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 2022

The board ("**Board**") of directors ("**Directors**") of Zhuguang Holdings Group Company Limited ("**Company**") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2022 ("**FY2022**") together with the comparative figures for the previous financial year ("**FY2021**") as follows:

** Chinese name is translated for identification purpose only*

FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Revenue by operating segment:		
— Property development	**890,037**	889,185
— Project management services	**1,705,171**	1,893,417
— Property investment and hotel operation	**243,635**	202,419
(Loss)/profit for the year attributable to owners of the parent	**(997,194)**	71,018

	At 31 December	
	2022	2021
	HK$'000	*HK$'000*
Total assets	**37,119,082**	42,897,797
Total liabilities	**29,767,564**	33,821,494
Total equity	**7,351,518**	9,076,303

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property development, project management, and property investment and hotel operation in the People's Republic of China ("**PRC**", "**China**" or "**Mainland China**").

BUSINESS REVIEW

In 2022, the global economy continued to be unstable and challenging. Affected by multiple factors such as the recurrence of the COVID-19 pandemic, rising interest rates and geopolitical conflicts, global economic growth had slowed down significantly.

During the year under review, the economy of China was exposed to rising internal and external risks. The recurrence of the pandemic, weak consumption momentum and real estate risks posed challenges to the economic growth of China. In respect of the real estate industry in the country, regulatory policies previously introduced by the government, such as "housing is for accommodation, not for speculative trading" and "taking measures in response to local conditions" remained in force in 2022, which served to stabilise land prices, property prices and market expectations. The stability of the real estate market remained the focus of the Chinese government in its policy-making. Other government policies had been introduced in 2022 to support the steady development of the real estate sector, such as the "16-point plan", which urged financial institutions to extend loans to private real estate companies with sound corporate governance, and the "three arrows", which aimed at boosting real estate financing by expanding the three financing channels, namely, credit, bonds and equity. These policies will help further stabilise the expectations of home buyers and their confidence in the real estate market.

In 2022, being the second year under the "14th Five-Year Plan", the Chinese government continued its emphasis on the principle that housing is for accommodation, not for speculative trading, and put more efforts into the enhancement of the transformation of old communities in the cities and community construction, which were in line with the continuous philosophy of 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*) ("**GZZG Urban Renewal**"), a wholly-owned subsidiary of the Company and a member of the Company's urban renewal group.

The urban renewal group of the Company will continue its professionalism as an urban renewal specialist to implement each urban renewal project of the Group, secure the Group's most important source of 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 cooperating with its strategic partners to jointly develop quality and mature projects so as to strengthen and consolidate its position as an urban renewal specialist.

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

*   *English name is translated for identification purpose only*

BUSINESS REVIEW *(continued)*

Property Development and Sales

During FY2022, 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 FY2022 amounted to approximately HK$2,188,836,000 and approximately 68,853 square metres ("**sqm**"), representing an increase of approximately 33.59% and approximately 25.66%, respectively, as compared with those for FY2021. The details of the Group's contracted sales and contracted GFA sold for FY2022 are set out below:

Projects	**Contracted sales** *(HK$'000)*	**Contracted GFA sold** *(sqm)*
Zhuguang Financial Town One	1,609,538	21,579
Pearl Xincheng Yujing ("**Xincheng Yujing**")	209,726	26,799
Yujing Yayuan	137,973	11,582
Hua Cheng Yujing Garden	79,131	431
Central Park	70,779	454
Zhuguang Yujing Scenic Garden ("**Yujing Scenic Garden**")	26,628	1,569
Pearl Tianhu Yujing Garden ("**Tianhu Yujing**")	8,937	1,025
Pearl Yunling Lake	2,611	209
Pearl Yijing	2,200	765
	2,147,523	64,413
Car parks	41,313	4,440
	2,188,836	68,853

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

It is expected that the following projects of the Group will be available for sale, pre-sale or leasing in 2023:

Projects	**Available for sale/ pre-sale/ leasing period**	**GFA available for sale/lease** (sqm)	**Usage**
Zhuguang Financial Town One	1st quarter	343,878	Pre-sale/Sale
Xincheng Yujing	1st quarter	33,311	Leasing/Sale
Yujing Yayuan	1st quarter	6,384	Sale
Hua Cheng Yujing Garden	1st quarter	2,445	Leasing/Sale
Central Park	1st quarter	3,296	Leasing/Sale
Yujing Scenic Garden	1st quarter	28,103	Sale
Tianhu Yujing	1st quarter	27,006	Leasing/Sale
Pearl Yunling Lake	1st quarter	150	Sale
Pearl Yijing	1st quarter	14,948	Sale
Project Tian Ying	1st quarter	6,772	Sale
Meizhou Chaotang Project	1st quarter	26,813	Leasing/Sale
Zhukong International	1st quarter	3,345	Leasing/Sale

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

As at 31 December 2022, 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 391,245 sqm. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 3,688 sqm. During FY2022, contracted sales of approximately HK$1,609,538,000 with GFA of approximately 21,579 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 310,716 sqm. The project is being developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project is divided into three phases. Phase I commenced pre-sale during 2017 with delivery commencing in 2018. Phase II commenced pre-sale in 2017 which was completed with delivery commencing in 2019. Phase III also commenced delivery during 2020. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 226,087 sqm. The Group has designated GFA of approximately 9,482 sqm of this property as investment properties held for long-term investment purpose. The ancillary commercial building plus a basement with a total GFA of approximately 9,074 sqm were leased out during FY2022. During FY2022, contracted sales of approximately HK$209,726,000 with GFA of approximately 26,799 sqm were recorded with respect to "Xincheng Yujing".

* *English name is translated for identification purpose only*

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 total GFA available for development of this project are approximately 15,745 sqm and approximately 38,005 sqm, respectively. The development of this project into five blocks of modern residential buildings, a street-level commercial podium and an underground car park was completed in 2020. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 20,901 sqm. During FY2022, contracted sales of approximately HK$137,973,000 with GFA of approximately 11,582 sqm were recorded with respect to "Yujing Yayuan".

Hua Cheng Yujing Garden — 100% interest

"Hua Cheng Yujing Garden" was acquired by the Group in 2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm. The total GFA available for sale of this project which belongs to the Group is approximately 108,675 sqm. Out of the GFA of approximately 108,675 sqm, a GFA of approximately 48,043 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 60,632 sqm is attributable to a commercial complex which comprises car parks, shopping malls and office premises. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 87,267 sqm. During FY2022, contracted sales of approximately HK$79,131,000 with GFA of approximately 431 sqm were recorded with respect to "Hua Cheng Yujing Garden".

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 2022, the aggregate GFA available for sale of the service apartments delivered was approximately 23,668 sqm. The Group has designated GFA of approximately 1,428 sqm of this property as investment properties held for long-term investment purpose. During FY2022, contracted sales of approximately HK$70,779,000 with GFA of approximately 454 sqm were recorded with respect to "Central Park".

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 a commercial and residential complex, comprising residential buildings and a street-level commercial podium and car parks. The total GFA available for sale is approximately 757,633 sqm, which comprises four phases of development. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 5,217 sqm. During FY2022, contracted sales of approximately HK$26,628,000 with GFA of approximately 1,569 sqm were recorded with respect to "Yujing Scenic Garden".

Tianhu Yujing — 100% interest

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 55,031 sqm. The land of this project is located adjacent to "Yujing Scenic Garden", and the Group has developed this land together with "Yujing Scenic Garden" to expand the Group's development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 186,894 sqm. The development is divided into two phases. The total GFA available for sale under Phase I and Phase II is approximately 97,183 sqm and 89,711 sqm, respectively. As at 31 December 2022, the aggregate GFAs delivered under this project was approximately 138,745 sqm. During FY2022, contracted sales of approximately HK$8,937,000 with GFA of approximately 1,025 sqm were recorded with respect to "Tianhu Yujing".

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Pearl Yunling Lake — 100% interest

"Pearl Yunling Lake" is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou City, Guangdong Province, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou City. The project site area is approximately 200,083 sqm and the total GFA available for sale is approximately 110,417 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 42,884 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,773 sqm. Phase I with a total GFA available for sale of approximately 39,046 sqm and Phase II with a total GFA available for sale of approximately 29,040 sqm were launched for sale in the first and third quarters of 2017 respectively, whilst the hotel with a GFA of approximately 42,331 sqm has been retained as a long-term asset of the Group. As at 31 December 2022, the aggregate GFAs delivered under this project was approximately 39,525 sqm. During FY2022, contracted sales of approximately HK$2,611,000 with GFA of approximately 209 sqm were recorded with respect to "Pearl Yunling Lake".

Pearl Yijing — 100% interest

"Pearl Yijing" is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 45,310 sqm and a total GFA available for sale of approximately 164,603 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 31 December 2022, the aggregate GFA available for sale delivered under this project was approximately 148,759 sqm. During FY2022, contracted sales of approximately HK$2,200,000 with GFA of approximately 765 sqm were recorded with respect to "Pearl Yijing".

Project Tian Ying — 100% interest

"Project Tian Ying" is located in Jiang Pu Street, Conghua, Guangzhou City, Guangdong Province, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project, which was to be developed into a stylish low-density residential complex with a commercial podium and certain public facilities, was completed in 2019. As at 31 December 2022, the aggregate GFA delivered under this project was approximately 52,272 sqm.

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Meizhou Chaotang Project — 100% interest

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

Zhukong International — 80% interest

"Zhukong International", which is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, at the junction of 廣州大道 (Guangzhou Avenue*) and 黃埔大道 (Huang Pu Da Dao*), is a 35-storey high-rise commercial complex, including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The complex was completed in 2015 with a site area of approximately 10,449 sqm and a total GFA available for sale (including carpark areas) and leasing of approximately 109,824 sqm. As at 31 December 2022, the aggregate GFA of the office building and carparks sold was approximately 45,588 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 60,891 sqm of this property as investment properties held for long-term investment purpose.

Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. As at 31 December 2022, the Group had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 826,072 sqm in aggregate. The Group will continue to explore new opportunities for investment and development in cities in the PRC in which the Group already has land investments, as well as other cities in the PRC with growth potential and the best investment value.

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BUSINESS REVIEW *(continued)*

Project Management Services

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

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

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

BUSINESS REVIEW *(continued)*

Project Management Services *(continued)*

(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$1,705,171,000 for FY2022, compared with that of approximately HK$1,893,417,000 for FY2021. 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 FY2022. 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.

BUSINESS REVIEW *(continued)*

Property Investment and Hotel Operation

As at 31 December 2022, the Group owned (1) certain floors of Royal Mediterranean Hotel ("**RM Hotel**") located at 518 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with GFA of approximately 18,184 sqm (31 December 2021: 18,184 sqm); (2) "Zhukong International" with GFA of approximately 60,891 sqm (31 December 2021: 62,655 sqm); (3) certain floors of a commercial complex in "Hua Cheng Yujing Garden" with GFA of approximately 15,918 sqm (31 December 2021: 15,918 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC, with GFA of approximately 7,389 sqm (31 December 2021: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 12,910 sqm (31 December 2021: 19,058 sqm) as investment properties. During FY2022, 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$172,450,000 generated, representing a decrease of approximately 12.2% as compared with that of approximately HK$196,446,000 for FY2021. 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.

As at 31 December 2022, the Group operated two hotels, namely, (1) 廣州雲嶺湖酒店 (Guangzhou Vlamhoo Hotel*) ("**Vlamhoo Hotel**") located at Conghua, Guangzhou City, Guangdong Province, the PRC, which was constructed by the Group, with its operations commenced in December 2021; and (2) 廣東鹿湖溫泉假日酒店 (Guangdong Luhu Hot Spring Holiday Hotel*) ("**Luhu Hotel**") located at Fengshun County, Meizhou City, Guangdong Province, the PRC, which has been operated by the Group since December 2021. During FY2022, the operation of these hotels generated a total income of approximately HK$71,185,000 (FY2021: HK$5,973,000) for the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals during FY2022.

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OUTLOOK

Looking forward to 2023, the global economy will still face multiple challenges and instability as it will continue to be subject to the impacts of inflation and geopolitical conflicts. As policies targeting the COVID-19 pandemic were relaxed in the first quarter of 2023, the borders between Hong Kong and the Mainland China reopened. Markets in urban agglomerations, such as the Greater Bay Area, are expected to maintain a steady recovery, which will boost the market's confidence in the economic recovery in 2023.

Notwithstanding the anticipated post-pandemic market recovery, the real estate industry in China will still face enormous challenges in 2023 in light of the uncertainties in the global economy. "Stability" will continue to be the focus of the Chinese government in the real estate industry. Nevertheless, with the advancement of China's urbanisation, the real estate sector is expected to have considerable room for development. Various cities in China have implemented policies to relax credit conditions of home buyer loans to meet the buyers' reasonable demand for housing. The government has continued to implement multi-perspective policies favourable to the development of the real estate sector, including financial policies and regulatory policies to relax restrictions on property purchase. Based on the principle that housing is for accommodation, not for speculative trading, the government is firm in its position against using housing as a short-term means to stimulate the economy. As the urbanisation rate increases, people's quality of life will continue to improve. As people's demand for quality housing grows, quality real estate properties that meet people's living needs and improve their quality of life will be required, which will in turn raise the standard of the products to be delivered by the real estate industry. Under such development trends, the real estate industry is expected to gradually move towards and enter a new development model, under which product quality will be the key determinant influencing home buyers' decision making.

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 2023, and the Group will continue to pay close attention to the sales in this market. In terms of land acquisition, the Group will accelerate the implementation of its strategy of 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 as boost its urban renewal operations. The Group will also accelerate its cooperation with its strategic partners in various aspects, so as to enhance and strengthen its position in the industry as an urban renewal specialist.

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

FINANCIAL REVIEW

Revenue

During FY2022, the Group's revenue by operating segment included revenue from property development, project management services, and property investment and hotel operation. The total revenue of the Group for FY2022 was approximately HK$2,838,843,000 (FY2021: HK$2,985,021,000), which represented a decrease of approximately 4.9% as compared with that for FY2021.

Revenue from property development for FY2022 amounted to approximately HK$890,037,000 (FY2021: HK$889,185,000). The slight increase was mainly due to the increase in the number of properties delivered during FY2022 as compared with that during FY2021.

The income from the project management services segment contributed approximately HK$1,705,171,000 (FY2021: HK$1,893,417,000) to the total revenue of the Group for FY2022. The decrease was mainly due to the decrease in the number of project management services agreements the Group had in FY2022.

During FY2022, the Group recorded an aggregate income of approximately HK$243,635,000 (FY2021: HK$202,419,000) from the property investment and hotel operation segment. The rental income generated by the Group from its investment properties decreased from approximately HK$196,446,000 for FY2021 to approximately HK$172,450,000 for FY2022, mainly due to the decrease in the GFA of the investment properties leased out by the Group during FY2022. During FY2022, the Group generated a total income of approximately HK$71,185,000 (FY2021: HK$5,973,000) from its operation of two hotels in the Guangdong Province, the PRC, namely, the Vlamhoo Hotel, which was constructed by the Group, with its operations commenced in December 2021, and the Luhu Hotel, which has been operated by the Group since December 2021.

Gross profit

Gross profit of the Group decreased from approximately HK$2,262,611,000 for FY2021 to approximately HK$1,966,695,000 for FY2022, mainly due to the decrease in the Group's revenue in FY2022 and the increase in the Group's cost of sales as its hotel operation business started operation in December 2021.

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

For FY2022, the Group recorded a fair value loss on investment properties, net, of approximately HK$184,464,000 as compared with the fair value gain on investment properties, net, of approximately HK$77,679,000 for FY2021. The fair value loss on investment properties, net, for FY2022 was mainly due to the decrease in the fair value of "Zhukong International", "RM Hotel" and certain commercial properties held by the Group in the Guangdong Province, the PRC, as at 31 December 2022.

FINANCIAL REVIEW *(continued)*

Other income and gains, net

Other income and gains, net, of the Group decreased to approximately HK$317,752,000 during FY2022 (FY2021: HK$623,983,000). The decrease was primarily due to the foreign exchange gain, net, of approximately HK$406,130,000 recorded by the Group for FY2021 as a result of the appreciation of the Renminbi ("**RMB**") against the Hong Kong Dollar ("**HK$**"), while the Group recorded a foreign exchange loss, net, of approximately HK$592,063,000 for FY2022 arising from the depreciation of the RMB against the HK$, which has been accounted for as "other expenses, net" in the consolidated statement of profit or loss presented herein.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group slightly decreased from approximately HK$503,651,000 for FY2021 to approximately HK$498,576,000 for FY2022.

Other expenses, net

Other expenses, net, of the Group increased from approximately HK$660,345,000 for FY2021 to approximately HK$1,242,784,000 for FY2022. Other expenses, net mainly comprised (1) the recognition of a foreign exchange loss, net, of approximately HK$592,063,000 (FY2021: foreign exchange gain, net, of approximately HK$406,130,000, being accounted for as "other income and gains, net" in the consolidated statement of profit or loss presented herein) by the Group for FY2022 as a result of the depreciation of the RMB against the HK$ during FY2022; (2) the impairment loss of hotel properties included in the Group's property and equipment of approximately HK$428,083,000 (FY2021: Nil); and (3) the impairment of the Group's properties under development and completed properties held for sale of approximately HK$150,576,000 recorded for FY2022 (FY2021: HK$103,393,000).

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 decreased from approximately HK$381,434,000 for FY2021 to approximately HK$186,973,000 for FY2022. The decrease was mainly due to the decrease in the fair value of a project management services agreement as at 31 December 2022, under which the Group agreed to provide project management services in relation to a property development project to its customer.

FINANCIAL REVIEW *(continued)*

Share of loss of an associate

Share of loss of an associate of the Company was approximately HK$192,107,000 during FY2022 (FY2021: HK$429,391,000), 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 2022.

Finance costs, net

Finance costs, net, of the Group for FY2022 were approximately HK$1,270,106,000 (FY2021: HK$1,510,796,000), which were made up of interest expenses incurred by the Group during FY2022 after deduction of the interest expenses capitalised into development costs. The decrease in finance costs, net, was mainly due to the decrease in the interest-bearing bank and other borrowings of the Group in FY2022, as compared with those in FY2021.

Income tax expense

Income tax expense of the Group comprised corporate income tax ("**CIT**") and land appreciation tax ("**LAT**") in the PRC and deferred tax. CIT of approximately HK$173,940,000 (FY2021: HK$327,988,000), LAT of approximately HK$71,293,000 (FY2021: HK$50,020,000) and deferred tax credit of approximately HK$175,603,000 (FY2021: HK$41,764,000) accounted for the Group's total income tax expense of approximately HK$69,630,000 for FY2022 (FY2021: HK$336,244,000). The decrease in total income tax expense for FY2022 was mainly due to the decrease in the income generated by the Group during FY2022 which was subject to income tax, as compared with that during FY2021.

FINANCIAL REVIEW *(continued)*

Loss for the year

The Group's loss for FY2022 was approximately HK$1,021,759,000 (FY2021: profit for the year of HK$109,616,000). The decrease in profit was mainly attributable to (i) the recognition of a fair value loss on investment properties, net, of approximately HK$184,464,000 for FY2022 (FY2021: fair value gain on investment properties, net, of HK$77,679,000), mainly caused by the decrease in the fair value of the Group's investment properties located in the Mainland China as at 31 December 2022 from that as at 31 December 2021; (ii) the record of a provision of impairment loss of hotel properties included in property and equipment of approximately HK$428,083,000 for FY2022 (FY2021: Nil) and an impairment of properties under development and completed properties held for sales of approximately HK$150,576,000 for FY2022 (FY2021: HK$103,393,000), as a result of the current weak property market in the PRC; and (iii) the foreign exchange loss, net, of approximately HK$592,063,000 recorded by the Group for FY2022 (FY2021: foreign exchange gain, net, of HK$406,130,000), mainly as a result of the depreciation of the RMB against the HK$ during FY2022.

Treasury and funding policies

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

Cash position

As at 31 December 2022, the Group's cash and bank balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$759,572,000 (31 December 2021: HK$2,063,976,000). The cash and bank balances of the Group were mainly denominated in RMB, United States dollar ("**US$**") and HK$.

FINANCIAL REVIEW *(continued)*

Borrowings, charges on group assets and gearing ratio

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

	31 December 2022 *HK$'000*	31 December 2021 *HK$'000*
Bank loans — secured	**7,318,223**	9,287,055
Other borrowings:		
Senior notes — secured	**1,588,570**	1,841,783
Other borrowings — secured	**6,365,616**	8,020,308
Other borrowings — unsecured and guaranteed	**30,000**	40,000
Lease liabilities	**16,900**	6,850
	15,319,309	19,195,996

FINANCIAL REVIEW *(continued)*

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

(a) As at 31 December 2022, the Group's bank and other borrowings amounted to approximately HK$15,319,309,000, of which approximately 41.7%, 36.9%, 9.4% and 12.0% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years (31 December 2021: HK$19,195,996,000, of which approximately 39.7%, 26.8%, 21.6% and 11.9% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years). As at 31 December 2022, such borrowings of the Group were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans, a margin loan and term loan facilities; and (iv) lease liabilities. Out of these borrowings, approximately HK$283,830,000 (31 December 2021: HK$745,260,000), approximately HK$13,006,296,000 (31 December 2021: HK$16,113,464,000) and approximately HK$2,029,183,000 (31 December 2021: HK$2,337,272,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 7.00% to 13.00% (31 December 2021: 7.76% to 12.40%). Approximately 17.73% (31 December 2021: 25.46%) of the bank loans carried fixed interest rates ranging from 3.61% to 9.00% (31 December 2021: 0.95% to 13.00%) while the remaining bank loans of approximately 82.27% (31 December 2021: 74.54%) carried floating interest rates.

(b) The gearing ratio of the Group, being the Group's financial key performance indicator, is measured by the net debt (total interest-bearing borrowings net of cash and bank balances) over the total capital (total equity plus net debt) of the Group. As at 31 December 2022, the gearing ratio of the Group was 66% (31 December 2021: 65%).

(c) As at 31 December 2022, the Group had outstanding secured bank loans of approximately HK$7,318 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's property and equipment; (iii) the Group's properties under development and completed properties held for sale; (iv) the Group's term deposits; (v) the entire equity interest of the Company's subsidiaries, namely, GZZG Urban Renewal, 廣州舜吉實業有限公司 (Guangzhou Shunji Industry Company Limited*), 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited*) and 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*); (vi) the corporate guarantees executed by the Company and 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*) ("**Guangdong Zhuguang Group**"); and (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung and Mr. Liao Tengjia.

** English name is translated for identification purpose only*

FINANCIAL REVIEW *(continued)*

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

(d) As at 31 December 2022, the Group had outstanding senior notes in the aggregate principal amount of US$210 million (equivalent to approximately HK$1,589 million), which were secured and guaranteed by (i) 3,000,000,000 shares of the Company ("**Shares**") owned by Rong De Investments Limited (融德投資有限公司) ("**Rong De**"); (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) ("**Ai De**"), All Flourish Investments Limited (通興投資有限公司) ("**All Flourish**"), Capital Fame Investments Limited (嘉鋒投資有限公司) ("**Capital Fame**"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("**Cheng Chang**"), China Honest International Investments Limited (創豪國際投資有限公司) ("**China Honest**"), Diamond Crown Limited (毅冠有限公司) ("**Diamond Crown**"), East Orient Investment Limited (達東投資有限公司) ("**East Orient**"), Ever Crown Corporation Limited (冠恒興業有限公司) ("**Ever Crown**"), Fully Wise Investment Limited (惠豐投資有限公司) ("**Fully Wise**"), Gains Wide Holdings Limited (利博控股有限公司) ("**Gains Wide**"), Gold Charter Investments Limited (高澤投資有限公司) ("**Gold Charter**"), Graceful Link Limited (愉興有限公司) ("**Graceful Link**"), Pacific Win Investments Limited (保鋒投資有限公司) ("**Pacifc Win**"), Polyhero International Limited (寶豪國際有限公司) ("**Polyhero International**"), Profaith International Holdings Limited (盈信國際控股有限公司) ("**Profaith International**"), Sharp Wisdom Holdings Limited (銳智控股有限公司) ("**Sharp Wisdom**"), South Trend Holdings Limited (南興控股有限公司) ("**South Trend**"), Speedy Full Limited (速溢有限公司) ("**Speedy Full**"), Talent Wide Holdings Limited (智博控股有限公司) ("**Talent Wide**"), Top Asset Development Limited (通利發展有限公司) ("**Top Asset**"), Top Perfect Development Limited (泰恒發展有限公司) ("**Top Perfect**"), World Sharp Investments Limited (華聲投資有限公司) ("**World Sharp**") and Zhuguang Group Limited (珠光集團有限公司) ("**ZG Group**"); (iii) the corporate guarantees executed by Rong De, ZG Group, South Trend, Ai De, All Flourish, Capital Fame, Cheng Chang, China Honest, Diamond Crown, East Orient, Ever Crown, Fully Wise, Gains Wide, Gold Charter, Graceful Link, Pacific Win, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, World Sharp, Sharp Wisdom and Speedy Full; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

FINANCIAL REVIEW *(continued)*

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

(e) As at 31 December 2022, the Group had outstanding secured other borrowings of approximately HK$6,366 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's property and equipment; (iii) the Group's investment properties; (iv) the security provided by Guangdong Zhuguang Group; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*), 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*) and 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*); (vi) the entire equity interest of a subsidiary of Guangdong Zhuguang Group; (vii) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (viii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (ix) 922,000,000 Shares owned by Rong De; and (x) 681,240,000 shares in Silver Grant owned by the Company.

(f) As at 31 December 2022, the Group had outstanding unsecured and guaranteed other borrowings of HK$30 million, which were guaranteed by the personal guarantee executed by an executive Director, Mr. Chu Hing Tsung.

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 2022 *HK$'000*	31 December 2021 *HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**2,706,018**	4,886,244

* *English name is translated for identification purpose only*

FINANCIAL GUARANTEE CONTRACTS *(continued)*

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

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

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

FOREIGN EXCHANGE RATE

During FY2022, 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 FY2022, 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 883 employees in Hong Kong and the PRC as at 31 December 2022 (31 December 2021: 927). During FY2022, the level of the Group's overall staff cost was approximately HK$241.7 million (FY2021: HK$267.0 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 FY2022, including training on updates of accounting standards and training on market updates.

During FY2022, 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 2022

		Year ended 31 December	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**2,838,843**	2,985,021
Cost of sales		**(872,148)**	(722,410)
Gross profit		**1,966,695**	2,262,611
Other income and gains, net	*4*	**317,752**	623,983
Gain on disposal of subsidiaries		**—**	33,183
Gain on bargain purchase		**—**	257,505
Selling and marketing expenses		**(51,229)**	(50,416)
Administrative expenses		**(447,347)**	(453,235)
Changes in fair value of financial assets at fair value through profit or loss		**186,973**	381,434
Fair value (loss)/gain on investment properties, net		**(184,464)**	77,679
Impairment losses on financial assets, net		**(35,528)**	(80,344)
Other expenses, net		**(1,242,784)**	(660,345)
Finance costs, net	*5*	**(1,270,106)**	(1,510,796)
Share of loss of an associate		**(192,107)**	(429,391)
Share of profits/(losses) of joint ventures, net		**16**	(6,008)
(LOSS)/PROFIT BEFORE TAX	*6*	**(952,129)**	445,860
Income tax expense	*7*	**(69,630)**	(336,244)
(LOSS)/PROFIT FOR THE YEAR		**(1,021,759)**	109,616
Attributable to:			
Owners of the parent		**(997,194)**	71,018
Non-controlling interests		**(24,565)**	38,598
		(1,021,759)	109,616
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	*8*	**(14.74)**	0.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(1,021,759)**	109,616
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	**(410,382)**	(48,448)
Share of other comprehensive (loss)/income of an associate	**(140,228)**	36,713
Reclassification adjustments for a foreign operation disposed of during the year	**—**	(32,963)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(550,610)**	(44,698)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(1,572,369)**	64,918
Attributable to:		
Owners of the parent	**(1,528,480)**	23,603
Non-controlling interests	**(43,889)**	41,315
	(1,572,369)	64,918

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		31 December	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property and equipment		**289,286**	784,618
Investment properties		**3,770,968**	4,537,957
Intangible assets		**7,020**	9,241
Investments in joint ventures		**11,098**	12,108
Investment in an associate		**861,383**	1,193,718
Trade receivables	*10*	**4,188,597**	2,037,831
Financial assets at fair value through profit or loss		**13,288**	43,872
Deferred tax assets		**22,241**	5,168
Total non-current assets		**9,163,881**	8,624,513
CURRENT ASSETS			
Properties under development		**8,396,103**	11,517,439
Completed properties held for sale		**4,661,335**	2,502,264
Trade receivables	*10*	**10,429,190**	13,608,061
Prepayments, other receivables and other assets		**3,515,242**	2,470,085
Prepaid income tax		**180,325**	201,105
Financial assets at fair value through profit or loss		**13,434**	1,910,354
Cash and bank balances		**759,572**	2,063,976
Total current assets		**27,955,201**	34,273,284
CURRENT LIABILITIES			
Contract liabilities		**2,635,440**	2,386,942
Trade and other payables	*11*	**5,742,819**	5,517,933
Interest-bearing bank and other borrowings		**6,381,265**	7,623,362
Income tax payables		**3,467,128**	3,668,060
Derivative financial instruments		**—**	121,781
Total current liabilities		**18,226,652**	19,318,078
NET CURRENT ASSETS		**9,728,549**	14,955,206
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,892,430**	23,579,719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2022

		31 December	
		2022	2021
	Note	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Other payables	*11*	**406,731**	470,397
Interest-bearing bank and other borrowings		**8,938,044**	11,572,634
Deferred tax liabilities		**2,196,137**	2,460,385
Total non-current liabilities		**11,540,912**	14,503,416
Net assets		**7,351,518**	9,076,303
EQUITY			
Equity attributable to owners of the parent			
Share capital		**722,564**	722,564
Reserves		**5,411,472**	7,007,952
		6,134,036	7,730,516
Perpetual capital securities		**1,119,753**	1,204,169
		7,253,789	8,934,685
Non-controlling interests		**97,729**	141,618
Total equity		**7,351,518**	9,076,303

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 management, property investment, hotel operation 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

Going concern basis

During the year, the Group's performance was affected by the slow-down in the PRC property market and pressures on business operations were exacerbated by the COVID outbreak and lockdown measures, as well as prolonged negotiations on re-financing activities. For the year ended 31 December 2022, the Group incurred a net loss of HK$1,022 million. Notwithstanding that the Group reported net current assets of HK$9,729 million, as at 31 December 2022, the Group's outstanding interest-bearing bank and other borrowings which are due to be repaid within one year from the end of the reporting period amounted to HK$6,381 million, including (1) the secured borrowings of HK$617 million which have not been repaid according to the scheduled repayment dates in 2022, and (2) other secured borrowings of HK$1,425 million with original maturity date of over one year from the reporting date which have been reclassified to current liabilities. As at 31 December 2022, the Group had cash and cash equivalents and term deposits (with initial terms of over three months) amounting to HK$760 million, of which HK$116 million was unrestricted.

During the year ended 31 December 2022, the secured borrowings of HK$617 million have not been repaid according to the scheduled repayment dates and remained outstanding as at 31 December 2022. The Group has been in active discussions with the relevant financial institutions for extension of the repayment dates of such borrowings. Subsequent to the end of the reporting period, in March 2023, the Group has entered into an agreement to extend the repayment of an existing loan in the amount of HK$208 million up to year 2024. The Directors expect that the refinancing of the remaining borrowings which were due for repayment as at the reporting date will be completed by 30 June 2023. As a result of the above, other secured borrowings of HK$1,425 million with original maturity date of over one year from the reporting date have been reclassified as current liabilities at the reporting date. Up to the date of this announcement, the Group has not received any demand for immediate repayment for any of these borrowings.

2.1 BASIS OF PRESENTATION *(continued)*

Going concern basis *(continued)*

In view of these circumstances, the Directors have given careful consideration to the future working capital and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern for at least 12 months from 31 December 2022. The Group has formulated the following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

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

(b) during the year, the Group has further terminated other urban redevelopment projects with related outstanding receivables of HK$3,023 million. These receivables are scheduled to be repaid in 2023;

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

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

(e) the Group will continue to take active measures to control administrative costs and manage its capital expenditure; and

(f) Rong De, the ultimate holding company, has issued a letter of financial support to the Company for a period of 12 months from the reporting year end date. Rong De has agreed to provide the necessary financial support to enable the Group to meet its liabilities as and when they fall due, to continue carrying on its principal business without a significant curtailment of operations, and not to demand for repayment of any amounts due to Rong De until the Group is in the position to repay without impairing its financial position.

The Directors have reviewed the Group's cash flow forecast, covering a period of 12 months from the reporting date, prepared by the management. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next 12 months. Accordingly, the Directors believe that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.1 BASIS OF PRESENTATION *(continued)*

Going concern basis *(continued)*

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

(a) continual support from the existing lenders of the Group such that they will not demand for immediate repayment of the relevant borrowings;

(b) the successful and timely agreement with the lenders on the extension of the repayment dates for existing borrowings subject to the Group's financial and liquidity position, and to obtain additional credit facilities if needed;

(c) the successful and timely collection of receivables of urban redevelopment projects in accordance with the schedules; and

(d) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties held for sale, collection of outstanding sales proceeds and receivables, and to control costs and capital expenditure for better working capital management.

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

These financial statements have been prepared in accordance with 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 2022. 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).

2.2 BASIS OF PREPARATION *(continued)*

Generally, there is a presumption that a majority of voting rights results in control. 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.

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

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

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

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

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

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. The amendment did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

(b) the project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects; and

(c) the property investment and hotel operation segment invests in properties for their rental income potential and/or for capital appreciation and engages in hotel operation.

The Group's financial results for the year ended 31 December 2021 are also regrouped to conform with the new segment presentation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that the change in fair value of derivative financial instruments, gain on bargain purchase, gain on disposal of subsidiaries, share of profit/loss of joint ventures, net, share of profit/loss of an associate, impairment on investment in an associate included in other expenses, net, 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.

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, cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings (other than lease liabilities), current income tax payables, deferred tax liabilities, derivative financial instruments, amount due to a joint venture 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 2022

	Property development	Project management services	Property investment and hotel operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	**890,037**	**1,705,171**	**243,635**	**2,838,843**
Segment results	**(437,366)**	**1,333,684**	**(492,724)**	**403,594**
Reconciliation:				
Fair value gain on derivative financial instruments, net				**122,532**
Share of loss of an associate				**(192,107)**
Share of profits of joint ventures, net				**16**
Finance costs, net (other than interest on lease liabilities)				**(1,269,795)**
Corporate and other unallocated expenses				**(16,369)**
Loss before tax				**(952,129)**
Income tax expense				**(69,630)**
Loss for the year				**(1,021,759)**
Segment assets	**15,560,868**	**15,620,538**	**4,256,660**	**35,438,066**
Reconciliation:				
Corporate and other unallocated assets				**1,681,016**
Total assets				**37,119,082**
Segment liabilities	**8,447,309**	**16,900**	**190,453**	**8,654,662**
Reconciliation:				
Corporate and other unallocated liabilities				**21,112,902**
Total liabilities				**29,767,564**

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022

	Property development	Project management services	Property investment and hotel operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:				
Depreciation	**1,735**	**6,435**	**35,188**	**43,358**
Amortisation	**1,492**	**—**	**—**	**1,492**
Capital expenditure*	**1,123**	**17,134**	**59**	**18,316**
Fair value loss on investment properties, net	**—**	**—**	**184,464**	**184,464**
Impairment losses/(reversal of impairment losses) on financial assets, net	**139,494**	**(107,426)**	**3,460**	**35,528**
Impairment loss of hotel properties included in property and equipment	**—**	**—**	**428,083**	**428,083**
Impairment of properties under development and completed properties held for sale	**150,576**	**—**	**—**	**150,576**

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021

	Property development	Project management services	Property investment and hotel operation	Total
	HK$'000 (Restated)	*HK$'000*	*HK$'000* (Restated)	*HK$'000*
Segment revenue:				
Sales to external customers	889,185	1,893,417	202,419	2,985,021
Segment results	(280,110)	2,545,948	223,815	2,489,653
Reconciliation:				
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	16,707,190	17,395,180	5,446,007	39,548,377
Reconciliation:				
Corporate and other unallocated assets				3,349,420
Total assets				42,897,797
Segment liabilities	7,737,889	—	173,836	7,911,725
Reconciliation:				
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 and hotel operation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)		(Restated)	
Other segment information:				
Depreciation	8,462	—	7,255	15,717
Amortisation	1,721	—	—	1,721
Capital expenditure*	1,697	—	417,894	419,591
Fair value gain on investment properties, net	—	—	(77,679)	(77,679)
(Reversal of impairment losses)/ impairment losses on financial assets, net	(80,955)	161,299	—	80,344
Impairment of goodwill	88,384	—	39,908	128,292
Impairment of properties under development and completed properties held for sale	103,393	—	—	103,393

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

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 2022, revenue of approximately HK$1,705,171,000 (2021: HK$1,893,417,000) was derived from a single customer, including revenue derived from a group of entities which are known to be subsidiaries of that customer, and was attributable to the project management services segment.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

	2022 *HK$'000*	2021 *HK$'000* (Restated)
Revenue from contracts with customers		
Sale of properties	**890,037**	889,185
Hotel operation income	**71,185**	5,973
	961,222	895,158
Revenue from other sources		
Finance component of income from urban redevelopment projects	**1,705,171**	1,893,417
Rental income from investment property operating leases:		
— fixed lease payments	**172,450**	196,446
	1,877,621	2,089,863
Total revenue of the Group	**2,838,843**	2,985,021

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

	2022 *HK$'000*	2021 *HK$'000*
Interest income	**49,485**	112,174
Management service income	**49,603**	76,759
Gain on settlement arrangement relating to a consideration receivable	**68,234**	—
Fair value gain on derivative financial instruments	**122,532**	—
Gain on disposal of investment properties	**2,838**	—
Foreign exchange differences, net	**—**	406,130
Others	**25,060**	28,920
	317,752	623,983

5. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	2022	2021
	HK$'000	*HK$'000*
Interest on bank and other borrowings and senior notes	**1,565,888**	1,731,164
Interest expense arising from revenue contracts	**66,691**	49,489
Interest on lease liabilities	**311**	972
Total interest expense	**1,632,890**	1,781,625
Less: interest capitalised	**(362,784)**	(270,829)
	1,270,106	1,510,796

6. (LOSS)/PROFIT BEFORE TAX

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

	2022	2021
	HK$'000	*HK$'000*
Cost of properties sold	**872,148**	722,410
Depreciation of property and equipment	**34,870**	7,271
Depreciation of right-of-use assets	**8,488**	8,446
Amortisation of intangible assets	**1,492**	1,721
Fair value (gain)/loss on derivative financial instruments	**(122,532)**	116,147
Lease payments not included in the measurement of lease liabilities	**14,466**	2,856
Auditor's remuneration	**5,800**	5,500
Foreign exchange differences, net	**592,063**	(406,130)
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**219,412**	252,026
Retirement benefit scheme contributions	**22,322**	14,933
	241,734	266,959
Impairment losses on financial assets, net		
(Reversal of impairment)/impairment of trade receivables, net	**(103,966)**	161,299
Impairment/(reversal of impairment) of deposits and other receivables, net	**139,494**	(80,955)
	35,528	80,344
Impairment of properties under development and completed properties held for sale	**150,576**	103,393
Impairment of goodwill	**—**	128,292
Remeasurement loss of pre-existing interests	**—**	250,285
Impairment loss of hotel properties included in property and equipment	**428,083**	—
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**38,384**	42,460

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 (2021: 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.

	2022	2021
	HK$'000	*HK$'000*
Current:		
PRC corporate income tax	**173,940**	327,988
PRC land appreciation tax	**71,293**	50,020
	245,233	378,008
Deferred	**(175,603)**	(41,764)
Total tax charge for the year	**69,630**	336,244

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 7,225,632,753 (2021: 7,211,686,820) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of warrants outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

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

	2022	2021
(Loss)/profit attributable to equity holders of the parent *(HK$'000)*	**(997,194)**	71,018
Distribution related to perpetual capital securities *(HK$'000)*	**(68,000)**	(49,753)
(Loss)/profit used in the basic and diluted earnings per share calculations *(HK$'000)*	**(1,065,194)**	21,265
Weighted average number of ordinary shares in issue during the year *(thousand shares)*	**7,225,633**	7,211,687

9. DIVIDENDS

No dividend in respect of the year ended 31 December 2022 (2021: Nil) was proposed by the board of directors of the Company.

10. TRADE RECEIVABLES

	Notes	2022 *HK$'000*	2021 *HK$'000*
Receivables from sales of properties	*(a)*	**1,648**	3,009
Receivables from rentals		**214,994**	127,479
Less: Impairment allowance		**(3,336)**	—
Net receivables from rentals	*(a)*	**211,658**	127,479
Receivables for urban redevelopment projects			
Related parties		**14,463,943**	15,874,404
Third parties		**482,026**	343,952
		14,945,969	16,218,356
Less: Impairment allowance		**(541,488)**	(702,952)
Net receivables for urban redevelopment projects	*(b)*	**14,404,481**	15,515,404
Total		**14,617,787**	15,645,892
Portion classified as non-current assets		**(4,188,597)**	(2,037,831)
Current portion		**10,429,190**	13,608,061

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:

	2022 *HK$'000*	2021 *HK$'000*
Current to 180 days	**160,413**	92,280
181 to 365 days	**47,613**	20,229
Over 365 days	**5,280**	17,979
	213,306	130,488

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 31 December 2022 and 2021, no management service income arising from the performance of the underlying urban redevelopment projects was recognised as the amount of consideration was 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:

	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**1,799,535**	2,408,741
1 to 2 years	**1,866,911**	6,875,564
2 to 3 years	**5,599,480**	2,604,311
Over 3 years	**5,680,043**	4,329,740
	14,945,969	16,218,356

11. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade and bills payables	**3,249,613**	3,394,395
Amounts due to related parties	**424,617**	235,482
Amount due to a joint venture	**5,597**	6,115
Amount due to the ultimate holding company	**387,709**	470,397
Other payables and accruals	**1,243,856**	1,122,603
Other tax payables	**838,158**	759,338
	6,149,550	5,988,330
Portion classified as current liabilities	**(5,742,819)**	(5,517,933)
Non-current portion	**406,731**	470,397

11. TRADE AND OTHER PAYABLES *(continued)*

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:

	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**3,035,600**	3,334,468
Over 1 year	**214,013**	59,927
	3,249,613	3,394,395

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an 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 2022, 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 2.1 to the consolidated financial statements, which indicates that for the year ended 31 December 2022, the Group incurred a net loss of approximately HK$1,022 million. Notwithstanding that the Group reported net current assets of approximately HK$9,729 million, as at 31 December 2022, the Group's outstanding interest-bearing bank and other borrowings which are due to be repaid within one year from the end of the reporting period amounted to approximately HK$6,381 million, including (1) secured borrowings of approximately HK$617 million which have not been repaid according to the scheduled repayment dates in 2022, and (2) other secured borrowings of approximately HK$1,425 million with original maturity date of over one year from the reporting date which have been reclassified to current liabilities. These conditions, along with other matters set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that 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 FY2022.

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 Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") then in force during FY2022. Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code for FY2022.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules then in force during FY2022.

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 FY2022, 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 the related notes thereto for FY2022 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 FY2022. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF 2022 ANNUAL REPORT

The Company's annual report for FY2022 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 of the Company 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, 30 March 2023

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

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