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)

2023 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 2023 ("Period Under Review") together with the comparative figures for the corresponding period in 2022 as follows:

FINANCIAL HIGHLIGHTS

RESULTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Revenue by operating segment:		
— Property development	**194,540**	282,593
— Project management services	**656,673**	923,673
— Property investment and hotel operation	**115,934**	130,352
Fair value loss on investment properties, net	**(49,289)**	(130,084)
Loss for the period	**(91,704)**	(450,454)
Loss for the period attributable to owners of the parent	**(66,923)**	(453,220)

	At 30 June 2023	At 31 December 2022
	HK$'000	*HK$'000*
Total assets	**35,962,490**	37,119,082
Total liabilities	**28,987,921**	29,767,564
Total equity	**6,974,569**	7,351,518

* *Chinese name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In the first half of 2023, the global economy remained challenging as any significant improvement in the major economies was yet to be seen while uncertainty risks were on the rise. In view of factors such as inflationary pressures, rising interest rates, credit tightening and geopolitical conflicts, global economic growth had slowed down significantly.

During the Period Under Review, the economy of China was exposed to consistent internal and external risks. The news on defaults related to the real estate sector in China, weak consumption momentum and intensified risks associated with the real estate sector had posed challenges to the economic growth of China. Policies to regulate the real estate industry previously introduced by the government, such as "housing is for accommodation, not for speculative trading" and "taking measures in response to local conditions" remained in force, which served to stabilise land prices, property prices and market expectations. The stability of the real estate market remained the focus of the Chinese government in its policy-making. Policies have been introduced by the Chinese government to support the steady development of the real estate sector since 2022, such as the "16-point plan" which urged financial institutions to extend loans to private real estate companies with sound corporate governance, and the "three arrows" which aimed at boosting real estate financing by expanding the three financing channels, namely, credit, bonds and equity. The continuation of these policies will further stabilise the expectations of home buyers and their confidence in the real estate market.

The Chinese government has continued to put more efforts into the enhancement of the transformation of old communities in the cities and community construction since 2022 (i.e. the second year under the "14th Five-Year Plan"), which is in line with the continuous philosophy of 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*) ("GZZG Urban Renewal"), a wholly-owned subsidiary of the Company and a member of the Company's urban renewal group.

The urban renewal group of the Company will continue its professionalism as an urban renewal specialist to implement each urban renewal project of the Group, secure the Group's most important source of future land supply and strengthen the characteristics and competitive edge of the Group's future development. As certain quality urban renewal projects jointly developed by the Group and its strategic partners are reaching a mature stage, the Group will speed up the pace of cooperation with its strategic partners to strengthen and consolidate its position as an urban renewal specialist.

The Group will also uphold its spirit of craftsmanship, focus on improving its product quality, proceed with details, and provide the buyers with properties of quality.

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 People's Republic of China ("PRC") with potential growth in demand for properties. The Group has achieved contracted sales of approximately HK$1,345,027,000 and contracted gross floor area ("GFA") sold of approximately 36,867 square meters ("sqm") during the Period Under Review, representing increases of approximately 70.5% and 47.1%, respectively, compared with those in the corresponding period in 2022. The details of the contracted property sales and the contracted GFA sold during the Period Under Review are set out below:

Projects	**Contracted sales** *(HK$'000)*	**Contracted GFA sold** *(sqm)*
Zhuguang Financial Town One	1,075,700	15,164
Central Park	118,801	2,412
Pearl Xincheng Yujing ("Xincheng Yujing")	63,027	7,764
Yujing Yayuan	40,526	3,823
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	23,080	2,731
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	6,169	654
Pearl Yijing	120	109
	1,327,423	32,657
Car parks	17,604	4,210
	1,345,027	36,867

As at 30 June 2023, 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 2023, the aggregate GFA delivered under this project was approximately 4,249 sqm. During the Period Under Review, contracted sales of approximately HK$1,075,700,000 with GFA of approximately 15,164 sqm were recorded with respect to "Zhuguang Financial Town One".

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 2023, the aggregate GFA available for sale of the service apartments delivered was approximately 24,570 sqm. The Group has designated GFA of approximately 539 sqm of this property as investment properties held for long-term investment purpose. During the Period Under Review, contracted sales of approximately HK$118,801,000 with GFA of approximately 2,412 sqm were recorded with respect to "Central Park".

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 310,716 sqm. The project has been 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 commenced delivery during 2020. As at 30 June 2023, the aggregate GFA delivered under this project was approximately 229,224 sqm. The Group has designated GFA of approximately 9,482 sqm of this property as investment properties held for long-term investment purpose. The ancillary commercial building plus a basement with a total GFA of approximately 9,482 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK$63,027,000 with GFA of approximately 7,764 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 2023, the aggregate GFA delivered under this project was approximately 22,626 sqm. During the Period Under Review, contracted sales of approximately HK$40,526,000 with GFA of approximately 3,823 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 and car parks. The total GFA available for sale is approximately 757,633 sqm, which comprises four phases of development. As at 30 June 2023, the aggregate GFA delivered under this project was approximately 708,740 sqm. During the Period Under Review, contracted sales of approximately HK$23,080,000 with GFA of approximately 2,731 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 186,894 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 89,711 sqm, respectively. As at 30 June 2023, the aggregate GFA delivered under this project was approximately 139,130 sqm. During the Period Under Review, contracted sales of approximately HK$6,169,000 with GFA of approximately 654 sqm were recorded with respect to "Tianhu Yujing".

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 2023, the aggregate GFA available for sale delivered under this project was approximately 149,628 sqm. During the Period Under Review, contracted sales of approximately HK$120,000 with GFA of approximately 109 sqm were recorded with respect to "Pearl Yijing".

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 2023, the aggregate GFA delivered under this project was approximately 87,267 sqm.

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 2023, the aggregate GFA delivered under this project was approximately 39,627 sqm.

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 2023, the aggregate GFA delivered under this project was approximately 52,579 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 sale under Phase I of the project are approximately 46,793 sqm and approximately 34,202 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 2023, the aggregate GFA of the office building and carparks sold was approximately 43,824 sqm, and GFA of approximately 5,109 sqm of this property was still available for sale or leasing. The Group has designated GFA of approximately 60,891 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 2023, 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 817,533 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$656,673,000 during the Period Under Review, compared with that of approximately HK$923,673,000 for the corresponding period in 2022. 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 Investment and Hotel Operation

As at 30 June 2023, 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 2022: 18,184 sqm); (2) Zhukong International with GFA of approximately 60,891 sqm (31 December 2022: 60,891 sqm); (3) certain floors of a commercial complex in "Hua Cheng Yujing Garden" with GFA of approximately 15,918 sqm (31 December 2022: 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 2022: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 12,022 sqm (31 December 2022: 12,911 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$68,698,000 generated, representing a decrease of approximately 23.7% as compared with that of approximately HK$90,033,000 for the corresponding period in 2022. 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.

As at 30 June 2023, the Group operated two hotels, namely, (1) 廣州雲嶺湖酒店 (Guangzhou Vlamhoo Hotel*) ("Vlamhoo Hotel") located at Conghua, Guangzhou City, Guangdong Province, the PRC, which was constructed by the Group, with its operations commenced in December 2021; and (2) 廣東鹿湖溫泉假日酒店 (Guangdong Luhu Hot Spring Holiday Hotel*) ("Luhu Hotel") located at Fengshun County, Meizhou City, Guangdong Province, the PRC, which has been operated by the Group since December 2021. During the Period Under Review, the operation of these hotels generated a total income of approximately HK$47,236,000 (six months ended 30 June 2022: HK$40,319,000) for the Group.

Outlook

Looking forward to the second half of 2023, the global economy will still face multiple challenges and instability as it will continue to be subject to the impacts of inflation and geopolitical conflicts.

Notwithstanding the anticipated continuation of post-pandemic economic recovery, the real estate industry in China will still face enormous challenges in the second half of 2023 in light of the uncertainties in the global economy. "Stability" will continue to be the focus of the Chinese government for the real estate industry. Various cities in China have implemented policies to relax the credit conditions for granting home buyer loans to meet the buyers' reasonable demand for housing. The Chinese government has continued to implement multi-perspective policies favourable to the development of the real estate sector, including financial policies and regulatory policies to relax restrictions on property purchases. The real estate sector is gradually moving towards a new development model with locations and product quality being the key determinants influencing the home buyers' decision making.

The Group's inventory available for sale is still concentrated in its completed projects in Guangzhou. In the future, the Group will continue to drive up its sales in the Guangzhou area. Guangzhou will remain the key sales area of the Group in the second half of 2023, and the Group will continue to pay close attention to the sales in this market. In terms of land acquisition, the Group will accelerate the implementation of its strategy of cooperation with its strategic partners to support its future development needs.

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

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 and hotel operation. The total revenue of the Group for the Period Under Review was approximately HK$967,147,000 (six months ended 30 June 2022: HK$1,336,618,000), which represented a decrease of approximately 27.6% as compared with that for the corresponding period in 2022.

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Revenue from property development for the Period Under Review amounted to approximately HK$194,540,000 (six months ended 30 June 2022: HK$282,593,000). 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 2022.

The income from the project management services segment contributed approximately HK$656,673,000 (six months ended 30 June 2022: HK$923,673,000) 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 the Group had during the Period Under Review.

During the Period Under Review, the Group recorded an aggregate income of approximately HK$115,934,000 (six months ended 30 June 2022: HK$130,352,000) from the property investment and hotel operation segment. The rental income generated by the Group from its investment properties decreased from approximately HK$90,033,000 for the six months ended 30 June 2022 to approximately HK$68,698,000 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. During the Period Under Review, the Group generated a total income of approximately HK$47,236,000 (six months ended 30 June 2022: HK$40,319,000) from its operation of two hotels in the Guangdong Province, the PRC, namely, the Vlamhoo Hotel, which was constructed by the Group, with its operations commenced in December 2021, and the Luhu Hotel, which has been operated by the Group since December 2021.

Gross profit

Gross profit of the Group decreased from approximately HK$1,070,626,000 for the six months ended 30 June 2022 to approximately HK$744,974,000 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$49,289,000 as compared with that of approximately HK$130,084,000 for the corresponding period in 2022. 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 2023.

Other income and gains

Other income and gains of the Group decreased to approximately HK$74,117,000 for the Period Under Review (six months ended 30 June 2022: HK$178,909,000). The decrease was primarily due to the 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, following the fair value assessment of the warrants issued by the Company in 2019 ("2019 Warrants"), which was absent in the Period Under Review as all of the 2019 Warrants expired on 27 November 2022.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group decreased from approximately HK$233,919,000 for the six months ended 30 June 2022 to approximately HK$176,949,000 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 that for the corresponding period in 2022.

Other expenses

Other expenses of the Group decreased from approximately HK$668,516,000 for the six months ended 30 June 2022 to approximately HK$56,250,000 for the Period Under Review. The decrease was mainly due to the foreign exchange loss of approximately HK$638,099,000 recorded by the Group for the six months ended 30 June 2022, which was absent in the Period Under Review. Other expenses for the Period Under Review mainly comprised the impairment of the Group's properties under development of approximately HK$22,000,000 (six months ended 30 June 2022: Nil).

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

As the relevant project management services agreement of the Group classified as a financial asset at fair value through profit or loss under which the Group agreed to provide project management services in relation to a property development project to its customers had been completed in 2022, there was no change in fair value of financial assets at fair value through profit or loss recorded by the Group for the Period Under Review (six months ended 30 June 2022: HK$193,866,000).

Share of loss of an associate

Share of loss of an associate of the Company was approximately HK$27,863,000 during the Period Under Review (six months ended 30 June 2022: HK$43,261,000), 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 2023.

Finance costs, net

Finance costs, net, of the Group for the Period Under Review were approximately HK$492,911,000 (six months ended 30 June 2022: HK$700,200,000), 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 2022.

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$69,159,000 (six months ended 30 June 2022: HK$83,293,000), LAT of approximately HK$11,478,000 (six months ended 30 June 2022: HK$24,386,000) and deferred tax credit of approximately HK$8,390,000 (six months ended 30 June 2022: HK$98,709,000) accounted for the Group's total income tax expense of approximately HK$72,247,000 for the Period Under Review (six months ended 30 June 2022: HK$8,970,000). The increase in total income tax expense for the Period Under Review was mainly due to the decrease in the deferred tax credit recorded by the Group during the Period Under Review, as compared with that in the corresponding period in 2022.

Loss for the period

The Group's loss for the Period Under Review was approximately HK$91,704,000 (six months ended 30 June 2022: HK$450,454,000). Such change was mainly attributable to (1) a decrease in finance costs, net, recorded by the Group from approximately HK$700,200,000 for the six months ended 30 June 2022 to approximately HK$492,911,000 for the Period Under Review, mainly due to the decrease in the interest-bearing bank and other borrowings of the Group during the Period Under Review; (2) a decrease in other expenses recorded by the Group from approximately HK$668,516,000 for the six months ended 30 June 2022 to approximately HK$56,250,000 for the Period Under Review, mainly due to the decrease in the foreign exchange loss recorded by the Group during the Period Under Review, which were partially offset by (a) the decrease in the Group's revenue from project management services from that of approximately HK$923,673,000 during the six months ended 30 June 2022 to approximately HK$656,673,000 during the Period Under Review, due to the decrease in the number of project management services agreements the Group had during the Period Under Review; and (b) the change in fair value of financial assets at fair value through profit or loss of approximately HK$193,866,000 recorded by the Group for the six months ended 30 June 2022, which was absent for the Period Under Review as the relevant project management services agreement of the Group classified as a financial asset at fair value through profit or loss had been completed in 2022.

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 2023, the Group's cash and bank balances (including restricted cash and term deposits with initial terms over three months) amounted to approximately HK$650,333,000 (31 December 2022: HK$759,572,000). The cash and bank balances of the Group were mainly denominated in RMB, United States dollar ("US$") and HK$.

Borrowings, charges on group assets and gearing ratio

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

	30 June 2023 *HK$'000*	31 December 2022 *HK$'000*
Bank loans — secured	**6,996,917**	7,318,223
Other borrowings:		
Senior notes — secured	**1,606,104**	1,588,570
Other borrowings — secured	**6,135,826**	6,365,616
Other borrowings — unsecured and guaranteed	**30,000**	30,000
Lease liabilities	**14,356**	16,900
	14,783,203	15,319,309

(a) As at 30 June 2023, the Group's bank and other borrowings amounted to approximately HK$14,783,203,000, of which approximately 54.1%, 24.0%, 10.1% and 11.8% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years (31 December 2022: HK$15,319,309,000, of which approximately 41.7%, 36.9%, 9.4% and 12.0% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years). As at 30 June 2023, such borrowings of the Group 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$246,144,000 (31 December 2022: HK$283,830,000), approximately HK$12,491,779,000 (31 December 2022: HK$13,006,296,000) and approximately HK$2,045,280,000 (31 December 2022: HK$2,029,183,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 7.00% to 13.00% (31 December 2022: 7.00% to 13.00%). Approximately 17.78% (31 December 2022: 17.73%) of the bank loans carried fixed interest rates ranging from 3.61% to 9.00% (31 December 2022: 3.61% to 9.00%) while the remaining bank loans of approximately 82.22% (31 December 2022: 82.27%) 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 2023, the gearing ratio of the Group was 67% (31 December 2022: 66%).

(c) As at 30 June 2023, the Group had outstanding secured bank loans of approximately HK$6,997 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, GZZG Urban Renewal, 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 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*); (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.

(d) As at 30 June 2023, the Group had outstanding senior notes in the aggregate principal amount of US$210 million (equivalent to approximately HK$1,606 million), which were secured and guaranteed by (i) 3,000,000,000 shares of the Company ("Shares") owned by Rong De Investments Limited (融德投資有限公司) ("Rong De"); (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"), China Honest International Investments Limited (創豪國際投資有限公司) ("China Honest"), Diamond Crown Limited (毅冠有限公司) ("Diamond Crown"), 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"), Fully Wise Investment Limited (惠豐投資有限公司) ("Fully Wise"), Gains Wide Holdings Limited (利博控股有限公司) ("Gains Wide"), Gold Charter Investments Limited (高澤投資有限公司) ("Gold Charter"), Graceful Link Limited (愉興有限公司) ("Graceful Link"), Pacific Win Investments Limited (保鋒投資有限公司) ("Pacifc Win"), Polyhero International Limited (寶豪國際有限公司) ("Polyhero International"), Profaith International Holdings Limited (盈信國際控股有限公司) ("Profaith International"), Sharp Wisdom Holdings Limited (銳智控股有限公司) ("Sharp Wisdom"), South Trend Holdings Limited (南興控股有限公司) ("South Trend"), Speedy Full Limited (速溢有限公司) ("Speedy Full"), 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"), World Sharp Investments Limited (華聲投資有限公司) ("World Sharp") and Zhuguang Group Limited (珠光集團有限公司) ("ZG Group"); (iii) the corporate guarantees executed by Rong De, ZG Group, South Trend, Ai De, All Flourish, Capital Fame, Cheng Chang, China Honest, Diamond Crown, East Orient, Ever Crown, Fully Wise, Gains Wide, Gold Charter, Graceful Link, Pacific Win, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, World Sharp, Sharp Wisdom and Speedy Full; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

** English name is translated for identification purpose only*

(e) As at 30 June 2023, the Group had outstanding secured other borrowings of approximately HK$6,136 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; (ix) 923,582,000 Shares owned by Rong De; and (x) 681,240,022 shares in Silver Grant owned by the Company.

(f) As at 30 June 2023, the Group had outstanding unsecured and guaranteed other borrowings of HK$30 million, which were guaranteed by the personal guarantee executed by an executive Director, Mr. Chu Hing Tsung.

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 2023	31 December 2022
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**4,050,057**	2,706,018

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.

* *English name is translated for identification purpose only*

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 2023 (31 December 2022: 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.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 862 employees in Hong Kong and the PRC as at 30 June 2023 (31 December 2022: 883). During the Period Under Review, the level of the Group's overall staff cost was approximately HK$93,576,000 (six months ended 30 June 2022: HK$120,512,000). 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

	Notes	Six months ended 30 June **2023** **(Unaudited)** ***HK$'000***	2022 (Unaudited) *HK$'000*
REVENUE	*5*	**967,147**	1,336,618
Cost of sales		**(222,173)**	(265,992)
Gross profit		**744,974**	1,070,626
Fair value loss on investment properties, net		**(49,289)**	(130,084)
Other income and gains	*5*	**74,117**	178,909
Selling and marketing expenses		**(15,115)**	(16,348)
Administrative expenses		**(161,834)**	(217,571)
Change in fair value of financial assets at fair value through profit or loss		**–**	193,866
Impairment loss on financial assets, net		**(35,287)**	(108,919)
Other expenses		**(56,250)**	(668,516)
Finance costs, net	*6*	**(492,911)**	(700,200)
Share of loss of an associate		**(27,863)**	(43,261)
Share of profit of joint ventures		**1**	14
LOSS BEFORE TAX	*7*	**(19,457)**	(441,484)
Income tax expense	*8*	**(72,247)**	(8,970)
LOSS FOR THE PERIOD		**(91,704)**	(450,454)
Attributable to:			
Owners of the parent		**(66,923)**	(453,220)
Non-controlling interests		**(24,781)**	2,766
		(91,704)	(450,454)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	*10*	**(1.40)**	(6.74)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(91,704)**	(450,454)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(282,352)**	101,378
Share of other comprehensive loss of an associate	**(2,893)**	(49,406)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(285,245)**	51,972
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(285,245)**	51,972
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(376,949)**	(398,482)
Attributable to:		
Owners of the parent	**(350,491)**	(386,796)
Non-controlling interests	**(26,458)**	(11,686)
	(376,949)	(398,482)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2023 (Unaudited) *HK$'000***	31 December 2022 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property and equipment		**264,850**	289,286
Investment properties		**3,578,292**	3,770,968
Intangible assets		**6,225**	7,020
Investments in joint ventures		**10,753**	11,098
Investments in an associate		**830,627**	861,383
Trade receivables	*11*	**5,637,994**	4,188,597
Financial assets at fair value through profit or loss		**12,874**	13,288
Deferred tax assets		**11,177**	22,241
Total non-current assets		**10,352,792**	9,163,881
CURRENT ASSETS			
Properties under development		**8,388,196**	8,396,103
Completed properties held for sale		**4,462,379**	4,661,335
Trade receivables	*11*	**9,186,849**	10,429,190
Prepayments, other receivables and other assets		**2,722,676**	3,515,242
Prepaid income tax		**186,250**	180,325
Financial assets at fair value through profit or loss		**13,015**	13,434
Cash and bank balances		**650,333**	759,572
Total current assets		**25,609,698**	27,955,201
CURRENT LIABILITIES			
Contract liabilities		**2,769,537**	2,635,440
Trade and other payables	*12*	**5,469,652**	5,742,819
Interest-bearing bank and other borrowings		**8,005,887**	6,381,265
Income tax payables		**3,441,257**	3,467,128
Total current liabilities		**19,686,333**	18,226,652
NET CURRENT ASSETS		**5,923,365**	9,728,549
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,276,157**	18,892,430

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Other payables	*12*	**420,468**	406,731
Interest-bearing bank and other borrowings		**6,777,316**	8,938,044
Deferred tax liabilities		**2,103,804**	2,196,137
Total non-current liabilities		**9,301,588**	11,540,912
Net assets		**6,974,569**	7,351,518
EQUITY			
Equity attributable to owners of the parent			
Share capital		**722,564**	722,564
Reserves		**5,026,981**	5,411,472
		5,749,545	6,134,036
Perpetual capital securities		**1,153,753**	1,119,753
		6,903,298	7,253,789
Non-controlling interests		**71,271**	97,729
Total equity		**6,974,569**	7,351,518

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 management, property investment, hotel operation 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

Notwithstanding that the Group reported net current assets of HK$5,923 million as at 30 June 2023, the Group's outstanding interest-bearing bank and other borrowings, which are due to be repaid within one year from the end of the reporting period, amounted to HK$8,006 million, including (1) the secured borrowings of HK$508 million which have not been repaid according to the scheduled repayment dates as at 30 June 2023; and (2) other secured borrowings of HK$1,445 million with original maturity date of over one year from the end of the reporting period which have been reclassified to current liabilities. As at 30 June 2023, the Group had cash and bank balances amounting to HK$650 million, of which HK$61 million was unrestricted.

As at 30 June 2023, the secured borrowings of HK$508 million have not been repaid according to the scheduled repayment dates and remained outstanding. Subsequent to the end of the reporting period and up to the date of approval of this interim financial information, the Group had additional borrowings in the amount of HK$328 million which were not repaid according to the scheduled repayment dates. The Group has been in active discussions with the relevant financial institutions for extension of the repayment dates or refinancing of the aforesaid borrowings. The Directors expect that the extension of the repayment dates or refinancing of such borrowings would be completed by 31 December 2023. Up to the date of approval of this interim financial information, the Group has not received any demand for immediate repayment for any of these borrowings.

2. BASIS OF PRESENTATION *(Continued)*

In view of these circumstances, the Directors have given careful consideration to the future working capital and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern for at least 12 months from 30 June 2023. The Group has formulated the following plans and measures to mitigate the liquidity pressure and to improve its cash flows:

(a) the Group has been proactively communicating with the relevant lenders on the Group's business plan, operations, and financial position. Based on the ongoing discussions, the Directors believe that the relevant lenders will not exercise their rights to request the Group for immediate repayment of any significant borrowings prior to their repayment dates in accordance with the relevant loan agreements;

(b) the Group is actively discussing with the lenders of certain bank and other borrowings on the re-financing of the existing borrowings;

(c) the Group will continue to accelerate the pre-sales and sales of its properties under development and completed properties, and collection of outstanding sales proceeds and other receivables;

(d) the Group will continue to take active measures to control administrative costs and manage its capital expenditure; 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 end of the reporting period. Rong De has agreed to provide the necessary financial support to enable the Group to meet its liabilities as and when they fall due, to continue carrying on its principal business without a significant curtailment of operations, and not to demand for repayment of any amounts due to Rong De until the Group is in the position to repay without impairing its financial position.

The Directors have reviewed the Group's cash flow forecast, covering a period of 12 months from the end of the reporting period, prepared by the management. 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 within the next 12 months from the end of the reporting period. Accordingly, the Directors believe that it is appropriate to prepare the interim financial information 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 the following: (a) continual support from the existing lenders of the Group such that they will not demand for immediate repayment of the relevant borrowings; (b) the successful and timely agreement with the lenders on the extension of the repayment dates for existing borrowings subject to the Group's financial and liquidity position, and to obtain additional credit facilities if needed; (c) the successful and timely collection of receivables of urban redevelopment projects in accordance with the schedules; and (d) 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, collection of outstanding sales proceeds and receivables, and to control costs and capital expenditure for better working capital management.

2. BASIS OF PRESENTATION *(Continued)*

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 this interim financial information.

3.1 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The interim financial information for the six months ended 30 June 2023 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 2022.

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 2022, 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 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*

The nature and impact of the revised HKFRSs 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated 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. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

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

(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. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

The adoption of amendments to HKAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

3.2 AMENDMENTS TO HKFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group does not early adopt the following amendments to HKFRSs which were in issue but are not yet effective for the financial year ending 31 December 2023:

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]

1 Effective for annual periods beginning on or after 1 January 2024
2 No mandatory effective date yet determined but available for adoption

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year ended 31 December 2022, the Group realigned its reportable operating segments to be consistent with the Group's strategic initiatives and its operations of which the hotel business was regrouped under the property investment and hotel operation segment. Accordingly, the Group's unaudited financial results for six months ended 30 June 2023 are reported in the regrouped reportable segments and the three regrouped reportable operating segments are as follows:

(a) the property development segment engages in the development and sale of properties;

(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 and hotel operation segment invests in properties for their rental income potential and/or for capital appreciation and engages in hotel operation.

The Group's unaudited financial results for the six months ended 30 June 2022 were also regrouped to conform with the new segment presentation.

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 2023

(Unaudited)	**Property development** *HK$'000*	**Project management services** *HK$'000*	**Property investment and hotel operation** *HK$'000*	**Total** *HK$'000*
Segment revenue: *(note 5)*				
Sales to external customers	**194,540**	**656,673**	**115,934**	**967,147**
Segment results	**(133,898)**	**621,386**	**24,450**	**511,938**
Reconciliation:				
Share of loss of an associate				**(27,863)**
Share of profit of joint ventures				**1**
Finance costs, net (other than interest on lease liabilities)				**(492,080)**
Corporate and other unallocated expenses				**(11,453)**
Loss before tax				**(19,457)**
Income tax expense				**(72,247)**
Loss for the period				**(91,704)**

4. **OPERATING SEGMENT INFORMATION** *(Continued)*

For the six months ended 30 June 2022

(Unaudited)	Property development *HK$'000* (Restated)	Project management services *HK$'000*	Property investment and hotel operation *HK$'000* (Restated)	Total *HK$'000*
Segment revenue: *(note 5)*				
Sales to external customers	282,593	923,673	130,352	1,336,618
Segment results	(172,679)	428,808	(62,362)	193,767
Reconciliation:				
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				(8,313)
Loss before tax				(441,484)
Income tax expense				(8,970)
Loss for the period				(450,454)

4. OPERATING SEGMENT INFORMATION *(Continued)*

30 June 2023

(Unaudited)	**Property development** *HK$'000*	**Project management services** *HK$'000*	**Property investment and hotel operation** *HK$'000*	**Total** *HK$'000*
Segment assets	**14,865,312**	**15,781,906**	**3,786,493**	**34,433,711**
Reconciliation:				
Corporate and other unallocated assets				**1,528,779**
Total assets				**35,962,490**
Segment liabilities	**8,067,479**	**14,356**	**185,188**	**8,267,023**
Reconciliation:				
Corporate and other unallocated liabilities				**20,720,898**
Total liabilities				**28,987,921**

31 December 2022

(Audited)	Property development *HK$'000*	Project management services *HK$'000*	Property investment and hotel operation *HK$'000*	Total *HK$'000*
Segment assets	15,560,868	15,620,538	4,256,660	35,438,066
Reconciliation:				
Corporate and other unallocated assets				1,681,016
Total assets				37,119,082
Segment liabilities	8,447,309	16,900	190,453	8,654,662
Reconciliation:				
Corporate and other unallocated liabilities				21,112,902
Total liabilities				29,767,564

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 2023, revenue of approximately HK$656,673,000 (six months ended 30 June 2022: HK$923,673,000) was derived from a single customer, including revenue derived from a group of entities which are known to be subsidiaries of that customer, 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of properties	**194,540**	282,593
Hotel operation income	**47,236**	40,319
	241,776	322,912
Revenue from other sources		
Finance component of income from urban redevelopment projects	**656,673**	923,673
Rental income from investment property operating leases: — fixed lease payments	**68,698**	90,033
	725,371	1,013,706
	967,147	1,336,618

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**14,254**	25,635
Management service income	**59,435**	27,731
Fair value gain on derivative financial instruments	**–**	116,265
Others	**428**	9,278
	74,117	178,909

6. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings and senior notes	**767,712**	856,774
Interest expense arising from revenue contracts	**82,704**	17,678
Interest on lease liabilities	**831**	244
Total interest expense	**851,247**	874,696
Less: interest capitalised	**(358,336)**	(174,496)
	492,911	700,200

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of properties sold	**222,173**	265,992
Depreciation of property and equipment	**16,120**	17,987
Depreciation of right-of-use assets	**3,768**	3,911
Amortisation of intangible assets	**599**	659
Fair value gain on derivative financial instruments	**–**	(116,265)
Foreign exchange differences, net	**(277)**	638,099
Lease payments not included in the measurement of lease liabilities	**6,870**	5,774
Employee benefit expense (including directors' remuneration)	**93,576**	120,512
Impairment loss of financial assets, net	**35,287**	108,919
Impairment of properties under development	**22,000**	–
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**7,080**	21,851

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 2023 and 2022. 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current:		
PRC corporate income tax	**69,159**	83,293
PRC land appreciation tax	**11,478**	24,386
	80,637	107,679
Deferred	**(8,390)**	(98,709)
Total tax charge for the period	**72,247**	8,970

9. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil) was proposed by the board of directors of the Company.

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

The calculation of the basic loss per share amounts is based on the loss 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 2022: 7,225,633,000) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 as the Group had no potentially dilutive ordinary shares in issue during the period.

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

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the parent *(HK$'000)*	**(66,923)**	(453,220)
Distribution related to perpetual capital securities *(HK$'000)*	**(34,000)**	(34,000)
Loss used in the basic and diluted loss per share calculations *(HK$'000)*	**(100,923)**	(487,220)
Weighted average number of ordinary shares in issue during the period *(thousand shares)*	**7,225,633**	7,225,633

11. TRADE RECEIVABLES

		30 June	31 December
		2023	2022
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
Receivables from sales of properties	*(a)*	**1,492**	1,648
Receivables from property investment and hotel operation		**220,754**	214,994
Less: Impairment allowance		**(3,494)**	(3,336)
Net receivables from property investment and hotel operation	*(a)*	**217,260**	211,658
Receivables from urban redevelopment projects:			
Related parties		**14,684,258**	14,463,943
Third parties		**528,700**	482,026
	(b)	**15,212,958**	14,945,969
Less: Impairment allowance		**(606,867)**	(541,488)
Net receivables from urban redevelopment projects		**14,606,091**	14,404,481
Total		**14,824,843**	14,617,787
Portion classified as non-current assets		**(5,637,994)**	(4,188,597)
Current portion		**9,186,849**	10,429,190

11. TRADE RECEIVABLES *(Continued)*

(a) An ageing analysis of the trade receivables for receivables from the sales of properties, property investment and hotel operation 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 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Current to 180 days	**162,555**	160,413
181 to 365 days	**43,259**	47,613
Over 365 days	**12,938**	5,280
	218,752	213,306

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

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Within 1 year	**1,581,110**	1,799,535
1 to 2 years	**1,812,957**	1,866,911
2 to 3 years	**2,485,553**	5,599,480
Over 3 years	**9,333,338**	5,680,043
	15,212,958	14,945,969

12. TRADE AND OTHER PAYABLES

	30 June 2023 (Unaudited) ***HK$'000***	31 December 2022 (Audited) *HK$'000*
Trade and bills payables	**3,120,199**	3,249,613
Amounts due to related parties	**338,048**	424,617
Amount due to a joint venture	**5,423**	5,597
Amounts due to the ultimate holding company	**406,990**	387,709
Other payables and accruals	**1,019,214**	1,243,856
Other taxes payables	**1,000,246**	838,158
	5,890,120	6,149,550
Portion classified as current liabilities	**(5,469,652)**	(5,742,819)
Non-current portion	**420,468**	406,731

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 2023 (Unaudited) ***HK$'000***	31 December 2022 (Audited) *HK$'000*
Within 1 year	**2,910,134**	3,035,600
Over 1 year	**210,065**	214,013
	3,120,199	3,249,613

OTHER INFORMATION

INTERIM DIVIDEND

No interim dividend in respect of the six months ended 30 June 2023 was proposed by the Board (six months ended 30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("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 2023 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 2023 of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhuguang.com.hk, and will be despatched to the shareholders of the Company ("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 2023

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).