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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)

**ANNOUNCEMENT OF THE ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the announcement (“**Previous Results Announcement**”) of Zhuguang Holdings Group Company Limited (“**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2022 in relation to the unaudited annual results for the year ended 31 December 2021 (“**FY2021**”) and the announcement of the Company dated 25 March 2022 in relation to, among others, the delay in the publication of the Company’s audited annual results announcement for FY2021.

The board (“**Board**”) of directors (“**Directors**”) of the Company is pleased to announce that the Company’s auditor, Ernst & Young, has completed its audit of the consolidated financial statements of the Group for FY2021 in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The annual consolidated results of the Group for FY 2021 together with the comparative figures for the previous financial year (“**FY2020**”) are as follows:

* *Chinese name is translated for identification purpose only*

FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue by operating segment:		
— Property development	895,158	4,384,023
— Project management services	1,893,417	2,063,545
— Property investment	196,446	177,230
Profit for the year attributable to equity holders of the parent	<u>71,018</u>	<u>2,242,404</u>
	At 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	42,897,797	36,930,194
Total liabilities	33,821,494	27,511,242
Total equity	<u>9,076,303</u>	<u>9,418,952</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property development, property investment, project management, and other property development related services in the People's Republic of China ("PRC").

BUSINESS REVIEW

In 2021, the global economic recovery was still hindered by the outbreak of Coronavirus Disease-2019 ("COVID-19") and its variants. In spite of the increase in the vaccination rate, confirmed cases of COVID-19 still continued to rise. During the year under review, notwithstanding that various countries have lifted their lockdown measures at different degrees, business activities however were still lower than their pre-pandemic level, which was mainly due to the strict cross-border restrictions as well as the social distancing measures of varying degrees imposed by many governments.

During the year under review, China's property market went through a transition of rapid and in-depth adjustment. Under the regulations of the property market, the policies were to continue to maintain the major principles of "housing is for accommodation, not for speculative trading", "taking measures in response to local conditions", stabilising land prices, stabilising property prices and stabilising expectations, yet the overall regulation policies have tightened. In addition, due to the government's continuous deleveraging policies, several property developers in China's property market suffered from severe credit and liquidity crunch.

In 2021, being the first year under the "14th Five-Year Plan", the positioning of the principle emphasised by the PRC government that "housing is for accommodation, not for speculative trading" has become clearer and the real estate industry has accelerated its transformation into the stock era. The "Recommendations of the Central Committee of CPC for the 14th Five-Year Plan for Economic and Social Development and the 2035 Vision of the People's Republic of China" put forward the enhancement of the transformation of old communities in cities and community construction, and the implementation of a number of major projects, which coincided 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 land supply for the next three years and strengthen the characteristics and competitive edge of the Group's future development. The Group will also accelerate its efforts in seeking cooperation in various aspects with its strategic partners to strengthen and consolidate its position as an urban renewal specialist.

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 quality investment value.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Property Development and Sales

During FY2021, 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's respective contracted sales and contracted gross floor area ("GFA") sold for FY2021 amounted to approximately HK\$1,638,529,000 and approximately 54,794 square metres ("sqm"), representing a decrease of approximately 62.82% and a decrease of approximately 63.20% respectively, as compared with those for FY2020. The details of the Group's contracted sales and contracted GFA sold for FY2021 are set out below:

Projects	Contracted sales (HK\$ '000)	Contracted GFA sold (sqm)
Zhuguang Financial Town One	1,281,003	22,954
Pearl Xincheng Yujing ("Xincheng Yujing")	156,728	17,360
Yujing Yayuan	78,610	4,820
Pearl Yunling Lake	29,368	2,381
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	18,745	1,221
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	18,107	1,723
Project Tian Ying	13,668	914
Pearl Yijing	2,333	145
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	1,598,562	51,518
Car parks	39,967	3,276
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	<u>1,638,529</u>	<u>54,794</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Property Development and Sales (continued)

It is expected that the following projects will be available for sale, pre-sale or leasing in 2022:

Projects	Available for sale/ pre-sale/ leasing period	GFA available for sale/lease (sqm)	Usage
Zhuguang Financial Town One	1st quarter	367,165	Pre-sale/Sale
Xincheng Yujing	1st quarter	55,527	Leasing/Sale
Yujing Yayuan	1st quarter	18,044	Sale
Pearl Yunling Lake	1st quarter	359	Sale
Yujing Scenic Garden	1st quarter	26,336	Leasing/Sale
Tianhu Yujing	1st quarter	27,423	Leasing/Sale
Project Tian Ying	1st quarter	6,949	Sale
Pearl Yijing	1st quarter	17,388	Sale
Meizhou Chaotang Project	1st quarter	26,813	Leasing/Sale
Hua Cheng Yujing Garden	1st quarter	3,898	Leasing/Sale
Zhukong International	1st quarter	3,345	Leasing/Sale
Central Park	1st quarter	2,432	Leasing/Sale

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

As at 31 December 2021, the Group owned the following major 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 393,195 sqm. During FY2021, contracted sales of approximately HK\$1,281,003,000 with GFA of approximately 22,954 sqm were recorded with respect to “Zhuguang Financial Town One”.

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 310,657 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 FY2020. Aggregate GFA of approximately 792 sqm, 3,176 sqm and 8,132 sqm were delivered under Phase I, Phase II and Phase III, respectively, during FY2021. The ancillary commercial building plus a basement with a total GFA of approximately 10,660 sqm were leased out during FY2021. During FY2021, contracted sales of approximately HK\$156,728,000 with GFA of approximately 17,360 sqm were recorded with respect to “Xincheng Yujing”.

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Yujing Yayuan — 50% interest

“Yujing Yayuan” is located at Guoji, Fuyong, Nanqu, Zhongshan City, Guangdong Province, the PRC. The site area and the 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 FY2020. As at 31 December 2021, the aggregate GFA delivered under this project was approximately 13,727 sqm. During FY2021, contracted sales of approximately HK\$78,610,000 with GFA of approximately 4,820 sqm were recorded with respect to “Yujing Yayuan”.

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 is approximately 126,657 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 has been retained as a long-term asset of the Group.

As at 31 December 2021, the respective aggregate GFAs delivered under Phase I and Phase II were approximately 21,362 sqm and approximately 17,933 sqm, with approximately 2,326 sqm under Phase II being delivered during FY2021. The remaining GFA available for sale under Phase I and Phase II is expected to be delivered in 2022. During FY2021, contracted sales of approximately HK\$29,368,000 with GFA of approximately 2,381 sqm were recorded with respect to “Pearl Yunling Lake”.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

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 being developed into 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 758,606 sqm, which comprises four phases of development. As at 31 December 2021, the aggregate GFA delivered under this project was approximately 20,300 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 FY2021. During FY2021, contracted sales of approximately HK\$18,745,000 with GFA of approximately 1,221 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 approximately 89,712 sqm, respectively.

As at 31 December 2021, the respective aggregate GFAs delivered under Phase I and Phase II were approximately 93,018 sqm and approximately 45,359 sqm, with approximately 160 sqm under Phase II being delivered during FY2021. During FY2021, contracted sales of approximately HK\$18,107,000 with GFA of approximately 1,723 sqm were recorded with respect to “Tianhu Yujing”.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

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 31 December 2021, the aggregate GFA delivered was approximately 50,026 sqm, of which approximately 1,583 sqm was delivered during FY2021. During FY2021, contracted sales of approximately HK\$13,668,000 with GFA of approximately 914 sqm were recorded with respect to “Project Tian Ying”.

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 31 December 2021, the aggregate GFA available for sale delivered under Phase I and Phase II were approximately 76,115 sqm and approximately 70,172 sqm, respectively. A total GFA of approximately 2,366 sqm under Phase I and Phase II was delivered during FY2021. During FY2021, contracted sales of approximately HK\$2,333,000 with GFA of approximately 145 sqm were recorded with respect to “Pearl Yijing”.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Hua Cheng Yujing Garden — 100% interest

“Hua Cheng Yujing Garden” was acquired by the Group in 2018. This project 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 31 December 2021, the aggregate GFA delivered under this project was approximately 87,013 sqm.

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 31 December 2021, 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.

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 31 December 2021, the aggregate GFA available for sale of the service apartments delivered was approximately 23,631 sqm. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties held for long-term investment purpose.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

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 31 December 2021, 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 903,970 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Project Management Services *(continued)*

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\$1,893,417,000 for FY2021, compared with that of approximately HK\$2,063,545,000 for FY2020. 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 in FY2021. 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Investments

As at 31 December 2021, 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 2020: 18,184 sqm); (2) “Zhukong International” with GFA of approximately 62,655 sqm (31 December 2020: 43,918 sqm); (3) certain floors of a commercial complex in “Hua Cheng Yujing Garden” with GFA of approximately 15,918 sqm (31 December 2020: 14,832 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 2020: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 19,058 sqm (31 December 2020: 18,483 sqm) as investment properties. During FY2021, 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\$196,446,000 generated, representing an increase of approximately 10.8% as compared with that of approximately HK\$177,230,000 for FY2020. 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 for the Group in the future.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2021, the Group completed the following material acquisition:

On 7 December 2020, Pacific Win Investments Limited (保鋒投資有限公司) (“**Pacific Win**”), a wholly-owned subsidiary of the Company, as purchaser, and 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*) (“**Guangdong Zhuguang Group**”), as vendor, entered into an agreement (“**Second AEC Agreement**”), pursuant to which Pacific Win has conditionally agreed to purchase, and Guangdong Zhuguang Group has conditionally agreed to sell, 49% of the equity interest of 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*) (“**Guangzhou Project Company**”) at the consideration of RMB900 million (equivalent to approximately HK\$1,038 million) (“**Second AEC Acquisition**”). Guangzhou Project Company held interest in an urban renewal project in Tianhe District in Guangzhou City known as “Zhuguang Financial Town One* (珠光金融城壹號)”, further details of which are set out in the paragraph headed “Business Review – Property Development and Sales – Zhuguang Financial Town One – 100% interest” in the section headed “Management Discussion and Analysis” in this announcement. The Group already held 51% of the equity interest of Guangzhou Project Company before entering into the Second AEC Agreement. The Second AEC Acquisition was completed in March 2021, upon which Guangzhou Project Company became a wholly-owned subsidiary of the Company, with its financial results being consolidated into those of the Group.

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

Further details of the Second AEC Acquisition are set out in the announcements of the Company dated 7 December 2020 and 25 March 2021 and the circular of the Company dated 24 December 2020.

Save for the Second AEC Acquisition, the Group had no other material acquisitions or disposals during FY2021.

OUTLOOK

Looking ahead, the global economy will remain unstable and full of challenges in 2022. Notwithstanding that the control of the COVID-19 pandemic has attained a certain degree of success on a global scale, the pandemic situation may still remain volatile. Factors such as 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 will bring uncertainties to global economic growth and the financial markets.

China's economy has taken the lead in recovering from the pandemic and achieved a strong rebound. However, the fluctuating situation of the pandemic, weak consumption demands, unstable global supply chain and the risk of downward trend in the property sector will bring challenges to the economic growth in China in 2022. In terms of real estate policies, the government's regulation policies will continue to maintain continuity and stability, and the principles under the regulation policies such as "housing is for accommodation, not for speculative trading", "taking measures in response to local conditions", as well as stabilising land prices, stabilising property prices and stabilising expectations will remain unchanged.

In 2022, the Group's inventory 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 2022, and the Group will continue to pay close attention to the sales in this market. In terms of land acquisition, the Group will continue to implement its strategy of focusing on urban renewal projects to support its development and to meet its needs. As the Group will continue to acquire its land resources through urban renewal projects in the future, it will leverage on the Group's competitive edge and strengths as well boost its urban renewal operations. In addition, the Group will continue to seek cooperation in various aspects with its partners, so as to enhance and strengthen its position in the industry as an urban renewal specialist.

In 2022, the Group will focus on the 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW

Revenue

During FY2021, 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 FY2021 was approximately HK\$2,985,021,000 (FY2020: HK\$6,624,798,000), which represented a decrease of approximately 54.9% as compared with that for FY2020.

Revenue from property development for FY2021 amounted to approximately HK\$895,158,000 (FY2020: HK\$4,384,023,000). The decrease was mainly due to (1) the recognition of sales revenue of approximately HK\$2,103,445,000 from the sale of properties by the Group in FY2020 resulted from the Group's disposal of its entire equity interest in 廣州御嘉投資有限公司 (Guangzhou Yujia Investments Company Limited*) (“**Guangzhou Yujia**”) in FY2020, which held a block of office and commercial building and car parks for sale, while the Group had no such sales revenue in FY2021; and (2) the decrease in the number of properties delivered by the Group in FY2021.

The income from project management services segment contributed approximately HK\$1,893,417,000 (FY2020: HK\$2,063,545,000) to the total revenue of the Group for FY2021. The decrease was mainly due to the decrease in the number of project management services agreements entered into by the Group in FY2021.

The Group recorded an increase of approximately 10.8% in rental income for FY2021, as compared with that for FY2020. The rental income increased from approximately HK\$177,230,000 for FY2020 to approximately HK\$196,446,000 for FY2021, mainly due to the increase in GFA of the investment properties leased out by the Group during FY2021.

Gross profit

For FY2021, the Group recorded a gross profit of approximately HK\$2,262,611,000 (FY2020: HK\$3,223,940,000). The decrease was mainly due to the decrease in the Group's revenue from sale of properties in FY2021.

Fair value gain/(loss) on investment properties, net

For FY2021, the fair value gain on investment properties, net, recorded by the Group amounted to approximately HK\$77,679,000 as compared with the fair value loss on investment properties, net, of approximately HK\$97,233,000 in FY2020. The fair value gain on investment properties, net, for FY2021 was mainly due to the increase in the GFA of “Zhukong International” (a property held by the Group for sale and investment purposes, with part of its GFA being classified as investment properties as at 31 December 2021), being leased out during FY2021.

** English name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Other income and gains

Other income and gains of the Group decreased to approximately HK\$623,983,000 during FY2021 (FY2020: HK\$1,144,136,000). The decrease was primarily due to the decrease in the foreign exchange gain to approximately HK\$406,130,000 recorded by the Group for FY2021 as compared with that of approximately HK\$865,753,000 in FY2020.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group increased from approximately HK\$461,334,000 for FY2020 to approximately HK\$503,651,000 for FY2021. The increase was mainly due to the increase in the professional fees paid and payable by the Group for corporate exercises and the increase in the staff costs during FY2021.

Other expenses

Other expenses of the Group decreased from approximately HK\$763,495,000 for FY2020 to approximately HK\$660,345,000 for FY2021. Other expenses mainly comprised (1) the recognition of a loss on re-measurement of pre-existing interest in a joint venture of approximately HK\$250,285,000 by the Group for FY2021 (FY2020: Nil) in association with the Group's then 51% equity interests in Guangzhou Project Company, in accordance with the applicable accounting policy; (2) the net fair value loss on derivative financial instruments of approximately HK\$116,147,000 recorded by the Group during FY2021, following the fair value assessment of the warrants issued by the Company in 2019 (“**2019 Warrants**”) which remained outstanding as at 31 December 2021, as compared with the net fair value gain on derivative financial instruments of approximately HK\$20,489,000 recorded by the Group for FY2020; (3) the impairment of goodwill of approximately HK\$128,292,000 recorded for FY2021 (FY2020: HK\$126,876,000); and (4) the impairment of properties under development and completed properties held for sale of approximately HK\$103,393,000 recorded for FY2021 (FY2020: HK\$53,707,000).

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 increased from approximately HK\$367,802,000 for FY2020 to approximately HK\$381,434,000 for FY2021. The increase was mainly due to the increase in the fair value of a project management services agreement as at 31 December 2021, under which the Group agreed to provide project management services in relation to the property development project to its customers.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Share of loss of an associate

Share of loss of an associate of the Company was approximately HK\$429,391,000 during FY2021 (FY2020: HK\$134,691,000), 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 31 December 2021.

Finance costs

Finance costs of the Group for FY2021 were approximately HK\$1,510,796,000 (FY2020: HK\$1,517,356,000), which were made up of interest expenses incurred by the Group during FY2021 after deduction of the interest expenses capitalised into development costs. The decrease in finance costs was mainly due to the decrease in the cost of borrowings incurred by the Group in FY2021.

Income tax expense

Income tax expense comprised corporate income tax (“**CIT**”) and land appreciation tax (“**LAT**”) in the PRC and deferred tax. CIT of approximately HK\$327,988,000 (FY2020: HK\$845,743,000), LAT of approximately HK\$50,020,000 (FY2020: HK\$522,156,000) and deferred tax credit of approximately HK\$41,764,000 (FY2020: HK\$255,538,000) accounted for the Group's total income tax expense of approximately HK\$336,244,000 for FY2021 (FY2020: HK\$1,112,361,000). The decrease in total income tax expense for FY2021 was mainly due to the decrease in the income generated by the Group during FY2021 which was subject to income tax, as compared with that in FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Profit for the year

The Group's profit for FY2021 was approximately HK\$109,616,000 (FY2020: HK\$2,225,196,000), which represented a decrease of approximately 95.1% as compared with that for FY2020. The decrease in profit was mainly attributable to (1) the decrease in the Group's revenue from the sale of properties to approximately HK\$895,158,000 for FY2021 from that of approximately HK\$4,384,023,000 for FY2020, mainly due to (a) the recognition of sales revenue of approximately HK\$2,103,445,000 from the sale of properties by the Group in FY2020 resulted from the Group's disposal of its entire equity interest in Guangzhou Yujia in FY2020, which held a block of office and commercial building and car parks for sale, while the Group had no such sales revenue in FY2021; and (b) the decrease in the number of properties delivered by the Group in FY2021; (2) the gain from disposal of a subsidiary of approximately HK\$2,037,683,000 realised from the Company's disposal of its entire equity interest in 廣州御宏投資有限公司 (Guangzhou Yuhong Investment Company Limited*) in FY2020, which was absent in FY2021; (3) the increase in the Company's share of the loss to approximately HK\$429,391,000 for FY2021 (FY2020: share of loss of approximately HK\$134,691,000) from its associate, Silver Grant, attributable to the increase in the loss incurred of Silver Grant in FY2021 for the reasons set out in the announcement of Silver Grant dated 21 April 2022; and (4) the decrease in the foreign exchange gain to approximately HK\$406,130,000 recorded by the Group for FY2021 from that of approximately HK\$865,753,000 recorded for FY2020.

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 seasonality in relation to the borrowing requirements of the Group.

Cash position

As at 31 December 2021, the Group's cash and bank balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK\$2,063,976,000 (31 December 2020: HK\$2,512,180,000). The cash and cash equivalents of the Group were mainly denominated in RMB, United States dollar ("US\$") and HK\$.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Borrowings, charges on group assets and gearing ratio

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

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Bank loans — secured	9,287,055	5,671,151
Bank loans — unsecured and guaranteed	—	236,849
Senior notes — secured	1,841,783	2,438,908
Other borrowings — secured	8,020,308	8,580,261
Other borrowings — unsecured and guaranteed	40,000	100,000
Lease liabilities	6,850	13,850
	<u>19,195,996</u>	<u>17,041,019</u>

- (a) As at 31 December 2021, 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 a term loan facility; and (iv) lease liabilities. Out of these borrowings, approximately HK\$745,260,000 (31 December 2020: HK\$1,037,773,000), approximately HK\$16,113,464,000 (31 December 2020: HK\$13,281,930,000) and approximately HK\$2,337,272,000 (31 December 2020: HK\$2,721,316,000) were denominated in HK\$, RMB and US\$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 7.76% to 12.4% (31 December 2020: 3% to 14%). Approximately 25.46% (31 December 2020: 41.58%) of the bank loans carried fixed interest rates ranging from 0.95% to 13% (31 December 2020: 2.35% to 13%) while the remaining 74.54% (31 December 2020: 58.42%) of the bank loans carried floating interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Borrowings, charges on group assets and gearing ratio (continued)

- (b) The gearing ratio of the Group is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, term deposits with initial terms of over three months and restricted cash) over the total capital (total equity plus net debt) of the Group. As at 31 December 2021, the gearing ratio of the Group was 65% (31 December 2020: 61%).
- (c) As at 31 December 2021, the Group had outstanding secured bank loans of approximately HK\$9,287 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, 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development 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 entire equity interest of a subsidiary of Guangdong Zhuguang Group; (vii) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; and (viii) 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 RMB750 million due in January 2022; (2) a bank loan in the principal amount of HK\$2.15 million due in March 2022; (3) a bank loan in the principal amount of RMB300 million due in April 2022; (4) bank loans in the aggregate principal amount of RMB40 million due in June 2022; (5) a bank loan in the principal amount of HK\$104.5 million due in June 2022; (6) a bank loan in the principal amount of US\$5.77 million due in June 2022; (7) a bank loan in the principal amount of HK\$92.64 million due in June 2022; (8) a bank loan in the principal amount of RMB10 million due in August 2022; (9) bank loans in the aggregate principal amount of HK\$207.45 million due in August 2022; (10) a bank loan in the principal amount of RMB10 million due in September 2022; (11) a bank loan in the principal amount of RMB1 million due in November 2022; (12) a bank loan in the principal amount of RMB10 million due in November 2022; (13) a bank loan in the principal amount of RMB2,500 million due in August 2023; (14) a bank loan in the principal amount of RMB5 million due in August 2023; (15) a bank loan in the principal amount of US\$57.77 million due in August 2023; (16) a bank loan in the principal amount of RMB3,097.31 million repayable by instalments within 5 years with the last instalment due in December 2024; (17) a bank loan in the principal amount of RMB200 million due in February 2033; and (18) a bank loan in the principal amount of RMB2,500 million due in September 2035.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Borrowings, charges on group assets and gearing ratio (continued)

- (d) As at 31 December 2021, the Group had outstanding 2019 Senior Notes in the aggregate principal amount of US\$242.85 million (equivalent to approximately HK\$1,842 million), due on 21 September 2022, which are secured and guaranteed by (i) 3,361,112,000 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**”), 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, 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), 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Borrowings, charges on group assets and gearing ratio (continued)

- (e) As at 31 December 2021, the Group had outstanding secured other borrowings of approximately HK\$8,020 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's assets under construction included in 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*) and 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (viii) 525,000,000 Shares owned by Rong De; and (ix) 681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings comprised (1) a loan in the principal amount of RMB629.6 million repayable by instalments within 4 years with the last instalment due in January 2022; (2) a loan in the principal amount of RMB2,500 million due in May 2022; (3) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 5 years with the last instalment due in June 2022; (4) a margin loan in the principal amount of HK\$290 million due in October 2022; (5) a loan in the principal amount of RMB450 million due in November 2022; (6) loans in the aggregate principal amount of RMB2,400 million due in January 2023; (7) loans in the aggregate principal amount of RMB220 million due in December 2023; (8) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; and (9) a loan in the principal amount of RMB636 million due in April 2026.
- (f) As at 31 December 2021, the Group had outstanding unsecured and guaranteed other borrowings of HK\$40 million, which were guaranteed by the personal guarantee executed by an executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed other borrowings comprised a loan in the principal amount of HK\$40 million due in April 2022.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Issue of perpetual capital securities

On 30 November 2021, the Company issued perpetual capital securities (“**2021 Perpetual Securities**”) in the aggregate principal of HK\$250,000,000 at a distribution rate of 8% per annum to Rong De (the controlling shareholder (within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) of the Company). The 2021 Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. While distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date. The proceeds from the issue of the 2021 Perpetual Securities were used for financing the corporate funding requirement of the Group.

FINANCIAL GUARANTEE CONTRACTS

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:

	31 December 2021 HK\$’000	31 December 2020 HK\$’000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group’s properties	<u>4,746,698</u>	<u>3,643,803</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 principal 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 31 December 2021 (31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FOREIGN EXCHANGE RATE

During FY2021, 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 FY2021, 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 927 employees in Hong Kong and the PRC as at 31 December 2021 (31 December 2020: 289). The increase in the number of employees was primarily due to the increase in the number of employees of the property development segment of the Group hired in the last quarter of FY2021 to cope with the business needs of this segment, which was in line with the business development of the Group. During FY2021, the level of the Group's overall staff cost was approximately HK\$267.0 million (FY2020: HK\$183.2 million). 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 FY2021, including training on updates of accounting standards and training on market updates.

During FY2021, 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 HK\$'000	2020 HK\$'000
REVENUE	4	2,985,021	6,624,798
Cost of sales		(722,410)	(3,400,858)
Gross profit		2,262,611	3,223,940
Fair value gain/(loss) on investment properties, net		77,679	(97,233)
Other income and gains	4	623,983	1,144,136
Gain on disposal of subsidiaries		33,183	2,037,683
Gain on bargain purchase		257,505	—
Selling and marketing expenses		(50,416)	(69,901)
Administrative expenses		(453,235)	(391,433)
Changes in fair value of financial assets at fair value through profit or loss		381,434	367,802
Impairment losses on financial assets, net		(80,344)	(440,689)
Other expenses		(660,345)	(763,495)
Finance costs, net	5	(1,510,796)	(1,517,356)
Share of loss of an associate		(429,391)	(134,691)
Share of losses of joint ventures		(6,008)	(21,206)
PROFIT BEFORE TAX	6	445,860	3,337,557
Income tax expense	7	(336,244)	(1,112,361)
PROFIT FOR THE YEAR		109,616	2,225,196
Attributable to:			
Equity holders of the parent		71,018	2,242,404
Non-controlling interests		38,598	(17,208)
		109,616	2,225,196
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	8	0.29	30.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	109,616	2,225,196
OTHER COMPREHENSIVE LOSS FOR THE YEAR		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(48,448)	(428,722)
Share of other comprehensive income of an associate	36,713	81,730
Reclassification adjustments for a foreign operation disposed of during the year	(32,963)	(46,802)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(44,698)	(393,794)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	—	(3,671)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(44,698)	(397,465)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	64,918	1,827,731
Attributable to:		
Equity holders of the parent	23,603	1,853,075
Non-controlling interests	41,315	(25,344)
	64,918	1,827,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		31 December	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property and equipment		784,618	366,393
Investment properties		4,537,957	3,774,285
Intangible assets		9,241	10,673
Goodwill		—	87,081
Investments in joint ventures		12,108	1,657,569
Investment in an associate		1,193,718	1,586,396
Trade receivables	10	2,037,831	8,352,626
Financial assets at fair value through profit or loss		43,872	1,585,462
Deferred tax assets		5,168	18,177
Total non-current assets		<u>8,624,513</u>	<u>17,438,662</u>
CURRENT ASSETS			
Properties under development		11,517,439	918,433
Completed properties held for sale		2,502,264	3,617,252
Trade receivables	10	13,608,061	6,231,006
Prepayments, other receivables and other assets		2,470,085	3,676,303
Prepaid income tax		201,105	163,779
Financial assets at fair value through profit or loss		1,910,354	2,372,579
Restricted cash		1,087,606	1,353,143
Term deposits with initial terms of over three months		892,746	1,103,808
Cash and cash equivalents		83,624	55,229
Total current assets		<u>34,273,284</u>	<u>19,491,532</u>
CURRENT LIABILITIES			
Contract liabilities		2,386,942	1,482,331
Trade and other payables	11	5,517,933	3,858,256
Interest-bearing bank and other borrowings		7,623,362	7,956,461
Income tax payables		3,668,060	3,454,683
Derivative financial instruments		121,781	19,645
Total current liabilities		<u>19,318,078</u>	<u>16,771,376</u>
NET CURRENT ASSETS		<u>14,955,206</u>	<u>2,720,156</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,579,719</u>	<u>20,158,818</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**At 31 December 2021*

		31 December	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Other payables	<i>11</i>	470,397	353,223
Interest-bearing bank and other borrowings		11,572,634	9,084,558
Deferred tax liabilities		2,460,385	1,302,085
Total non-current liabilities		14,503,416	10,739,866
Net assets		9,076,303	9,418,952
EQUITY			
Equity attributable to owners of the parent			
Share capital		722,564	719,442
Perpetual capital securities		1,204,169	904,416
Reserves		7,007,952	7,694,791
		8,934,685	9,318,649
Non-controlling interests		141,618	100,303
Total equity		9,076,303	9,418,952

Notes:

1 GENERAL 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 year, 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 “**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 (“**BVI**”).

2.1 BASIS OF PRESENTATION

As at 31 December 2021, notwithstanding that the Group reported net current assets of HK\$14,955 million, the Group’s outstanding interest-bearing bank and other borrowings amounted to HK\$7,623 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of HK\$2,641 million and onshore borrowings in Mainland China of HK\$4,982 million, while the Group’s cash and cash equivalents and term deposits (with initial terms of over three months) amounted to HK\$976 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 consolidated financial statements of HK\$1,603 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 have the cash from 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 current year and subsequent to year end, the Group has terminated certain urban redevelopment projects and a property management service contract. The related outstanding receivable as at 31 December 2021 amounted to HK\$972 million has been refunded as at the date of this announcement and the remaining HK\$3,084 million is scheduled to be repaid in 2022;

2.1 BASIS OF PRESENTATION *(continued)*

- (b) Subsequent to the year end, the Group successfully completed a financing arrangement with an independent third party in an aggregate principal amount of HK\$2,446 million. A principal amount of HK\$1,223 million has been received as at the date of this announcement, while HK\$954 million is expected to be received in 2022 and the remaining HK\$269 million after 2022;
- (c) 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;
- (d) 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;
- (e) The Group will continue to take active measures to control administrative costs and manage its capital expenditures; and
- (f) Rong De Investment Limited, the ultimate holding company, has issued a letter of financial support to the Company for a period of 12 months from the reporting year 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 consolidated financial statements for the year ended 31 December 2021 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:

- (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, speed up the collection of outstanding sales proceeds and receivables, and 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 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 consolidated financial statements.

2.2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. The financial statements are presented in Hong Kong Dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

2.2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(i) Changes in revised HKFRS

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(i) Changes in revised HKFRS *(continued)*

(a) *(continued)*

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) and United States dollars based on the London Interbank Offered Rate (“**LIBOR**”) and the RMB base lending rate as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met. The amendments are not expected to have any significant impact on the Group’s financial statements.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

(ii) Changes in accounting policy

The Group has changed its accounting policy of the classification of the interest paid in the consolidated statement of cash flows from operating activities to financing activities during the current year (the “**Policy Change**”) so as to provide more reliable and more relevant information of cash flows generated from financial liabilities. In the opinion of the Directors, it is more appropriate to reflect all cash flows of the Group’s borrowings as financing activities in the statement of cash flows and the Policy Change can result in a consistent presentation which is beneficial to users of the financial statements to understand all the related cash flows of the same financial liabilities and provides more comparable information with industry peers.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(ii) Changes in accounting policy *(continued)*

Set out below are the amounts by which each financial statement line item that was affected for the years ended 31 December 2021 and 2020 as a result of the Policy Change:

	Year ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	<u>1,712,493</u>	<u>1,404,679</u>
Increase in cash flows related to operating activities	<u>1,712,493</u>	<u>1,404,679</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	<u>(1,712,493)</u>	<u>(1,404,679)</u>
Decrease in cash flows related to financing activities	<u>(1,712,493)</u>	<u>(1,404,679)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u><u>—</u></u>	<u><u>—</u></u>

The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss, comprehensive income, financial position and changes in equity of the Group.

3. 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, gain on disposal of subsidiaries, share of profit/loss of joint ventures, share of profit/loss of an associate, impairment on investment in an associate included in other expenses, finance costs (other than interest on lease liabilities) and income tax expenses as well as head office and corporate expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION *(continued)*

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, restricted cash, term deposits with initial terms of over three months and cash and cash equivalents 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021

	Property development	Project management services	Property investment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:				
Sales to external customers	895,158	1,893,417	196,446	2,985,021
Segment results	(285,183)	2,545,948	228,888	2,489,653
<i>Reconciliation:</i>				
Fair value loss on derivative financial instruments, net				(116,147)
Gain on disposal of subsidiaries				33,183
Share of loss of an associate				(429,391)
Share of losses of joint ventures				(6,008)
Finance costs, net (other than interest on lease liabilities)				(1,509,824)
Corporate and other unallocated expenses				(15,606)
Profit before tax				445,860
Income tax expense				(336,244)
Profit for the year				109,616
Segment assets	17,484,947	17,395,180	4,668,250	39,548,377
<i>Reconciliation:</i>				
Corporate and other unallocated assets				3,349,420
Total assets				42,897,797
Segment liabilities	7,768,744	—	142,981	7,911,725
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				25,909,769
Total liabilities				33,821,494

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021

	Property development	Project management services	Property investment	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Other segment information:				
Depreciation	15,717	—	—	15,717
Amortisation	1,721	—	—	1,721
Capital expenditure*	419,591	—	—	419,591
Fair value gain on investment properties, net (Reversal of impairment losses)/	—	—	(77,679)	(77,679)
impairment losses on financial assets	(80,955)	161,299	—	80,344
Impairment of goodwill	128,292	—	—	128,292
Impairment of properties under development and completed properties held for sale	<u>103,393</u>	<u>—</u>	<u>—</u>	<u>103,393</u>

* Capital expenditure consists of additions to property and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020

	Property development	Project management services	Property investment	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Segment revenue:				
Sales to external customers	4,384,023	2,063,545	177,230	6,624,798
Segment results	568,220	2,915,145	20,112	3,503,477
<i>Reconciliation:</i>				
Fair value gain on derivative financial instruments, net				20,489
Gain on disposal of subsidiaries				2,037,683
Share of loss of an associate				(134,691)
Impairment on investment in an associate included in other expenses				(539,757)
Share of losses of joint ventures				(21,206)
Finance costs, net (other than interest on lease liabilities)				(1,515,768)
Corporate and other unallocated expenses				(12,670)
Profit before tax				3,337,557
Income tax expense				(1,112,361)
Profit for the year				2,225,196
Segment assets	8,457,684	18,386,408	4,152,512	30,996,604
<i>Reconciliation:</i>				
Corporate and other unallocated assets				5,933,590
Total assets				36,930,194
Segment liabilities	5,448,601	–	258,791	5,707,392
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				21,803,850
Total liabilities				27,511,242

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020

	Property development	Project management services	Property investment	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Other segment information:				
Depreciation	10,654	–	–	10,654
Amortisation	1,569	–	–	1,569
Capital expenditure*	894	–	9,472	10,366
Fair value loss on investment properties, net	–	–	97,233	97,233
Impairment losses on financial assets, net	–	440,689	–	440,689
Impairment of goodwill	126,876	–	–	126,876
Impairment of completed properties held for sale	53,707	–	–	53,707
Write-off of trade receivables	–	–	11,832	11,832
Write-off of other receivables	19,059	–	–	19,059

* Capital expenditure consists of additions to property and equipment, investment properties and intangible assets.

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 not provide additional useful information to the users of these financial statements.

Information about major customers

For the year ended 31 December 2021, revenue of approximately HK\$1,893,417,000 (2020: HK\$1,612,413,000) was derived from a single customer, which is a related party, and was attributable to the project management services segment.

For the year ended 31 December 2020, revenue of approximately HK\$2,098,941,000 was derived from a single customer, which was attributable to the property development segment.

4. REVENUE, OTHER INCOME AND GAINS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of properties	895,158	4,384,023
<i>Revenue from other sources</i>		
Rental income from investment property operating leases:		
– fixed lease payments	196,446	177,230
Finance component of income from urban redevelopment projects	1,893,417	2,063,545
	<u>2,985,021</u>	<u>6,624,798</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	112,174	162,934
Management service income	76,759	85,949
Fair value gain on derivative financial instruments	—	20,489
Gain on disposal of investment properties	—	8,240
Foreign exchange differences, net	406,130	865,753
Others	28,920	771
	<u>623,983</u>	<u>1,144,136</u>

5. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank and other borrowings and senior notes	1,731,164	1,852,028
Interest expense arising from revenue contracts	49,489	83,791
Interest on lease liabilities	972	1,588
Total interest expense	1,781,625	1,937,407
Less: interest capitalised	(270,829)	(420,051)
	<u>1,510,796</u>	<u>1,517,356</u>

6. PROFIT BEFORE TAX

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

	2021	2020
	HK\$'000	HK\$'000
Cost of properties sold	722,410	3,400,858
Depreciation of property and equipment	7,271	2,208
Depreciation of right-of-use assets	8,446	8,446
Amortisation	1,721	1,569
Fair value loss/(gain) on derivative financial instruments, net	116,147	(20,489)
Lease payments not included in the measurement of lease liabilities	2,856	2,898
Auditor's remuneration	5,500	4,500
Employee benefit expense (including directors' remuneration)		
Wages and salaries	252,026	174,817
Retirement benefit scheme contributions	14,933	8,429
	<u>266,959</u>	<u>183,246</u>
Impairment of financial assets		
Impairment of trade receivables, net	161,299	407,927
(Reversal of impairment)/impairment of deposits and other receivables	(80,955)	32,762
	<u>80,344</u>	<u>440,689</u>
Impairment of properties under development and completed properties held for sale	103,393	53,707
Impairment of goodwill	128,292	126,876
Impairment on investment in an associate	—	539,757
Write-off of trade receivables	—	11,832
Write-off of other receivables	—	19,059
Remeasurement loss of pre-existing interests	250,285	—
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	42,460	48,053
	<u><u>42,460</u></u>	<u><u>48,053</u></u>

7. 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 year (2020: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the majority of the Group's subsidiaries operate.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current:		
PRC corporate income tax	327,988	845,743
PRC land appreciation tax	50,020	522,156
	<u>378,008</u>	<u>1,367,899</u>
Deferred	<u>(41,764)</u>	<u>(255,538)</u>
Total tax charge for the year	<u><u>336,244</u></u>	<u><u>1,112,361</u></u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year 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 7,211,686,820 (2020: 7,194,417,247) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2021	2020
Profit attributable to equity holders of the parent (<i>HK\$'000</i>)	71,018	2,242,404
Distribution related to perpetual capital securities (<i>HK\$'000</i>)	<u>(49,753)</u>	<u>(48,000)</u>
Profit used in the basic and diluted earnings per share calculations (<i>HK\$'000</i>)	<u><u>21,265</u></u>	<u><u>2,194,404</u></u>
Weighted average number of ordinary shares in issue during the year (thousand shares)	<u><u>7,211,687</u></u>	<u><u>7,194,417</u></u>

9. DIVIDENDS

No dividend in respect of the year ended 31 December 2021 was proposed by the board of directors of the Company.

A final dividend and a special dividend in respect of the year ended 31 December 2020 of HK1 cent per share and HK9 cents per share, respectively, amounting to a total dividend of HK\$722,563,000, were paid for the year ended 31 December 2021.

10. TRADE RECEIVABLES

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Receivables from sales of properties and rentals			
Third parties		130,488	82,942
	<i>(a)</i>	130,488	82,942
Receivables for urban redevelopment projects			
Related parties		15,874,404	14,842,398
Third parties		343,952	179,132
		16,218,356	15,021,530
Less: Impairment allowance		(702,952)	(520,840)
Net receivables for urban redevelopment projects	<i>(b)</i>	15,515,404	14,500,690
Total		15,645,892	14,583,632
Portion classified as non-current assets		(2,037,831)	(8,352,626)
Current portion		13,608,061	6,231,006

Notes:

- (a) An ageing analysis of the receivables from 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:

	2021 HK\$'000	2020 HK\$'000
Current to 180 days	92,280	75,272
181 to 365 days	20,229	7,477
Over 365 days	17,979	193
	130,488	82,942

10. TRADE RECEIVABLES (continued)

Notes: (continued)

- (b) The Group has entered into project management agreements with related parties and third parties for urban redevelopment projects. According to the project management agreements, the Group has the contractual right and responsibility (including the funding responsibility) to provide project management services in relation to the urban redevelopment projects. In return, the Group is entitled to a finance component of income arising from a fixed rate of return at an agreed percentage of funds incurred and contributed by the Group under its contractual funding responsibility and a management service income from the performance of the underlying urban redevelopment projects. For the years ended at 31 December 2021 and 2020, no management service income arising from the performance of the underlying urban redevelopment projects was recognised as the amounts were subject to constraint.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	2,408,741	7,073,389
1 to 2 years	6,875,564	3,612,492
2 to 3 years	2,604,311	4,335,649
Over 3 years	4,329,740	—
	<u>16,218,356</u>	<u>15,021,530</u>

11. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills payables	3,394,395	2,207,549
Amounts due to related parties	235,482	218,724
Amount due to a joint venture	6,115	158,452
Amount due to the ultimate holding company	470,397	344,432
Other payables and accruals	1,122,603	558,922
Other taxes payables	759,338	723,400
	<u>5,988,330</u>	<u>4,211,479</u>
Portion classified as current liabilities	<u>(5,517,933)</u>	<u>(3,858,256)</u>
Non-current portion	<u>470,397</u>	<u>353,223</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	3,334,468	2,131,531
Over 1 year	59,927	76,018
	<u>3,394,395</u>	<u>2,207,549</u>

MATERIAL DIFFERENCES BETWEEN THE ANNUAL RESULTS IN THE PREVIOUS RESULTS ANNOUNCEMENT AND THE ANNUAL RESULTS IN THIS ANNOUNCEMENT

Since the financial information contained in the Previous Results Announcement has not been audited and has not been agreed with the Company’s auditor as at the date of its publication and subsequent adjustments have been made to such information, shareholders (“**Shareholders**”) and potential investors of the Company are advised to pay attention to the material differences between the annual results set out in the Previous Results Announcement and the annual results disclosed in this announcement, the principal details and reasons pursuant to Rule 13.49(3)(ii)(b) of the Listing Rules are set out below:

	Year ended 31 December 2021 (HK\$'000) (Disclosed in the Previous Results Announcement)	Year ended 31 December 2021 (HK\$'000) (Disclosed in this announcement)	Difference (HK\$'000)	Notes
Consolidated Statement of Profit or Loss (Extract)				
Impairment losses on financial assets, net	52,291	(80,344)	(132,635)	1
Other expenses	(778,116)	(660,345)	117,771	2, 3 and 4
Share of loss of an associate	(464,511)	(429,391)	35,120	5
PROFIT BEFORE TAX	425,604	445,860	20,256	
PROFIT FOR THE YEAR	89,360	109,616	20,256	
Attributable to:				
Equity holders of the parent	50,762	71,018	20,256	6
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (HK cent per share)	0.01	0.29	0.28	7

	Year ended 31 December 2021 (HK\$'000) (Disclosed in the Previous Results Announcement)	Year ended 31 December 2021 (HK\$'000) (Disclosed in this announcement)	Difference (HK\$'000)	Notes
Consolidated Statement of Comprehensive Income (Extract)				
PROFIT FOR THE YEAR	89,360	109,616	20,256	
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: Share of other comprehensive income of an associate	7,987	36,713	28,726	8
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(73,424)	(44,698)	28,726	8
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(73,424)	(44,698)	28,726	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,936	64,918	48,982	
Attributable to: Equity holders of the parent	(25,379)	23,603	48,982	9

	31 December 2021 (HK\$'000) (Disclosed in the Previous Results Announcement)	31 December 2021 (HK\$'000) (Disclosed in this announcement)	Difference (HK\$'000)	Notes
Consolidated Statement of Financial Position (Extract)				
NON-CURRENT ASSETS				
Investment in an associate	931,178	1,193,718	262,540	2, 5 and 8
Trade receivables	2,054,261	2,037,831	(16,430)	1
Total non-current assets	8,378,403	8,624,513	246,110	
CURRENT ASSETS				
Properties under development	11,605,280	11,517,439	(87,841)	3
Completed properties held for sale	2,509,934	2,502,264	(7,670)	4
Trade receivables	13,722,314	13,608,061	(114,253)	1
Prepayments, other receivables and other assets	2,472,037	2,470,085	(1,952)	1
Total current assets	34,485,000	34,273,284	(211,716)	
NET CURRENT ASSETS	15,166,922	14,955,206	(211,716)	
TOTAL ASSETS LESS CURRENT LIABILITIES	23,545,325	23,579,719	34,394	
Net assets	9,041,909	9,076,303	34,394	
EQUITY				
Equity attributable to owners of the parent				
Reserves	6,973,558	7,007,952	34,394	9
Total equity	9,041,909	9,076,303	34,394	

Notes:

1. The change was resulted from the revision of impairment loss of financial assets following the assessment of expected credit loss.
2. The change was resulted from the revision of the provision of impairment on investment in an associate.
3. The change was resulted from the revision of the provision of impairment on properties under development.
4. The change was resulted from the revision of the provision of impairment on completed properties held for sale.
5. The change was resulted from the revision of the share of loss of an associate.
6. The change was resulted from the revision of the profit for the year attributable to equity holders of the parent following the revision of certain profit or loss items.
7. The change was resulted from the revision of the profit for the year attributable to equity holders of the parent.
8. The change was resulted from the revision of the share of other comprehensive income of an associate.
9. The change was resulted from the revision of the total comprehensive income for the year attributable to equity holders of the parent following the revision of certain profit or loss items and other comprehensive income items.

Save for the material differences disclosed above and the corresponding changes thereto, there are no material changes to the financial information disclosed in the Previous Results Announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Independent Auditor's Report from the auditor of the Company, Ernst & Young:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 1.2 to the consolidated financial statements, which indicates notwithstanding that the Group reported net current assets of HK\$14,955 million, there are identified events or conditions that indicate the existence of a material uncertainty related to going concern, when considering that the Group's current portion of interest-bearing bank and other borrowings amounted to HK\$7,623 million while its cash and cash equivalents and term deposits (with initial terms of over three months) amounted to HK\$976 million as at 31 December 2021. This, along with other matters set forth in note 1.2 to the consolidated financial statements, may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during FY2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 have complied with the required standards set out in the Code for FY2021.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the applicable code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules then in force during FY2021, other than Code Provision E.1.2 of the CG Code.

Code Provision E.1.2 of the CG Code requires that the chairman of the Board (“**Chairman**”) should attend the annual general meeting of the Company. Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Chairman, did not attend the annual general meeting of the Company held on 11 June 2021 due to his other engagement.

AUDIT COMMITTEE

The audit committee (“**Audit Committee**”) of the Company comprises three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practice adopted by the Group and the Company's consolidated results for FY2021, and discussed with the management regarding internal control and financial reporting matters.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and related notes thereto for FY2021 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for FY2021. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF 2021 ANNUAL REPORT

The Company's annual report for FY2021 containing the relevant information required by Appendix 16 to the Listing Rules will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.zhuguang.com.hk and will be despatched to the Shareholders in due course.

APPRECIATION

The Board would like to take this opportunity to thank the Shareholders and the management and the staff members of the Group for their dedication and support.

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

Hong Kong, 22 April 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).