared with those in the corresponding period in 2021. The details of the property sales contracted and the contracted GFA sold during the Period Under Review are set out below:

Projects	Contracted sales <i>(HK\$'000)</i>	Contracted GFA sold <i>(sqm)</i>
Zhuguang Financial Town One	508,141	7,589
Hua Cheng Yujing Garden	82,048	424
Pearl Xincheng Yujing (“Xincheng Yujing”)	67,408	6,809
Yujing Yayuan	52,246	3,779
Zhuguang Yujing Scenic Garden (“Yujing Scenic Garden”)	25,059	1,366
Pearl Tianhu Yujing Garden (“Tianhu Yujing”)	7,553	853
Central Park	7,020	79
Pearl Yunling Lake	2,707	209
Pearl Yijing	624	549
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	752,806	21,657
Car parks	36,133	3,401
	<hr/>	<hr/>
	788,939	25,058
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As at 30 June 2022, the Group owned the following property development projects, the details of which are as follows:

Zhuguang Financial Town One — 100% interest

“Zhuguang Financial Town One” is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, which is near the 三溪 (Sanxi*) Station of Guangzhou Metro Line No. 5 and within the scope of the planned 廣州國際金融城 (Guangzhou International Financial Town*) in the Tianhe District. The total site area of this project is approximately 63,637 sqm, which is being developed into office buildings, high-end apartment buildings, shopping malls and a commercial complex including underground car parks over four phases. The total GFA for sale of this project is approximately 391,245 sqm. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 2,034 sqm. During the Period Under Review, contracted sales of approximately HK\$508,141,000 with GFA of approximately 7,589 sqm were recorded with respect to “Zhuguang Financial Town One”.

Hua Cheng Yujing Garden — 100% interest

“Hua Cheng Yujing Garden” was acquired by the Group in 2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm. The total GFA available for sale of this project which belongs to the Group is approximately 108,675 sqm. Out of the GFA of approximately 108,675 sqm, a GFA of approximately 48,043 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 60,632 sqm is attributable to a commercial complex which comprises car parks, shopping malls and office premises. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 87,157 sqm. During the Period Under Review, contracted sales of approximately HK\$82,048,000 with GFA of approximately 424 sqm were recorded with respect to “Hua Cheng Yujing Garden”.

Xincheng Yujing — 100% interest

“Xincheng Yujing” was acquired by the Group in September 2016. It is located at 種王上圍 (Zhong Su Shang Wei*), 陽光村 (Sunshine Village*), 湯南鎮 (Tang Nan Town*), 豐順縣 (Fengshun County*), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for its hot spring resources which is a major tourism attraction. The project has a site area of approximately 280,836 sqm and a total GFA for sale of approximately 310,486 sqm. The project is being developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project is divided into three phases. Phase I commenced pre-sale during 2017 with delivery commencing in 2018. Phase II commenced pre-sale in 2017 which was completed with delivery commencing in 2019. Phase III also commenced delivery during 2020. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 168,527 sqm. The Group has designated GFA of approximately 10,660 sqm of this property as investment properties held for long-term investment purpose. During the Period Under Review, contracted sales of approximately HK\$67,408,000 with GFA of approximately 6,809 sqm were recorded with respect to “Xincheng Yujing”.

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Yujing Yayuan — 50% interest

“Yujing Yayuan” is located at Guoji, Fuyong, Nanqu, Zhongshan City, Guangdong Province, the PRC. The site area and the total GFA available for development of this project are approximately 15,745 sqm and approximately 38,005 sqm, respectively. The development of this project into five blocks of modern residential buildings, a street-level commercial podium and an underground car park was completed in 2020. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 18,556 sqm. During the Period Under Review, contracted sales of approximately HK\$52,246,000 with GFA of approximately 3,779 sqm were recorded with respect to “Yujing Yayuan”.

Yujing Scenic Garden — 100% interest

“Yujing Scenic Garden” is located at Provincial Highway G105 (“Highway G105”) line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou City, Guangdong Province, the PRC, which is well connected via a number of highways to and from Guangzhou City. “Yujing Scenic Garden” is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which is a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 758,519 sqm, which comprises four phases of development. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 705,828 sqm. Apart from the properties developed for sale under Phases I to IV, “Yujing Scenic Garden” also comprises properties with a total GFA of approximately 3,652 sqm, which are held by the Group for investment purposes.

Properties with a total GFA of approximately 2,761 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$25,059,000 with GFA of approximately 1,366 sqm were recorded with respect to “Yujing Scenic Garden”.

Tianhu Yujing — 100% interest

“Tianhu Yujing” is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 55,031 sqm. The land of this project is located adjacent to “Yujing Scenic Garden”, and the Group has developed this land together with “Yujing Scenic Garden” to expand the Group’s development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 186,895 sqm. The development is divided into two phases. The total GFA available for sale under Phase I and Phase II is approximately 97,183 sqm and 89,712 sqm respectively.

As at 30 June 2022, the aggregate GFA delivered under this project was approximately 138,415 sqm. During the Period Under Review, contracted sales of approximately HK\$7,553,000 with GFA of approximately 853 sqm were recorded with respect to “Tianhu Yujing”.

Central Park — 100% interest

“Central Park” is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 3,430 sqm, and a total GFA available for sale of approximately 28,909 sqm thereof has been developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. As at 30 June 2022, the aggregate GFA available for sale of the service apartments delivered was approximately 23,668 sqm. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties held for long-term investment purpose. During the Period Under Review, contracted sales of approximately HK\$7,020,000 with GFA of approximately 79 sqm were recorded with respect to “Central Park”.

Pearl Yunling Lake — 100% interest

“Pearl Yunling Lake” is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou City, Guangdong Province, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou City. The project site area is approximately 200,083 sqm and the total GFA available for sale is approximately 110,417 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 42,884 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,773 sqm. Phase I with a total GFA available for sale of approximately 39,046 sqm and Phase II with a total GFA available for sale of approximately 29,040 sqm were launched for sale in the first and third quarters of 2017 respectively, whilst the hotel with a GFA of approximately 42,331 sqm has been retained as a long-term asset of the Group.

As at 30 June 2022, the aggregate GFA delivered under this project was approximately 39,525 sqm. During the Period Under Review, contracted sales of approximately HK\$2,707,000 with GFA of approximately 209 sqm were recorded with respect to “Pearl Yunling Lake”.

Pearl Yijing — 100% interest

“Pearl Yijing” is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 45,310 sqm and a total GFA available for sale of approximately 164,603 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 30 June 2022, the aggregate GFA available for sale delivered under this project was approximately 147,499 sqm. During the Period Under Review, contracted sales of approximately HK\$624,000 with GFA of approximately 549 sqm were recorded with respect to “Pearl Yijing”.

Project Tian Ying — 100% interest

“Project Tian Ying” is located in Jiang Pu Street, Conghua, Guangzhou City, Guangdong Province, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project, which was to be developed into a stylish low-density residential complex with a commercial podium and certain public facilities, was completed in 2019. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 51,085 sqm.

Meizhou Chaotang Project — 100% interest

“Meizhou Chaotang Project” is located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC. The site area and the GFA available for development under Phase I of the project are approximately 46,793 sqm and approximately 55,248 sqm, respectively. Phase I of the project will be developed into a number of different types of villas in addition to a hotel. The Group has designated the hotel with a GFA of approximately 7,389 sqm as an investment property held for long-term investment purpose.

Zhukong International — 80% interest

“Zhukong International”, which is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, at the junction of 廣州大道 (Guangzhou Avenue*) and 黃埔大道 (Huang Pu Da Dao*), is a 35-storey high-rise commercial complex, including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The complex was completed in 2015 with a site area of approximately 10,449 sqm and a total GFA available for sale (including carpark areas) and leasing of approximately 109,824 sqm. As at 30 June 2022, the aggregate GFA of the office building and carparks sold was approximately 43,824 sqm, and GFA of approximately 3,345 sqm of this property was still available for sale or leasing. The Group has designated GFA of approximately 62,655 sqm of this property as investment properties held for long-term investment purpose.

Land Bank

It is the Group’s strategy to maintain a sufficient land bank and design accurate urban layout to support the Group’s own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. As at 30 June 2022, the Group had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 893,536 sqm in aggregate. The Group will continue to explore new opportunities for investment and development in cities in the PRC in which the Group already has land investments, as well as other cities in the PRC with growth potential and the best investment value.

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Project Management Services

The Group has been using its expertise in project management and urban renewal to provide project management services for property development projects and urban redevelopment projects in the PRC, particularly under the “Three Old” Redevelopment Works regime (「三舊」改造工作) initiated by the Guangzhou Municipal Government, being a regime for the redevelopment of rural land collectively owned by the village residents through a rural collective economic organisation (農村集體經濟聯合社). Projects under the “Three Old” Redevelopment Works regime are subject to specific PRC laws, regulations and policies which, among other things, (1) regulate the various models of property redevelopment for these projects (each a “Redevelopment Model”); and (2) restrict the transfer of ownership of the land use rights in the rural land for redevelopment under these projects.

Under this operating model, the Group has been providing project management services to each of its customers who have entered into cooperation agreements with various rural collective economic organisations for the redevelopment of rural land under the “Three Old” Redevelopment Works regime. Pursuant to each of these cooperation agreements, the relevant rural collective economic organisation has agreed to provide the rural land for redevelopment under the project (“Project Land”), and the relevant customer has obtained the contractual right and responsibility (including the funding responsibility) and management rights to carry out the redevelopment of the project. Pursuant to the “Three Old” Redevelopment Works regime, the Group’s customer may, as the contract redeveloper, acquire the land use rights of the relevant Project Land either by way of contract or through a public listing-for-sale process depending on the Redevelopment Model adopted by the relevant rural collective economic organisation.

The Group is not a party to the cooperation agreements with the rural collective economic organisations. Instead, it has entered into project management agreements with each of its customers, pursuant to which the Group has obtained such management rights and undertaken the responsibility (including funding responsibility) to carry out the redevelopment of the project. In carrying out its business in the provision of such project management services for projects under the “Three Old” Redevelopment Works regime, the Group is responsible for preparing redevelopment and resettlement compensation plans, obtaining approvals from village residents with respect to such plans, assisting the rural collective economic organisations to manage land title issues, obtaining government approvals, certificates and permits to carry out the property development works (including development of resettlement properties), funding the operations and development of the project and other project management services. In return for the Group’s project management services and contribution:

- (a) if the subsidiary of the Group’s customer (“Project Company”) directly or indirectly acquires the land use rights in the Project Land and to the extent a transfer of the equity interest in the Project Company is permitted under the PRC laws, regulations and policies, the Group is entitled to (i) exercise its pre-emptive rights to acquire the equity interest in the Project Company or (ii) an income from the sale of the equity interest in the Project Land to a third party;

- (b) to the extent that the equity interest in the Project Company (which directly or indirectly holds the land use rights in the Project Land) is not capable of being transferred due to regulatory reasons or government policies, the Group is entitled to an income from the sale of saleable properties developed under the project; and
- (c) if the Project Company has not directly or indirectly acquired the land use rights in the Project Land, the Group is entitled to an amount equal to (i) the total amount of funds incurred and contributed by the Group under its contractual funding responsibility plus (ii) an income from a fixed rate of return at an agreed percentage of such funds, which represents the minimum consideration receivable by the Group as an assured return on investment for its provision of project management services.

The Group recorded project management services segment revenue of approximately HK\$923,673,000 during the Period Under Review, compared with that of approximately HK\$954,462,000 for the corresponding period in 2021. The decrease in the revenue generated from this business segment was mainly attributable to the decrease in the number of project management agreements entered into by the Group during the Period Under Review. The Group will continue to utilise its expertise in project management and urban renewal to further develop its project management services business to broaden its source of income.

Property Investments

As at 30 June 2022, the Group owned (1) certain floors of Royal Mediterranean Hotel (“RM Hotel”) located at 518 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with GFA of approximately 18,184 sqm (31 December 2021: 18,184 sqm); (2) “Zhukong International” with GFA of approximately 62,655 sqm (31 December 2021: 62,655 sqm); (3) certain floors of a commercial complex in “Hua Cheng Yujing Garden” with GFA of approximately 15,918 sqm (31 December 2021: 15,918 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC, with GFA of approximately 7,389 sqm (31 December 2021: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 19,058 sqm (31 December 2021: 19,058 sqm) as investment properties. During the Period Under Review, RM Hotel, “Zhukong International”, the hotel located in Meizhou City and certain commercial properties were partially leased out with total rental income of approximately HK\$90,033,000 generated, representing a decrease of approximately 9.6% as compared with that of approximately HK\$99,596,000 for the corresponding period in 2021. The existing investment properties held by the Group are intended to be held for medium-term to long-term investment purposes. The Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows to the Group in the future.

Outlook

It is expected that the real estate industry will still face great challenges in the second half of 2022. In China, while the development of the real estate industry will be based on the keynote of “stability”, the industry will still have great development potential given the advancement of China’s urbanisation. Various policies based on the local conditions have been implemented to relax housing credit conditions so as to meet the reasonable housing demands of home buyers. Notwithstanding that the Chinese government has put financial policies, regulatory policies, policies to relax property purchase restrictions and other policies from different aspects that are favourable to the property market in place, its position that housing is for accommodation, not for speculative trading is unwavering, and the property industry shall not be taken to stimulate the economy in the short-term. However, with the increase in urbanisation rate and improvement in people’s quality of life, demand for housing quality will continue to grow and properties will return to their commodity essence, which is to meet people’s living needs and improve their quality of life.

The Group will uphold its spirit of craftsmanship, focus on improving product quality, and proceed with details to build high-quality products with high added value, high profit and distinctive characteristics for the Group, and provide buyers with properties of quality investment value.

FINANCIAL REVIEW

Revenue

During the Period Under Review, the Group’s revenue by operating segment included revenue from property development, project management services and property investment. The total revenue of the Group for the Period Under Review was approximately HK\$1,336,618,000 (six months ended 30 June 2021: HK\$1,589,175,000), which represented a decrease of approximately 15.9% as compared with that for the corresponding period in 2021.

Revenue from property development for the Period Under Review amounted to approximately HK\$322,912,000 (six months ended 30 June 2021: HK\$535,117,000). The decrease was mainly due to the decrease in the number of properties delivered during the Period Under Review as compared with that during the corresponding period in 2021.

The income from the project management services segment contributed approximately HK\$923,673,000 (six months ended 30 June 2021: HK\$954,462,000) to the total revenue of the Group for the Period Under Review. The decrease was mainly due to the decrease in the number of project management services agreements entered into by the Group during the Period Under Review.

The Group recorded a decrease of approximately 9.6% in rental income for the Period Under Review, as compared with that for the corresponding period in 2021. The rental income decreased from approximately HK\$99,596,000 for the six months ended 30 June 2021 to approximately HK\$90,033,000 for the Period Under Review, mainly due to the decrease in the GFA of the investment properties leased out by the Group during the Period Under Review.

Gross profit

Gross profit of the Group decreased from approximately HK\$1,164,631,000 for the six months ended 30 June 2021 to approximately HK\$1,070,626,000 for the Period Under Review, mainly due to the decrease in the Group's revenue during the Period Under Review.

Fair value loss on investment properties, net

For the Period Under Review, the Group recorded a fair value loss on investment properties, net, of approximately HK\$130,084,000 as compared with that of approximately HK\$54,331,000 for the corresponding period in 2021. The fair value loss on investment properties, net, recorded for the Period Under Review was mainly due to the decrease in the fair value of “Zhukong International”, “RM Hotel” and certain commercial properties held by the Group in the Guangdong Province, the PRC, as at 30 June 2022.

Other income and gains

Other income and gains of the Group decreased to approximately HK\$178,909,000 for the Period Under Review (six months ended 30 June 2021: HK\$546,293,000). The decrease was primarily due to (1) the foreign exchange gain of approximately HK\$153,839,000 recorded by the Group for the six months ended 30 June 2021 as a result of the appreciation of the Renminbi (“RMB”) against the Hong Kong dollar, while the Group recorded a foreign exchange loss of approximately HK\$638,099,000 for the Period Under Review, which has been accounted for as “other expenses” in the condensed consolidated statement of profit or loss presented herein; and (2) the provisional gain on bargain purchase of approximately HK\$257,505,000 recorded by the Group for the six months ended 30 June 2021, which arose from the acquisition by the Group of the remaining 49% of the equity interests of 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*) (“Guangzhou Project Company”), a subsidiary of the Company, which was absent in the Period Under Review.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group decreased from approximately HK\$240,438,000 for the six months ended 30 June 2021 to approximately HK\$233,919,000 for the Period Under Review. The decrease was mainly due to the decrease in the administrative expenses primarily caused by the decrease in the staff cost incurred for the Period Under Review, as compared with those for the corresponding period in 2021.

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Other expenses

Other expenses of the Group increased from approximately HK\$377,651,000 for the six months ended 30 June 2021 to approximately HK\$668,516,000 for the Period Under Review. The increase was mainly attributable to the net effect of (1) the record of a foreign exchange loss of approximately HK\$638,099,000 for the Period Under Review, while the Group recorded a foreign exchange gain of approximately HK\$153,839,000 for the six months ended 30 June 2021, which has been accounted for as “other income and gains” in the condensed consolidated statement of profit or loss presented herein; (2) the recognition of a provisional loss on re-measurement of pre-existing interest in a joint venture of approximately HK\$250,286,000 by the Group for the six months ended 30 June 2021 in association with the Group’s 51% of the equity interests of Guangzhou Project Company, in accordance with the applicable accounting policy, which was absent in the Period Under Review; and (3) the net fair value loss on derivative financial instruments of approximately HK\$119,336,000 recorded by the Group during the six months ended 30 June 2021, following the fair value assessment of the warrants issued by the Company in 2019 (“2019 Warrants”) which remained outstanding as at 30 June 2021, as compared with the net fair value gain on derivative financial instruments of approximately HK\$116,265,000 recorded by the Group for the six months ended 30 June 2022.

Changes in fair value of financial assets at fair value through profit or loss

Changes in fair value of financial assets at fair value through profit or loss of the Group decreased from approximately HK\$210,942,000 for the six months ended 30 June 2021 to approximately HK\$193,866,000 for the Period Under Review. The decrease was mainly due to the decrease in the fair value of a project management services agreement, under which the Group agreed to provide project management services in relation to a property development project to its customers.

Share of loss of an associate

Share of loss of an associate of the Company was approximately HK\$43,261,000 during the Period Under Review (six months ended 30 June 2021: HK\$74,294,000), which represented the Company’s share of the loss from its associate, Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) (“Silver Grant”), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) with stock code: 0171. Silver Grant and its subsidiaries are principally engaged in property leasing and investments. The Group held approximately 29.56% interest of the issued share capital of Silver Grant as at 30 June 2022.

Finance costs, net

Finance costs, net, of the Group for the Period Under Review were approximately HK\$700,200,000 (six months ended 30 June 2021: HK\$799,994,000), which were made up of interest expenses incurred by the Group during the Period Under Review after deduction of the interest expenses capitalised into development costs. The decrease in finance costs, net, was mainly due to the decrease in the interest-bearing bank and other borrowings of the Group during the Period Under Review, as compared with those for the corresponding period in 2021.

Income tax expense

Income tax expense of the Group comprised corporate income tax (“CIT”) and land appreciation tax (“LAT”) in the PRC and deferred tax. CIT of approximately HK\$83,293,000 (six months ended 30 June 2021: HK\$109,073,000), LAT of approximately HK\$24,386,000 (six months ended 30 June 2021: HK\$41,045,000) and deferred tax credit of approximately HK\$98,709,000 (six months ended 30 June 2021: deferred tax expense of HK\$6,032,000) accounted for the Group’s total income tax expense of approximately HK\$8,970,000 for the Period Under Review (six months ended 30 June 2021: HK\$156,150,000). The decrease in total income tax expense for the Period Under Review was mainly due to the decrease in the income generated by the Group during the Period Under Review which was subject to income tax, as compared with that in the corresponding period in 2021.

Loss for the period

The Group’s loss for the Period Under Review was approximately HK\$450,454,000 (six months ended 30 June 2021: profit of HK\$271,917,000). Such change was mainly attributable to (1) the decrease in the Group’s revenue from property development from that of approximately HK\$535,117,000 during the six months ended 30 June 2021 to approximately HK\$322,912,000 during the Period Under Review, due to the decrease in the number of properties delivered by the Group in the Period Under Review; (2) the record of a foreign exchange loss by the Group of approximately HK\$638,099,000 for the Period Under Review as a result of the depreciation of the RMB against the HK\$, as compared with the foreign exchange gain of approximately HK\$153,839,000 recorded for the corresponding period in 2021; and (3) the recognition of an impairment loss on financial assets, net, by the Group of approximately HK\$108,919,000 for the Period Under Review, as opposed to the reversal of impairment loss on financial assets, net, of approximately HK\$58,917,000 recognised for the corresponding period in 2021, following the assessment of expected credit losses on the Group’s financial assets during the Period Under Review as compared with that during the corresponding period in 2021.

Treasury and funding policies

The Group has adopted a prudent approach with respect to its treasury and funding policies. The Group's financial and fundraising activities are subject to effective centralised management and supervision, with an emphasis on risk management and transactions that are directly related to the business of the Group. There is in general no material seasonality in relation to the borrowing requirements of the Group.

Cash position

As at 30 June 2022, the Group's cash and bank balances (including restricted cash and term deposits with initial terms over three months) amounted to approximately HK\$1,002,347,000 (31 December 2021: HK\$2,063,976,000). The cash and bank balances of the Group were mainly denominated in RMB, United States dollar ("US\$") and HK\$.

Borrowings, charges on group assets and gearing ratio

The Group's bank and other borrowings comprised the following:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Bank loans — secured	8,366,368	9,287,055
Senior notes — secured	1,887,753	1,841,783
Other borrowings — secured	7,643,806	8,020,308
Other borrowings — unsecured and guaranteed	35,000	40,000
Lease liabilities	3,160	6,850
	<u>17,936,087</u>	<u>19,195,996</u>

- (a) As at 30 June 2022, the Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans, a margin loan and term loan facilities; and (iv) lease liabilities. Out of these borrowings, approximately HK\$591,637,000 (31 December 2021: HK\$745,260,000), approximately HK\$15,007,861,000 (31 December 2021: HK\$16,113,464,000) and approximately HK\$2,336,589,000 (31 December 2021: HK\$2,337,272,000) were denominated in HK\$, RMB and US\$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 7.00% to 13.00% (31 December 2021: 7.76% to 12.40%). Approximately 21.98% (31 December 2021: 25.46%) of the bank loans carried fixed interest rates ranging from 0.95% to 11.50% (31 December 2021: 0.95% to 13%) while the remaining bank loans of approximately 78.02% (31 December 2021: 74.54%) carried floating interest rates.

- (b) The gearing ratio of the Group, being the Group's financial key performance indicator, is measured by the net debt (total interest-bearing borrowings net of cash and bank balances) over the total capital (total equity plus net debt) of the Group. As at 30 June 2022, the gearing ratio of the Group was 67% (31 December 2021: 65%).
- (c) As at 30 June 2022, the Group had outstanding secured bank loans of approximately HK\$8,366 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's property and equipment; (iii) the Group's properties under development and completed properties held for sale; (iv) the Group's term deposits; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), 廣州舜吉實業有限公司 (Guangzhou Shunji Industry Company Limited*), 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited*) and Guangzhou Project Company; (vi) the corporate guarantees executed by the Company and 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*) ("Guangdong Zhuguang Group"); and (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung and Mr. Liao Tengjia. The secured bank loans comprised (1) a bank loan in the principal amount of HK\$6.9 million due in July 2022; (2) a bank loan in the principal amount of RMB10 million due in August 2022; (3) bank loans in the aggregate principal amount of HK\$293.45 million due in August 2022; (4) a bank loan in the principal amount of RMB10 million due in September 2022; (5) a bank loan in the principal amount of RMB10 million due in November 2022; (6) a bank loan in the principal amount of RMB1 million due in November 2022; (7) a bank loan in the principal amount of RMB80 million due in March 2023; (8) bank loans in the aggregate principal amount of RMB40 million due in May 2023; (9) a bank loan in the principal amount of RMB2,500 million due in August 2023; (10) a bank loan in the principal amount of RMB5 million due in August 2023; (11) bank loans in the aggregate principal amount of US\$57.77 million due in August 2023; (12) a bank loan in the principal amount of RMB300 million due in July 2024; (13) a bank loan in the principal amount of RMB3,247.34 million repayable by instalments within 5 years with the last instalment due in December 2024; (14) a bank loan in the principal amount of RMB200 million due in February 2033; and (15) a bank loan in the principal amount of RMB2,500 million due in September 2035.

* English name is translated for identification purpose only

- (d) As at 30 June 2022, the Group had outstanding senior secured guaranteed notes issued in 2019 (“2019 Senior Notes”) in the aggregate principal amount of US\$242.85 million (equivalent to approximately HK\$1,888 million), due on 21 September 2022, which were secured and guaranteed by (i) 3,361,112,000 ordinary shares of the Company (“Shares”) owned by Rong De Investments Limited (融德投資有限公司) (“Rong De”) (a controlling shareholder (“Shareholder”) of the Company (within the meaning of the Rules (“Listing Rules”) Governing the Listing of Securities on the Stock Exchange)); (ii) the 100% equity interest of the Company’s subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) (“Ai De”), All Flourish Investments Limited (通興投資有限公司) (“All Flourish”), Capital Fame Investments Limited (嘉鋒投資有限公司) (“Capital Fame”), Cheng Chang Holdings Limited (誠昌控股有限公司) (“Cheng Chang”), East Orient Investment Limited (達東投資有限公司) (“East Orient”), Ever Crown Corporation Limited (冠恒興業有限公司) (“Ever Crown”), Fresh International Limited (豐順國際有限公司) (“Fresh International”), Fully Wise Investment Limited (惠豐投資有限公司) (“Fully Wise”), Pacific Win Investments Limited (保鋒投資有限公司) (“Pacific Win”), Polyhero International Limited (寶豪國際有限公司) (“Polyhero International”), Profaitth International Holdings Limited (盈信國際控股有限公司) (“Profaitth International”), Talent Wide Holdings Limited (智博控股有限公司) (“Talent Wide”), Top Asset Development Limited (通利發展有限公司) (“Top Asset”), Top Perfect Development Limited (泰恒發展有限公司) (“Top Perfect”), Vanco Investment Limited (雅豪投資有限公司) (“Vanco Investment”) and World Sharp Investments Limited (華聲投資有限公司) (“World Sharp”); (iii) the corporate guarantees executed by Rong De, Zhuguang Group Limited (珠光集團有限公司) (“Zhuguang Group”), South Trend Holdings Limited (南興控股有限公司) (“South Trend”), Ai De, All Flourish, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fresh International, Fully Wise, Pacific Win, Polyhero International, Profaitth International, Talent Wide, Top Asset, Top Perfect, Vanco Investment and World Sharp; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.
- (e) As at 30 June 2022, the Group had outstanding secured other borrowings of approximately HK\$7,644 million, which were secured and guaranteed by (i) the Group’s properties under development and completed properties held for sale; (ii) the Group’s property and equipment; (iii) the Group’s investment properties; (iv) the security provided by Guangdong Zhuguang Group; (v) the entire equity interest of the Company’s subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*), 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*) and 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*); (vi) the entire equity interest of a subsidiary of Guangdong Zhuguang Group; (vii) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (viii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi;

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(ix) 562,000,000 Shares owned by Rong De; and (x) 681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings comprised (1) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 5 years with the last instalment due in September 2022; (2) a margin loan in the principal amount of HK\$250 million due in October 2022; (3) a loan in the principal amount of RMB450 million due in November 2022; (4) loans in the aggregate principal amount of RMB2,400 million due in January 2023; (5) a loan in the principal amount of RMB750 million due in July 2023; (6) a loan in the principal amount of RMB180 million due in July 2023; (7) loans in the aggregate principal amount of RMB220 million due in December 2023; (8) a loan in the principal amount of RMB60 million due in March 2024; (9) loans in the aggregate principal amount of RMB1,778.72 million due in April 2024; (10) a loan in the principal amount of RMB100 million due in June 2024; (11) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; and (12) a loan in the principal amount of RMB636 million due in April 2026.

- (f) As at 30 June 2022, the Group had outstanding unsecured and guaranteed other borrowings of HK\$35 million, which were guaranteed by the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed other borrowings comprised a loan in the principal amount of HK\$35 million due in October 2022.

CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>2,998,422</u>	<u>4,886,244</u>

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

FOREIGN EXCHANGE RATE

During the Period Under Review, the Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK\$ and US\$. The conversion of RMB into HK\$, US\$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK\$, US\$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During the Period Under Review, the Group did not adopt any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had capital expenditures contracted but not provided for in its financial statements in respect of properties under development of approximately HK\$831,079,000 (31 December 2021: HK\$1,603,026,000) in aggregate. It is expected that these capital expenditures will be settled by cash through the Group's internal resources and debt financing raised by the Group. Other than the capital commitments as disclosed, the management of the Group does not expect there to be any plans for material capital expenditures or capital assets in the coming six months.

CAPITAL STRUCTURE

As at 30 June 2022, the number of issued ordinary shares of the Company was 7,225,632,753 shares (31 December 2021: 7,225,632,753 shares) in aggregate and the shareholders' equity of the Company was approximately HK\$8,395,473,000 (31 December 2021: HK\$8,934,685,000). The decrease in the shareholders' equity of the Company as at 30 June 2022 was mainly attributable to the loss attributable to the owners of the parent of approximately HK\$453,220,000 for the Period Under Review, as compared with the profit attributable to the owners of the parent of approximately HK\$278,228,000 for the corresponding period in 2021.

As at 30 June 2022, the capital structure of the Group consisted mainly of shareholders' equity, bank loans, senior notes and other borrowings.

As at 30 June 2022, the Company had warrants representing an aggregate amount of exercise moneys of US\$55,037,589 outstanding, all being the 2019 Warrants.

During the Period Under Review and up to the date of this announcement, no subscription notices have been received by the Company in respect of the exercise of the subscription rights attached to the 2019 Warrants.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 954 employees in Hong Kong and the PRC as at 30 June 2022 (31 December 2021: 927). During the Period Under Review, the level of the Group's overall staff cost was approximately HK\$120,512,000 (six months ended 30 June 2021: HK\$167,148,000). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group encourages sustainable training of its employees through coaching and further studies. In-house training was provided to eligible employees during the Period Under Review, including training on updates of accounting standards and training on market updates.

During the Period Under Review, the Group did not experience any significant problem with its employees or disruption to its operations due to labour discipline nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group has maintained a good relationship with its employees. Most members of the senior management have been working for the Group for many years.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
REVENUE	5	1,336,618	1,589,175
Cost of sales		<u>(265,992)</u>	<u>(424,544)</u>
Gross profit		1,070,626	1,164,631
Fair value loss on investment properties, net		(130,084)	(54,331)
Other income and gains	5	178,909	546,293
Selling and marketing expenses		(16,348)	(15,353)
Administrative expenses		(217,571)	(225,085)
Change in fair value of financial assets at fair value through profit or loss		193,866	210,942
(Impairment loss)/reversal of impairment loss on financial assets, net		(108,919)	58,917
Other expenses		(668,516)	(377,651)
Finance costs, net	6	(700,200)	(799,994)
Share of loss of an associate		(43,261)	(74,294)
Share of profit/(loss) of joint ventures		<u>14</u>	<u>(6,008)</u>
(LOSS)/PROFIT BEFORE TAX	7	(441,484)	428,067
Income tax expense	8	<u>(8,970)</u>	<u>(156,150)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(450,454)</u>	<u>271,917</u>
Attributable to:			
Owners of the parent		(453,220)	278,228
Non-controlling interests		<u>2,766</u>	<u>(6,311)</u>
		<u>(450,454)</u>	<u>271,917</u>
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	10	<u>(6.74)</u>	<u>3.53</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	(450,454)	271,917
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	101,378	(8,164)
Share of other comprehensive (loss)/income of an associate	(49,406)	7,987
	<hr/>	<hr/>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	51,972	(177)
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	51,972	(177)
	<hr/>	<hr/>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(398,482)	271,740
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Owners of the parent	(386,796)	277,213
Non-controlling interests	(11,686)	(5,473)
	<hr/>	<hr/>
	(398,482)	271,740
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property and equipment		733,612	784,618
Investment properties		4,212,161	4,537,957
Intangible assets		8,195	9,241
Investments in joint ventures		11,590	12,108
Investments in an associate		1,101,051	1,193,718
Trade receivables	<i>11</i>	2,073,309	2,037,831
Financial assets at fair value through profit or loss		13,880	43,872
Deferred tax assets		22,158	5,168
		8,175,956	8,624,513
Total non-current assets			
CURRENT ASSETS			
Properties under development		10,044,722	11,517,439
Completed properties held for sale		3,612,929	2,502,264
Trade receivables	<i>11</i>	13,765,875	13,608,061
Prepayments, other receivables and other assets		3,739,100	2,470,085
Prepaid income tax		183,698	201,105
Financial assets at fair value through profit or loss		33,911	1,910,354
Cash and bank balances	<i>12</i>	1,002,347	2,063,976
		32,382,582	34,273,284
Total current assets			
CURRENT LIABILITIES			
Contract liabilities		2,626,364	2,386,942
Trade and other payables	<i>13</i>	5,227,490	5,517,933
Interest-bearing bank and other borrowings		7,767,214	7,623,362
Income tax payables		3,587,147	3,668,060
Derivative financial instruments		6,293	121,781
		19,214,508	19,318,078
Total current liabilities			
NET CURRENT ASSETS		13,168,074	14,955,206
TOTAL ASSETS LESS CURRENT LIABILITIES		21,344,030	23,579,719

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Other payables	13	369,391	470,397
Interest-bearing bank and other borrowings		10,168,873	11,572,634
Deferred tax liabilities		2,280,361	2,460,385
		<hr/>	<hr/>
Total non-current liabilities		12,818,625	14,503,416
		<hr/>	<hr/>
Net assets		8,525,405	9,076,303
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		722,564	722,564
Perpetual capital securities		1,085,753	1,204,169
Reserves		6,587,156	7,007,952
		<hr/>	<hr/>
		8,395,473	8,934,685
		<hr/>	<hr/>
Non-controlling interests		129,932	141,618
		<hr/>	<hr/>
Total equity		8,525,405	9,076,303
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. CORPORATE AND GROUP INFORMATION

Zhuguang Holdings Group Company Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 9 December 1996.

During the period, the Company’s principal activity was investment holding and the Company and its subsidiaries (collectively the “Group”) were principally engaged in property development, property investment, property management and other property development related services in the mainland of the People’s Republic of China (the “PRC” or the “Mainland China”).

In the opinion of the Company’s directors (the “Directors”), the holding company and the ultimate holding company of the Company is Rong De Investment Limited (“Rong De”), which is incorporated in the British Virgin Islands.

2. BASIS OF PRESENTATION

As at 30 June 2022, notwithstanding that the Group reported net current assets of HK\$13,168 million, the Group’s outstanding interest-bearing bank and other borrowings amounted to HK\$7,767 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of HK\$2,489 million and onshore borrowings in Mainland China of HK\$5,278 million, while the Group’s cash and bank balances (excluding restricted cash) amounted to HK\$131 million of which the majority are kept by the Group’s subsidiaries in Mainland China. In addition to the bank and other borrowings due to be repaid within one year as mentioned above, the Group has capital commitments contracted but not provided for in the interim financial information of HK\$831 million. In consideration of the prevailing slow-down of the property market, coupled with the challenging market conditions for financing from the capital market, the Group may take a longer time than expected to realise cash from the sale of its properties and/or secure external financing to meet its loan repayment obligations.

In view of these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has carried out the following plans to address its financial needs in the coming 12 months:

- (a) during the prior year and current period, the Group has terminated certain urban redevelopment projects and a property management service contract. During the current period, HK\$972 million has been refunded. The related outstanding receivable as at 30 June 2022 amounted to HK\$1,666 million has been refunded as at the date of approval of the interim financial information and the remaining outstanding receivables amounted to HK\$1,252 million are scheduled to be repaid in 2022;
- (b) the Group is actively negotiating with the lenders of certain bank and other borrowings on the re-financing of the borrowings. In addition, the Group is actively negotiating with several financial institutions to obtain new financing at a reasonable cost;

2. BASIS OF PRESENTATION *(Continued)*

- (c) the Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables;
- (d) the Group will continue to take active measures to control its administrative costs and manage its capital expenditures; and
- (e) Rong De, the ultimate holding company, has issued a letter of financial support to the Company for a period of 12 months from the reporting period end date to enable the Group to meet its liabilities as and when they fall due and not to demand for repayments of any amounts due to Rong De until the Group is in the position to do so without impairing its financial position and to carry on business without a significant curtailment of operations.

The Directors have reviewed the Group's cash flow forecast covering a period of 12 months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe that it is appropriate to prepare the Group's interim financial information for the six months ended 30 June 2022 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon, inter alia, the following:

- (i) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties held for sale, to speed up the collection of outstanding sales proceeds and receivables, and to control costs and contain capital expenditure so as to generate adequate net cash inflows;
- (ii) the successful collection of receivables of urban redevelopment projects and property management services as scheduled; and
- (iii) the successful refinancing of existing borrowings and obtaining of additional new sources of financing as and when needed.

Should the Group be unable to achieve the above-mentioned plans and measures, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim financial information.

3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The interim financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the property development segment engages in the development and sale of properties and hotel operation;
- (b) the project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects; and
- (c) the property investment segment invests in properties for their rental income potential and/or for capital appreciation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that the change in fair value of derivative financial instruments, share of profit/loss of an associate, share of profit/loss of joint ventures, finance costs, net (other than interest on lease liabilities) and income tax expenses as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures and an associate, deferred tax assets, unlisted investments classified as financial assets at fair value through profit or loss and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings (other than lease liabilities), current income tax payables, deferred tax liabilities, derivative financial instruments and amounts due to the ultimate holding company as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2022

(Unaudited)	Property development <i>HK\$'000</i>	Project management services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue: (note 5)				
Sales to external customers	<u>322,912</u>	<u>923,673</u>	<u>90,033</u>	<u>1,336,618</u>
Segment results	<u>(200,637)</u>	<u>428,808</u>	<u>(34,404)</u>	193,767
<i>Reconciliation:</i>				
Fair value gain on derivative financial instruments				116,265
Share of loss of an associate				(43,261)
Share of profit of joint ventures				14
Finance costs, net (other than interest on lease liabilities)				(699,956)
Corporate and other unallocated expenses				<u>(8,313)</u>
Loss before tax				(441,484)
Income tax expense				<u>(8,970)</u>
Loss for the period				<u>(450,454)</u>

For the six months ended 30 June 2021

(Unaudited)	Property development <i>HK\$'000</i>	Project management services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue: (note 5)				
Sales to external customers	<u>535,117</u>	<u>954,462</u>	<u>99,596</u>	<u>1,589,175</u>
Segment results	<u>101,446</u>	<u>1,306,906</u>	<u>25,257</u>	1,433,609
<i>Reconciliation:</i>				
Fair value loss on derivative financial instruments				(119,336)
Share of loss of an associate				(74,294)
Share of loss of joint ventures				(6,008)
Finance costs, net (other than interest on lease liabilities)				(799,424)
Corporate and other unallocated expenses				<u>(6,480)</u>
Profit before tax				428,067
Income tax expense				<u>(156,150)</u>
Profit for the period				<u>271,917</u>

4. OPERATING SEGMENT INFORMATION (Continued)

30 June 2022

(Unaudited)

	Property development <i>HK\$'000</i>	Project management services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>17,076,719</u>	<u>16,919,646</u>	<u>4,377,236</u>	38,373,601
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>2,184,937</u>
Total assets				<u>40,558,538</u>
Segment liabilities	<u>7,713,599</u>	<u>—</u>	<u>143,415</u>	7,857,014
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>24,176,119</u>
Total liabilities				<u>32,033,133</u>

31 December 2021

(Audited)

	Property development <i>HK\$'000</i>	Project management services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>17,484,947</u>	<u>17,395,180</u>	<u>4,668,250</u>	39,548,377
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>3,349,420</u>
Total assets				<u>42,897,797</u>
Segment liabilities	<u>7,768,744</u>	<u>—</u>	<u>142,981</u>	7,911,725
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>25,909,769</u>
Total liabilities				<u>33,821,494</u>

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the Directors, the presentation of geographical information would provide no additional useful information to the users of this interim financial information.

Information about major customers

For the six months ended 30 June 2022, revenue of approximately HK\$923,673,000 (six months ended 30 June 2021: HK\$954,462,000) was derived from a single customer, which is a related party, and was attributable to the project management services segment.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of properties	322,912	535,117
<i>Revenue from other sources</i>		
Finance component of income from urban redevelopment projects	923,673	954,462
Rental income from investment property operating leases: — fixed lease payments	90,033	99,596
	<u>1,336,618</u>	<u>1,589,175</u>

An analysis of the Group's other income and gains is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	25,635	83,437
Management service income	27,731	38,464
Fair value gain on derivative financial instruments	116,265	—
Provisional gain on bargain purchase	—	257,505
Exchange gains	—	153,839
Others	9,278	13,048
	<u>178,909</u>	<u>546,293</u>

6. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank and other borrowings and senior notes	856,774	942,466
Interest expense arising from revenue contracts	17,678	15,135
Interest on lease liabilities	244	570
	<hr/>	<hr/>
Total interest expense	874,696	958,171
Less: interest capitalised	(174,496)	(158,177)
	<hr/>	<hr/>
	700,200	799,994

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Cost of properties sold	265,992	424,544
Depreciation of property and equipment	17,987	1,678
Depreciation of right-of-use assets	3,911	3,403
Amortisation	659	863
Fair value (gain)/loss on derivative financial instruments	(116,265)	119,336
Foreign exchange differences, net	638,099	(153,839)
Lease payments not included in the measurement of lease liabilities	5,774	640
Employee benefit expense (including directors' remuneration)	120,512	167,148
Impairment loss/(reversal of impairment loss) of financial assets, net	108,919	(58,917)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	21,851	1,886
Provisional loss on re-measurement of pre-existing interest in a joint venture	—	250,286
	<hr/>	<hr/>

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2022 and 2021. Taxes on profits assessable in the Mainland China have been calculated at the rates of tax prevailing in the cities in which the majority of the Group's subsidiaries operate.

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current:		
PRC corporate income tax	83,293	109,073
PRC land appreciation tax	24,386	41,045
	<u>107,679</u>	<u>150,118</u>
Deferred	<u>(98,709)</u>	<u>6,032</u>
Total tax charge for the period	<u><u>8,970</u></u>	<u><u>156,150</u></u>

9. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil) was proposed by the board of directors of the Company.

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 7,225,633,000 (six months ended 30 June 2021: 7,197,354,000) in issue during the period.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

The calculations of the basic and diluted (loss)/earnings per share are based on:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the parent (HK\$'000)	(453,220)	278,228
Distribution related to perpetual capital securities (HK\$'000)	(34,000)	(24,000)
	<u>(487,220)</u>	<u>254,228</u>
(Loss)/profit used in the basic and diluted earnings per share calculations (HK\$'000)	<u>(487,220)</u>	<u>254,228</u>
Weighted average number of ordinary shares in issue during the period (thousand shares)	<u>7,225,633</u>	<u>7,197,354</u>

11. TRADE RECEIVABLES

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Receivables from sales of properties and rentals	<i>(a)</i>	<u>171,758</u>	<u>130,488</u>
Receivables for urban redevelopment projects			
Related parties		15,938,084	15,874,404
Third parties		<u>444,450</u>	<u>343,952</u>
	<i>(b)</i>	<u>16,382,534</u>	<u>16,218,356</u>
Less: Impairment allowance		<u>(715,108)</u>	<u>(702,952)</u>
Net receivables for urban redevelopment projects		<u>15,667,426</u>	<u>15,515,404</u>
Total		15,839,184	15,645,892
Portion classified as non-current assets		<u>(2,073,309)</u>	<u>(2,037,831)</u>
Current portion		<u>13,765,875</u>	<u>13,608,061</u>

11. TRADE RECEIVABLES *(Continued)*

- (a) An ageing analysis of the trade receivables for receivables from the sales of properties and rentals as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Current to 180 days	123,481	92,280
181 to 365 days	44,618	20,229
Over 365 days	3,659	17,979
	<u>171,758</u>	<u>130,488</u>

There was no recent history of default and past due amount. As at 30 June 2022 and 31 December 2021, the loss allowance was assessed to be minimal.

- (b) An ageing analysis of the receivables for urban redevelopment projects as at the end of the reporting period, based on the incurred date, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 year	2,055,790	2,408,741
1 to 2 years	2,880,504	6,875,564
2 to 3 years	5,369,076	2,604,311
Over 3 years	6,077,164	4,329,740
	<u>16,382,534</u>	<u>16,218,356</u>

12. CASH AND BANK BALANCES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Restricted cash		
Guaranteed deposits for construction projects	102,521	122,322
Term deposits pledged for bank borrowings granted to the Group	768,877	965,284
	<u>871,398</u>	1,087,606
Term deposits with initial terms of over three months	—	892,746
Cash and cash equivalents	130,949	83,624
	<u>1,002,347</u>	<u>2,063,976</u>

13. TRADE AND OTHER PAYABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade and bills payables	3,297,817	3,394,395
Amounts due to related parties	51,945	235,482
Amount due to a joint venture	5,847	6,115
Amount due to the ultimate holding company	369,391	470,397
Other payables and accruals	1,071,284	1,122,603
Other taxes payables	800,597	759,338
	<u>5,596,881</u>	<u>5,988,330</u>
Portion classified as current liabilities	<u>(5,227,490)</u>	<u>(5,517,933)</u>
Non-current portion	<u><u>369,391</u></u>	<u><u>470,397</u></u>

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the due date, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 year	3,102,414	3,334,468
Over 1 year	195,403	59,927
	<u>3,297,817</u>	<u>3,394,395</u>

OTHER INFORMATION

INTERIM DIVIDEND

No interim dividend in respect of the six months ended 30 June 2022 was proposed by the Board (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period Under Review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Code") as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors, who confirmed that they complied with the required standards set out in the Code during the Period Under Review.

AUDIT COMMITTEE

The audit committee of the Board ("Audit Committee") comprises three independent non-executive Directors. The Audit Committee has reviewed with the management, the accounting principles and policies adopted by the Group and discussed with the management regarding auditing, internal controls and financial reporting matters, including the review of the unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 and this announcement, which is of the opinion that they comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF THE INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim report for the six months ended 30 June 2022 of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhuguang.com.hk, and will be despatched to the Shareholders in due course.

APPRECIATION

On behalf of the Board, the Chairman would like to express the Board's gratitude and appreciation to the Shareholders for their support and the employees for their contribution to the Group.

On behalf of the Board
Zhuguang Holdings Group Company Limited
Chu Hing Tsung
Chairman

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises (i) six executive Directors, namely Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Chairman), Mr. Liu Jie (Chief Executive Officer), Mr. Liao Tengjia (Deputy Chairman), Mr. Huang Jiajue (Deputy Chairman), Mr. Chu Muk Chi (alias Mr. Zhu La Yi) and Ms. Ye Lixia; and (ii) three independent non-executive Directors, namely Mr. Leung Wo Ping JP, Mr. Wong Chi Keung and Dr. Feng Ke.

This announcement is published on the website of the Company (www.zhuguang.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk).