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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

For the reasons explained below under "Review of the Unaudited Annual Results", the auditing process for the annual results of Zhuguang Holdings Group Company Limited ("**Company**") and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2019 ("**FY2019**") has not been completed. In the meantime, the board ("**Board**") of directors ("**Directors**") of the Company is pleased to announce the unaudited annual consolidated results of the Group for FY 2019 together with the comparative figures for the previous financial year ("**FY2018**") as follows:

**FINANCIAL HIGHLIGHTS**

**RESULTS**

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Revenue by operating segment: | | |
| — Property development | **2,540,074** | 2,527,991 |
| — Property investment | **164,248** | 164,690 |
| — Project management services | **1,370,492** | 12,115 |
| Profit for the year attributable to equity holders of the parent | **682,710** | 4,717 |

| | **At 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Total assets | **35,769,778** | 35,808,435 |
| Total liabilities | **28,279,591** | 28,960,128 |
| Total equity | **7,490,187** | 6,848,307 |

** Chinese name is translated for identification purpose only*

## 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

During FY2019, faced with growing economic downward pressure, the central people's government of the PRC pledged to maintain supportive policies toward private businesses, with tax cuts to ease tax burdens for the private sector, incentives to boost innovation and stimulus to shore up confidence and stabilise the economy in the PRC. During FY2019, the Group adjusted its sales policy according to the changing market conditions in a timely manner, utilised various sales strategies in a flexible way and proactively promoted bulk sales. It strengthened its sales efforts for its projects under development, thereby achieving a steady sales volume in its contracted sales. Meanwhile, the Group sped up the return of funds in order to reduce the cost of loans and its gearing ratio, expedite its capital turnover and provide guarantee for the funding of its new projects.

The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects, primary land development, co-operation with real estate project companies and acquisition of real estate project companies.

During FY2019, South Trend Holdings Limited (南興控股有限公司) ("**South Trend**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("**SP Agreement**") to acquire 100% of the issued share capital of All Flourish Investments Limited (通興投資有限公司) ("**All Flourish**") at the consideration of RMB1,050 million (equivalent to approximately HK$1,165.7 million) ("**All Flourish Acquisition**"), which indirectly holds 51% interests in 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*) ("**Guangzhou Project Company**"). The Guangzhou Project Company holds interests in a project ("**AEC Project**") known as "Zhuguang Financial Town One* (珠光金融城壹號)" with a total gross floor area ("**GFA**") for development of approximately 360,655 square meters ("**sqm**"), which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC and is near the Sanxi (三溪) Station of Guangzhou Metro Line No. 5 and within the scope of the planned Guangzhou International Financial Town (廣州國際金融城) in Tianhe District, Guangzhou City, Guangdong Province, the PRC. Such acquisition was completed in March 2020 ("**AEC Completion**"), upon which All Flourish has become an indirect wholly-owned subsidiary of the Company. After the AEC Completion, the financial results of the Guangzhou Project Company have not been consolidated into those of the Group under the applicable accounting standards but have been equity accounted for as a joint venture.

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**Property Development and Sales**

During FY2019, 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 achieved contracted sales of approximately HK$2,559,945,000 and contracted GFA of approximately 183,879 sqm in FY2019, representing an increase of approximately 0.88% and a decrease of approximately 9.36% respectively as compared with those for FY2018. The details of the contracted sales and the contracted GFA sold achieved for FY2019 are set out below:

| **Projects** | **Contracted sales** *(HK$'000)* | **Contracted GFA sold** *(sqm)* |
|---|---|---|
| Pearl Xincheng Yujing ("**Xincheng Yujing**") | 540,985 | 51,138 |
| Zhuguang Yujing Scenic Garden ("**Yujing Scenic Garden**") | 823,090 | 52,624 |
| Pearl Yunling Lake | 219,899 | 14,008 |
| Pearl Tianhu Yujing Garden ("**Tianhu Yujing**") | 31,812 | 2,580 |
| Pearl Yijing | 403,126 | 27,540 |
| Project Tian Ying | 227,651 | 16,745 |
| Hua Cheng Yujing Garden | 34,269 | 381 |
| Yujing Yayuan | 127,326 | 7,988 |
| | 2,408,158 | 173,004 |
| Car parks | 151,787 | 10,875 |
| | 2,559,945 | 183,879 |

**BUSINESS REVIEW** *(continued)*

**Property Development and Sales** *(continued)*

It is expected that the following projects will be available for sale/pre-sale and/or leasing in 2020:

| Projects | Available for sale/ pre-sale/ leasing period | GFA available for sale/lease *(sqm)* | Usage |
|---|---|---|---|
| Xincheng Yujing | 1st quarter | 82,498 | Leasing/Sale |
| Yujing Scenic Garden | 1st quarter | 53,220 | Sale |
| Pearl Yunling Lake | 1st quarter | 41,056 | Sale |
| Tianhu Yujing | 1st quarter | 29,933 | Leasing/Sale |
| Pearl Yijing | 1st quarter | 28,713 | Sale |
| Project Tian Ying | 1st quarter | 12,047 | Sale |
| Central Park | 1st quarter | 2,432 | Sale |
| Nansha Scenic | 1st quarter | 12 | Sale |
| Zhukong International | 1st quarter | 3,134 | Leasing |
| Hua Cheng Yujing Garden | 1st quarter | 39,554 | Leasing/Sale |
| Yujing Yayuan | 1st quarter | 29,979 | Sale |
| Meizhou Chaotang Project | 1st quarter | 26,813 | Leasing/Sale |

**BUSINESS REVIEW** *(continued)*

**Property Development and Sales** *(continued)*

As at 31 December 2019, the Group owned the following property development projects, the details of which are as follows:

*Yujing Scenic Garden — 100% interest*

"Yujing Scenic Garden" is located at Provincial Highway G105 ("**Highway G105**") line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. 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 758,044 sqm, which comprises four phases of development. District II of Phase IV with a total GFA available for sale of approximately 85,935 sqm is still under construction and will be delivered in 2020. Apart from the properties developed for sale under Phases I to IV, Yujing Scenic Garden also comprises properties with a total GFA of approximately 3,307 sqm, which are held by the Group for investment purposes.

Properties with a total GFA of approximately 2,716 sqm were leased out during FY2019. During FY2019, contracted sales of approximately HK$823,090,000 with GFA of approximately 52,624 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, the PRC, with a site area of approximately 55,031 sqm. The land of this project is located adjacent to Yujing Scenic Garden, and the Group has developed this land together with Yujing Scenic Garden to expand the Group's development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 186,895 sqm. The development is divided into two phases. The total GFA available for sale under Phase I and Phase II is approximately 97,183 sqm and 89,712 sqm respectively.

The aggregate GFA delivered under Phase I was approximately 92,041 sqm, of which approximately 1,837 sqm was delivered during FY2019. The aggregate GFA delivered under Phase II was approximately 43,478 sqm, of which approximately 2,956 sqm was also delivered during FY2019. During FY2019, contracted sales of approximately HK$31,812,000 with GFA of approximately 2,580 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, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou. The project site area is approximately 200,083 sqm and the total GFA is expected to be approximately 126,827 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 83,943 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 56,084 sqm were launched for sale in the first and third quarters of the financial year ended 31 December 2017 ("**FY2017**") respectively, whilst the hotel has been retained as a long-term asset of the Group.

The aggregate GFA delivered under Phase I was approximately 20,233 sqm, of which approximately 2,150 sqm was delivered during FY2019. The aggregate GFA delivered under Phase II was approximately 10,688 sqm, of which approximately 5,603 sqm was delivered during FY2019. The remaining GFA available for sale under Phase I and Phase II is expected to be delivered in 2020. During FY2019, contracted sales of approximately HK$219,899,000 with GFA of approximately 14,008 sqm were recorded with respect to Pearl Yunling Lake.

*Xincheng Yujing — 100% interest*

"Xincheng Yujing" was acquired by the Group in September 2016. It is located at Zhong Su Shang Wei* (種王上圍), Sunshine Village* (陽光村), Tang Nan Town* (湯南鎮), Fengshun County* (豐順縣), 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 site area is approximately 280,836 sqm and a total GFA of approximately 355,160 sqm is expected to be developed. 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 with a total GFA available for sale of approximately 57,159 sqm commenced pre-sale during FY2017 with delivery commencing in FY2018. Phase II commenced pre-sale in FY2017 which was completed with delivery commencing in FY2019. During FY2019, an aggregate GFA of approximately 3,557 sqm was delivered under Phase I and an aggregate GFA of approximately 59,133 sqm was delivered under Phase II. Phase III is currently under development and is expected to be completed in 2020 to 2021. The ancillary commercial building plus a basement with a total GFA of approximately 10,084 sqm were leased out during FY2019. During FY2019, contracted sales of approximately HK$540,985,000 with GFA of approximately 51,138 sqm were recorded with respect to Xincheng Yujing.

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**BUSINESS REVIEW** *(continued)*

**Property Development and Sales** *(continued)*

*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 63,044 sqm and a total GFA available for sale of approximately 164,628 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. A total GFA available for sale of approximately 72,109 sqm under Phase I was delivered, and the remaining part of Phase I with a total GFA available for sale of approximately 1,025 sqm is expected to be completed in 2020. A total GFA available for sale of approximately 62,420 sqm under Phase II was delivered, of which approximately 41,471 sqm was delivered during FY2019. During FY2019, contracted sales of approximately HK$403,126,000 with GFA of approximately 27,540 sqm were recorded with respect to Pearl Yijing.

*Project Tian Ying — 100% interest*

"Project Tian Ying" is located in Jiang Pu Street, Conghua, Guangzhou, 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 GFA available for development is approximately 74,502 sqm. The project will be developed into a stylish low-density residential complex with a commercial podium and certain public facilities. The project was completed in 2019. Total GFA of approximately 25,255 sqm was delivered during FY2019. During FY2019, contracted sales of approximately HK$227,651,000 with GFA of approximately 16,745 sqm were recorded with respect to Project Tian Ying.

*Zhukong International — 80% interest*

"Zhukong International" is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, at the junction of Guangzhou Avenue* (廣州大道) and Huang Pu Da Dao* (黃埔大道), which 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 (including carpark areas) available for sale and leasing of approximately 109,738 sqm. The aggregate GFA of the office building and carparks sold during the period from 2014 to FY2019 was approximately 62,686 sqm, and GFA of approximately 3,134 sqm of this property is still available for sale or leasing. The Group has designated GFA of approximately 43,918 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)*

**Property Development and Sales** *(continued)*

*Central Park — 100% interest*

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC with a site area of approximately 3,430 sqm, and a total GFA available for sale of approximately 28,908 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. 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.

*Nansha Scenic — 100% interest*

"Nansha Scenic" is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC, which is the central business district in Nansha. As at 31 December 2019, the project was completed and only certain car parks still remained available for sale.

*Hua Cheng Yujing Garden — 100% interest*

"Hua Cheng Yujing Garden" was acquired by the Group in FY2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm, and the total GFA available for development that belongs to the Group is approximately 109,113 sqm. Out of the GFA of approximately 109,113 sqm, a GFA of approximately 48,044 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 61,069 sqm is attributable to a commercial complex which comprises shopping malls and office premises. During FY2019, contracted sales of approximately HK$34,269,000 with GFA of approximately 381 sqm were recorded with respect to Hua Cheng Yujing Garden.

*Meizhou Chaotang Project — 100% interest*

"Meizhou Chaotang Project" is located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, the PRC. The site area and the GFA available for development under Phase I of the project are approximately 46,793 sqm and approximately 97,617 sqm, respectively. Phase I of the project will be developed into a number of different types of villas in addition to a hotel. Pre-sale of the villas has commenced in the fourth quarter of 2019.

**BUSINESS REVIEW** *(continued)*

**Property Development and Sales** *(continued)*

*Yujing Yayuan — 50% interest*

"Yujing Yayuan" is located at Guoji, Fuyong, Nanqu, Zhongshan City, the PRC. The site area and the GFA available for development of this project are approximately 15,745 sqm and approximately 50,471 sqm, respectively. This project which will be developed into five blocks of modern residential buildings, a street-level commercial podium and an underground car park, has commenced pre-sale in March 2019. During FY2019, contracted sales of approximately HK$127,326,000 with GFA of approximately 7,988 sqm were recorded with respect to Yujing Yayuan.

**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. The Group will continue to explore new opportunities in cities in the PRC in which the Group has already invested, as well as new cities in the PRC with growth potential and the best investment value.

**Property Investments**

As at 31 December 2019, the Group owned (1) certain floors of Royal Mediterranean Hotel ("**RM Hotel**") located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, with GFA of approximately 18,184 sqm (31 December 2018: 18,184 sqm); (2) "Zhukong International" with GFA of approximately 43,918 sqm (31 December 2018: 43,918 sqm); (3) certain floors of a commercial complex in Hua Cheng Yujing Garden with GFA of approximately 32,051 sqm (31 December 2018: 30,604 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, the PRC, with GFA of approximately 7,389 sqm (31 December 2018: Nil); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 18,459 sqm (31 December 2018: 14,310 sqm) as investment properties. During FY2019, RM Hotel, Zhukong International and the commercial properties were partially leased out with total rental income of approximately HK$164,248,000 generated, representing a slight decrease of approximately 0.3% as compared to that of approximately HK$164,690,000 for FY2018. The existing investment properties held by the Group are intended to be held for medium-term to long-term investment purposes. The Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows to the Group in the future.

**Project Management Services**

During FY2019, the Group provided funding and project management services to its customers for property development projects and urban redevelopment projects. The Group is entitled to project management services income based on the terms of the entrusted construction and management service agreements entered into with these customers and such income enables the Group to broaden its income source. The Group recorded project management services segment results of approximately HK$2,032,999,000 for FY2019, comparing to that of approximately HK$471,715,000 for FY2018. The increase in the revenue generated from this business segment was mainly attributable to the increase in the number of property development projects and urban redevelopment projects entered into by the Group in FY2019. The Group will continue to utilise its expertise in project management in order to maintain a steady income stream in the future.

**EVENTS AFTER THE REPORTING YEAR**

(a) On 23 January 2020, the Group has entered into a number of pre-delivery management agreements ("**Pre-delivery Management Agreements**") and post-delivery management agreements ("**Post-delivery Management Agreements**", together with the Pre-delivery Management Agreements, collectively as "**Management Agreements**") with 廣州珠光物業管理有限公司 (Guangzhou Zhuguang Property Management Company Limited*) ("**Management Company**"), pursuant to which the Management Company agreed to provide various property management services in respect of certain property projects to the Group.

    As the Management Company has been owned as to 90% by Ms. Zhu Ziyu* (朱梓瑜) ("**Ms. Zhu**"), who is (i) a daughter of Mr. Chu Hing Tsung, an executive Director, the chairman of the Board and a 34.06% shareholder of Rong De Investments Limited ("**Rong De**") (a controlling shareholder of the Company (within the meaning of the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**")); and (ii) a niece of Mr. Chu Muk Chi, an executive Director and a 29.94% shareholder of Rong De (a controlling shareholder of the Company (within the meaning of the Listing Rules)) since 26 December 2019, Ms. Zhu has been an associate (within the meaning of the Listing Rules) of Mr. Chu Hing Tsung and a deemed connected person (within the meaning of the Listing Rules) of Mr. Chu Muk Chi, and the Management Company has thus become a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Management Agreements constitute continuing connected transactions of the Company under the Listing Rules.

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## EVENTS AFTER THE REPORTING YEAR *(continued)*

(a) *(continued)*

Further details of the Management Agreements are set out in the announcement of the Company dated 23 January 2020.

(b) The All Flourish Acquisition was completed in March 2020, upon which All Flourish has become an indirect wholly-owned subsidiary of the Company. After the AEC Completion, the financial results of the Guangzhou Project Company have not been consolidated into those of the Group under the applicable accounting standards but have been equity accounted for as a joint venture.

## MATERIAL ACQUISITIONS AND DISPOSALS

During FY2019, the Group entered into the following contracts:

(a) On 23 June 2017, South Trend, as purchaser, Quan Xing Holdings Limited (荃興控股有限公司), as vendor ("**Quan Xing**"), and Cheung Fong Wing ("**Mr. Cheung**"), as guarantor, entered into a sale and purchase agreement ("**All Flourish SPA**"), which was amended and supplemented by the supplemental agreements dated 28 March 2018, 2 August 2018 and 28 December 2018 entered into among South Trend, Quan Xing and Mr. Cheung in relation to the acquisition of the entire issued share capital of All Flourish at the consideration of RMB3.5 billion (equivalent to approximately HK$3.95 billion) (subject to adjustment) ("**First All Flourish Acquisition**"). As completion of the First All Flourish Acquisition was conditional upon and subject to the satisfaction of certain conditions precedent (unless having been otherwise waived) on or before 30 June 2019 (or such later date as South Trend and Quan Xing may agree in writing) and such conditions precedent were not fulfilled by 30 June 2019, the All Flourish SPA lapsed on 30 June 2019.

**MATERIAL ACQUISITIONS AND DISPOSALS** *(continued)*

(a) *(continued)*

Further details of the First All Flourish Acquisition are set out in the announcements of the Company dated 23 June 2017, 27 October 2017, 14 February 2018, 28 March 2018, 29 June 2018, 2 August 2018, 31 October 2018, 28 December 2018 and 1 July 2019.

(b) On 18 December 2019, South Trend, as purchaser, Quan Xing, as vendor, and Mr. Cheung, as guarantor, entered into the SP Agreement in relation to the All Flourish Acquisition. Pursuant to the SP Agreement, South Trend has conditionally agreed to acquire, and Quan Xing has conditionally agreed to sell, the entire issued share capital of All Flourish at the consideration of RMB1,050 million (equivalent to approximately HK$1,165.7 million).

All Flourish holds 100% of the equity interests of Pacific Win Investments Limited ("**Pacific Win**"), and Pacific Win in turn holds 51% of the equity interests of the Guangzhou Project Company, which holds interests in the AEC Project known as "Zhuguang Financial Town One* (珠光金融城壹號)", which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC.

The AEC Project involves the development of three parcels of land with a total site area of approximately 63,637 sqm, which are being developed into buildings for office, apartment and commercial uses. The total GFA for sale and development of the AEC Project are approximately 352,496 sqm and 360,655 sqm, respectively, and the AEC Project comprises five phases of development. Phase I which covers four blocks of apartment buildings (including a retail portion) with a total GFA available for sale of approximately 33,081 sqm is under construction as at the date of this announcement and is scheduled to be completed in November 2020. Phase II to Phase V with a total GFA available for sale of approximately 319,415 sqm is scheduled to be completed in March 2024.

The All Flourish Acquisition was completed in March 2020, upon which All Flourish and Pacific Win have become indirect wholly-owned subsidiaries of the Company. While the financial results of All Flourish and Pacific Win have been consolidated into the Group's financial statements after the AEC Completion, the financial results of the Guangzhou Project Company have not been consolidated into those of the Group under the applicable accounting standards but have been equity accounted for as a joint venture.

Further details of the All Flourish Acquisition are set out in the announcement of the Company dated 18 December 2019.

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## OUTLOOK

Looking ahead, as the International Monetary Fund has revised the global growth projections downward and the trade disputes between China and the United States remain unresolved, the financial market will continue to be affected negatively. With the real estate industry being one of the most important sectors of the Chinese economy, it is expected that the PRC government will continue to focus on establishing a long-term management and regulation mechanism, thus eventually leading the real estate market to develop in a stable way.

The Group will enter into a critical stage of development in 2020, with both opportunities and challenges awaiting it. In the future, the Group will continue to have a firm grip of its business in the first-tier cities in the PRC and the Guangdong-Hong Kong-Macau Greater Bay Area, and expand its business in the satellite cities of the first-tier cities and the key second-tier cities in the PRC. In 2020, the Group's inventory for sale will still be its completed projects in Guangzhou, and the Group will continue to step up its efforts to market its projects in the Conghua area in Guangzhou. As at the date of this announcement, the Group's saleable inventory in the Conghua area is relatively abundant. As a result, Conghua will still be a focused sales area of the Group in 2020, where 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 under which it will focus on urban renewal projects to support its medium-term to long-term development, while relying on additional light-asset projects to meet its short-term needs. As the Group will acquire land resources mainly through urban renewal projects in the future, it will leverage the Company's competitive edge and strengths to boost its urban renewal operations. In addition, the Group will maintain its development at an appropriate scale and focus on delivering high-quality projects to raise its brand awareness and reputation.

### Impact of the Coronavirus Disease 2019

In view of the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") in the PRC, the PRC authority has taken national prevention and control measures to combat the outbreak. The COVID-19 has certain impacts on the business operations and overall economy in some geographical areas and industries in the PRC. To a certain extent the outbreak might affect the property development and property investment industries in the PRC, and the extent of the impact depends on the duration of the epidemic and the implementation of the regulatory policies and the relevant protective measures. The Group will stay alert on the development of the COVID-19 and continue to assess its impacts on its financial position and operating results.

## FINANCIAL REVIEW

*Revenue*

During FY2019, the Group's revenue by operating segment included revenue from property development, property investment and project management services. The total revenue of the Group for FY2019 was approximately HK$4,074,814,000 (FY2018: HK$2,704,796,000), which represented an increase of approximately 50.7% as compared to that for FY2018.

Revenue from property development for FY2019 amounted to approximately HK$2,540,074,000 (FY2018: HK$2,527,991,000). The increase was mainly due to the increase in the average selling price of the properties delivered during FY2019 as compared to that of the properties delivered during FY2018.

The Group recorded a slight decrease of 0.3% in rental income for FY2019, as compared to that for FY2018. The rental income decreased from approximately HK$164,690,000 for FY2018 to approximately HK$164,248,000 for FY2019, mainly due to the slight decrease in GFA of the investment properties leased out by the Group during FY2019.

The income from project management services segment contributed approximately HK$1,370,492,000 (FY2018: HK$12,115,000) to the total revenue of the Group for FY2019. The significant increase was mainly due to the increase in the number of property development projects and urban redevelopment projects entered into by the Group in FY2019.

*Gross profit and margin*

For FY2019, the Group recorded a gross profit of approximately HK$2,087,261,000 (FY2018: HK$1,087,787,000). The increase was mainly due to the increase in the number of property development projects and urban redevelopment projects entered into by the Group in FY2019.

*Fair value gain on investment properties, net*

For FY2019, the fair value gain on investment properties, net, recorded by the Group amounted to approximately HK$384,868,000 (FY2018: HK$279,009,000), representing an increase of approximately 37.9% as compared to that of FY2018. The increase in fair value gain on investment properties, net was mainly due to the capital appreciation of the commercial complex of Hua Cheng Yujing Garden and the hotel located in Meizhou as at 31 December 2019.

**FINANCIAL REVIEW** *(continued)*

*Other income and gains*

Other income and gains of the Group decreased to approximately HK$435,979,000 during FY2019 (FY2018: HK$468,528,000). The decrease was primarily due to the decrease in interest income earned during FY2019 as compared to that in FY2018.

*Administrative expenses and selling and marketing costs*

Administrative expenses and selling and marketing costs of the Group increased from approximately HK$338,116,000 for FY2018 to approximately HK$393,418,000 for FY2019. The increase was primarily due to (i) the increase in the selling and marketing costs incurred to boost the contracted sales during FY2019; and (ii) the increase in the staff costs due to the increase in the number of employees in FY2019.

*Other expenses*

Other expenses of the Group increased from approximately HK$172,087,000 for FY2018 to approximately HK$429,455,000 for FY2019. Other expenses mainly comprised (i) foreign exchange losses of approximately HK$255,285,000 (FY2018: HK$60,376,000); (ii) impairment loss of financial assets following the assessment of expected credit loss of approximately HK$155,891,000 (FY2018: HK$45,978,000); and (iii) provision for administrative penalties of approximately HK$14,573,000 (FY2018: HK$58,513,000). The increase was mainly attributable to the increase in foreign exchange losses as a result of the depreciation of the RMB against the HK$ during FY2019 as compared to that in FY2018 and the impairment loss of financial assets following the assessment of expected credit loss.

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

Change in fair value of financial assets at fair value through profit or loss of the Group increased from approximately HK$459,600,000 for FY2018 to approximately HK$662,507,000 for FY2019. The increase was mainly due to the increase in the fair value of certain project management services agreements as at 31 December 2019 under which the Group agreed to provide funding and management services in relation to property development projects.

**FINANCIAL REVIEW** *(continued)*

*Share of profit of an associate*

Share of profit of an associate was approximately HK$33,191,000 during FY2019 (FY2018: share of loss of HK$12,760,000), which represented the Group's share of the profit from its associate, Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) ("**Silver Grant**") (formerly known as Silver Grant International Industries Limited (銀建國際實業有限公司)), the shares of which are listed on the Main Board of the Stock Exchange with stock code: 0171. Silver Grant and its subsidiaries are principally engaged in investments and property leasing. The Group completed the acquisitions of approximately 29.56% interest of the issued share capital of Silver Grant on 31 October 2018 and Silver Grant has become an associate of the Group since then.

*Finance costs*

Finance costs for FY2019 were approximately HK$1,503,924,000 (FY2018: HK$1,248,810,000), which were made up of interest expenses incurred during FY2019 after deduction of the interest expenses capitalised to development costs. The increase in finance costs was mainly due to the increase in the cost of borrowings of the Group in FY2019.

*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$233,985,000 (FY2018: HK$214,696,000), LAT of approximately HK$153,149,000 (FY2018: HK$105,680,000) and deferred tax of approximately HK$243,845,000 (FY2018: HK$124,923,000) accounted for the Group's total income tax expense of approximately HK$630,979,000 for FY2019 (FY2018: HK$445,299,000). The increase in total income tax expense for FY2019 was mainly due to the net effect of (i) the decrease in tax-deductible expenses incurred during FY2019, as compared to those incurred in FY2018; (ii) the increase in the provision of deferred tax made for FY2019, as compared to that for FY2018; and (iii) the decrease in income generated during FY2019 which was not subject to income tax, as compared to that generated in FY2018.

**FINANCIAL REVIEW** *(continued)*

*Profit for the year*

The Group's profit for FY2019 was approximately HK$646,030,000 (FY2018: HK$77,852,000), which represented an increase of approximately 729.8% as compared to that for FY2018. The increase in profit was mainly attributable to (i) the increase in the revenue during FY2019 to approximately HK$4,074,814,000 (FY2018: HK$2,704,796,000); and (ii) the increase in the change in fair value of financial assets at fair value through profit or loss recorded during FY2019 to approximately HK$662,507,000 (FY2018: HK$459,600,000), which were partially offset by (a) the increase in other expenses recorded in FY2019 to approximately HK$429,455,000 (FY2018: HK$172,087,000); (b) the increase in finance costs incurred by the Group during FY2019 to approximately HK$1,503,924,000 (FY2018: HK$1,248,810,000); and (c) the increase in the income tax expenses incurred by the Group during FY2019 to approximately HK$630,979,000 (FY2018: HK$445,299,000).

*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.

*Cash position*

As at 31 December 2019, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$3,889,815,000 (31 December 2018: HK$6,993,085,000). The cash and cash equivalents of the Group were mainly denominated in RMB, United States dollar ("**US$**") 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 2019** | 31 December 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank loans — secured | **4,659,742** | 5,661,378 |
| Bank loans — unsecured and guaranteed | **478,264** | — |
| Senior notes — secured | **3,381,035** | 3,551,193 |
| Other borrowings — secured | **9,446,734** | 9,712,584 |
| Other borrowings — unsecured and guaranteed | **220,000** | 220,000 |
| Lease liability | **20,242** | — |
| | **18,206,017** | 19,145,155 |

(a) As at 31 December 2019, 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) a lease liability. Out of these borrowings, approximately HK$1,270,973,000 (31 December 2018: HK$1,569,398,000), approximately HK$13,467,953,000 (31 December 2018: HK$13,773,675,000) and approximately HK$3,467,091,000 (31 December 2018: HK$3,802,082,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 3.00% to 12% (31 December 2018: 7.51% to 12%). Approximately 97.4% (31 December 2018: 89.6%) of the bank loans carried fixed interest rates ranging from 2.97% to 14.25% (31 December 2018: 5.27% to 11.0%) while the remaining 2.6% (31 December 2018: 10.4%) of the bank loans carried floating interest rates.

**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 2019, the gearing ratio of the Group was 66% (31 December 2018: 64%).

(c) As at 31 December 2019, the Group had outstanding secured bank loans of approximately HK$4,659.7 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's properties under development; (iii) the Group's completed properties held for sale; (iv) the Group's term deposits; and (v) the entire equity interest of the Company's subsidiaries, namely, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*) and 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*). The secured bank loans comprised (1) a revolving bank loan in the principal amount of HK$49.48 million with the final maturity date falling due in August 2020; (2) a bank loan in the principal amount of RMB120 million repayable by instalments within 3 years with the last instalment due in July 2020; (3) a bank loan in the principal amount of RMB127 million repayable by instalments within 3 years with the last instalment due in December 2020; (4) a bank loan in the principal amount of RMB750 million due in July 2020; (5) a bank loan in the principal amount of RMB5 million due in August 2021; (6) a bank loan in the principal amount of RMB2,500 million due in August 2021; (7) a bank loan in the principal amount of RMB1 million due in November 2022; (8) a bank loan in the principal amount of US$11.05 million due in November 2020; (9) a revolving bank loan in the principal amount of RMB50 million due in June 2020; (10) a bank loan in the principal amount of RMB300 million repayable by instalments within 3 years with the last instalment due in November 2021; (11) bank loans in the principal amount of HK$198.56 million due in September 2021; and (12) a bank loan in the principal amount of HK$349 million due in October 2021.

(d) As at 31 December 2019, the Group had an outstanding unsecured and guaranteed bank loan of approximately HK$478.3 million, which was guaranteed by (i) the corporate guarantees executed by the Company, Guangdong Zhuguang Group Company Limited ("**Guangdong Zhuguang Group**") and one of the subsidiaries of Guangdong Zhuguang Group; and (ii) the personal guarantees executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed bank loan had a principal amount of RMB600 million repayable by instalments within 4 years with the last instalment due in October 2021.

* *English name is translated for identification purpose only*

**FINANCIAL REVIEW** *(continued)*

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

(e) As at 31 December 2019, the Group had outstanding senior secured guaranteed notes issued in 2019 ("**2019 Senior Notes**") in the aggregate principal amount of US$410 million (equivalent to approximately HK$3,060.1 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; (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**"), 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**"), 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**"), 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, Ai De, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fully Wise, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, Vanco Investment, Fresh International 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.

(f) As at 31 December 2019, the Group had outstanding senior secured guaranteed notes issued in 2017 ("**2017 Senior Notes**") in the principal amount of US$42 million (equivalent to approximately HK$320.9 million). The maturity date of the 2017 Senior Notes has been extended to 12 December 2020 by a consent letter dated 22 January 2020 entered into between the relevant parties. The first tranche of the 2017 Senior Notes in the outstanding principal amount of US$42 million is secured and guaranteed by (i) 100,000,000 Shares owned by Rong De; (ii) the 100% equity interest of the Company's subsidiaries, namely, Victory Global Investments Limited (榮浩投資有限公司) ("**Victory Global**"), China Honest International Investments Limited (創豪國際投資有限公司) ("**China Honest**") and Graceful Link Limited (愉興有限公司); (iii) the corporate guarantees executed by Rong De, South Trend, Victory Global and China Honest; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi. As at 31 December 2019 and up to the date of this announcement, the second tranche of the 2017 Senior Notes had not been issued.

**FINANCIAL REVIEW** *(continued)*

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

(g) As at 31 December 2019, the Group had outstanding secured other borrowings of approximately HK$9,446.7 million, which were secured and guaranteed by (i) the Group's properties for sale under development and completed properties held for sale; (ii) the Group's assets under construction under property and equipment and land use rights classified under intangible assets; (iii) the Group's investment properties; (iv) 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*), 廣東海聯大廈有限公司 (Guangdong Hailian Building 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*); (v) certain equity interest of the Company's subsidiary, 廣州御宏投資有限公司 (Guangzhou Yu Hong Investment 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) 425,000,000 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 RMB2,550 million due in December 2022; (2) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; (3) a loan in the principal amount of RMB636 million due in April 2026; (4) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 3 years with the last instalment due in July 2020; (5) a loan in the principal amount of RMB629.6 million repayable by instalments within 3 years with the last instalment due in January 2020; (6) a loan in the principal amount of RMB1,200 million due in July 2021; (7) a loan in the principal amount of RMB450 million repayable by instalments within 3 years with the last instalment due in January 2021; (8) a loan in the principal amount of RMB1,200 million due in July 2021; (9) loans in the principal amounts of HK$430 million due in October 2020; (10) a loan in the principal amount of RMB600 million due in January 2024; (11) loans in the principal amount of RMB165.5 million repayable by instalments within 2 years with the last instalment due in November 2021; and (12) a loan in the principal amount of RMB58.5 million repayable by instalments within 2 years with the last instalment due in November 2021.

(h) As at 31 December 2019, the Group had outstanding unsecured and guaranteed other borrowings of HK$220 million, which were guaranteed by the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed other borrowings comprised (1) a loan in the principal amount of HK$20 million due in March 2020; and (2) a loan in the principal amount of HK$200 million due in June 2020.

** English name is translated for identification purpose only*

**FINANCIAL REVIEW** *(continued)*

*Issue of subscription shares*

On 26 November 2018, the Company entered into a subscription agreement with Rong De (the controlling shareholder of the Company), pursuant to which the Company has conditionally agreed to allot and issue, and Rong De has conditionally agreed to subscribe for, 770,000,000 new Shares ("**Subscription Shares**", each a "**Subscription Share**") at the price ("**Subscription Price**") of HK$1.30 per Subscription Share ("**Subscription**"). The Subscription Price represents: (i) a discount of approximately 6.5% over the closing price of HK$1.39 per Share as quoted on the Stock Exchange on 23 November 2018 ("**Last Trading Day**"); (ii) a discount of approximately 7.8% over the average closing price of HK$1.41 per Share for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 9.1% over the average closing price of HK$1.43 per Share for the last 10 consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 60.5% over the audited net asset value per Share of approximately HK$0.81 as at 31 December 2017. The closing price of the Shares on 26 November 2018, being the date on which the terms of the Subscription were fixed, was HK$1.42 per Share. Completion of the Subscription took place on 2 January 2019, upon which 770,000,000 Shares of an aggregate nominal value of HK$77,000,000 have been successfully subscribed by Rong De at the Subscription Price of HK$1.30 per Subscription Share. The total net proceeds of approximately HK$1,000.5 million received by the Company from the Subscription have been fully used by the Group for repaying its bank and other borrowings as intended.

**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 2019** | 31 December 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties | **3,671,035** | 3,313,578 |

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 mortgaged loan by the purchasers of properties.

## FINANCIAL GUARANTEE CONTRACTS *(continued)*

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 2019 (31 December 2018: Nil).

## FOREIGN EXCHANGE RATE

During FY2019, 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 FY2019, 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 476 employees in Hong Kong and the PRC as at 31 December 2019 (31 December 2018: 332). During FY2019, the level of the Group's overall staff cost was approximately HK$154.6 million (FY2018: HK$103.9 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 FY2019, including training on updates of accounting standards and training on market updates.

During FY2019, 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.

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **REVENUE** | *4* | **4,074,814** | 2,704,796 |
| Cost of sales | | **(1,987,553)** | (1,617,009) |
| Gross profit | | **2,087,261** | 1,087,787 |
| Fair value gain on investment properties, net | | **384,868** | 279,009 |
| Other income and gains | *4* | **435,979** | 468,528 |
| Selling and marketing expenses | | **(90,882)** | (84,038) |
| Administrative expenses | | **(302,536)** | (254,078) |
| Other expenses | | **(429,455)** | (172,087) |
| Change in fair value of financial assets at fair value through profit or loss | | **662,507** | 459,600 |
| Share of profit/(loss) of an associate | | **33,191** | (12,760) |
| **PROFIT FROM OPERATIONS** | | **2,780,933** | 1,771,961 |
| Finance costs | *5* | **(1,503,924)** | (1,248,810) |
| **PROFIT BEFORE TAX** | *6* | **1,277,009** | 523,151 |
| Income tax expense | *7* | **(630,979)** | (445,299) |
| **PROFIT FOR THE YEAR** | | **646,030** | 77,852 |
| Attributable to: | | | |
| Equity holders of the parent | | **682,710** | 4,717 |
| Non-controlling interests | | **(36,680)** | 73,135 |
| | | **646,030** | 77,852 |
| **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted (HK cents per share) | *8* | **8.82** | (0.06) |

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| **PROFIT FOR THE YEAR** | **646,030** | 77,852 |
| **OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR** | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **38,399** | (379,037) |
| Share of other comprehensive income of an associate | **(728)** | — |
| Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods: | | |
| Share of other comprehensive income of an associate | **(41,821)** | 34,555 |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX** | **(4,150)** | (344,482) |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | **641,880** | (266,630) |
| Attributable to: | | |
| Equity holders of the parent | **678,115** | (337,588) |
| Non-controlling interests | **(36,235)** | 70,958 |
| | **641,880** | (266,630) |

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | | **348,513** | 227,288 |
| Investment properties | | **4,709,808** | 4,010,984 |
| Intangible assets | | **11,583** | 54,425 |
| Goodwill | | **207,571** | 212,218 |
| Investment in joint ventures | | **2,739** | 2,739 |
| Investment in an associate | | **2,070,852** | 2,080,210 |
| Prepayment, deposits and other assets | | **7,912,860** | — |
| Financial assets at fair value through profit or loss | | **1,654,097** | 3,260,545 |
| Deferred tax assets | | **77,160** | 66,088 |
| Total non-current assets | | **16,995,183** | 9,914,497 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **1,704,873** | 4,165,756 |
| Completed properties held for sale | | **5,011,693** | 3,405,772 |
| Trade and other receivables | *10* | **1,589,110** | 1,495,739 |
| Prepayments, deposits and other assets | | **4,093,467** | 7,571,489 |
| Prepaid income tax | | **200,644** | 202,567 |
| Financial assets at fair value through profit or loss | | **2,284,993** | 2,059,530 |
| Restricted cash | | **994,217** | 822,606 |
| Term deposits with initial terms of over three months | | **2,541,890** | 5,625,869 |
| Cash and cash equivalents | | **353,708** | 544,610 |
| Total current assets | | **18,774,595** | 25,893,938 |
| **CURRENT LIABILITIES** | | | |
| Contract liabilities | | **2,573,047** | 2,845,669 |
| Trade and other payables | *11* | **3,392,904** | 3,682,758 |
| Interest-bearing bank and other borrowings | | **4,037,192** | 9,485,319 |
| Amount due to the ultimate holding company | | **351,550** | 24,030 |
| Current income tax payables | | **2,125,764** | 1,919,124 |
| Derivative financial instruments | | **40,134** | 17,964 |
| Total current liabilities | | **12,520,591** | 17,974,864 |
| **NET CURRENT ASSETS** | | **6,254,004** | 7,919,074 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **23,249,187** | 17,833,571 |

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

| | 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| **NON-CURRENT LIABILITIES** | | |
| Other payables | **33,239** | — |
| Interest-bearing bank and other borrowings | **14,168,825** | 9,659,836 |
| Deferred tax liabilities | **1,556,936** | 1,325,428 |
| Total non-current liabilities | **15,759,000** | 10,985,264 |
| Net assets | **7,490,187** | 6,848,307 |
| **EQUITY** | | |
| **Equity attributable to equity holders of the parent** | | |
| Share capital | **719,442** | 642,441 |
| Perpetual capital securities | **856,416** | 800,000 |
| Reserves | **5,824,761** | 4,279,063 |
| Subscription monies received | **—** | 1,001,000 |
| | **7,400,619** | 6,722,504 |
| **Non-controlling interests** | **89,568** | 125,803 |
| **Total equity** | **7,490,187** | 6,848,307 |

*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 2019, the Group had cash and cash equivalents and terms deposits (with initial terms of over three months) with an aggregate carrying amount of approximately HK$2,896 million, the majority of which are kept by the Group's subsidiaries in Mainland China. As at the same date, the Group had outstanding interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$4,037 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of approximately HK$1,388 million and onshore borrowings in Mainland China of approximately HK$2,649 million.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that as at 31 December 2019, the Group had interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$4,037 million which are due to be repaid within one year from the end of the reporting period. Furthermore, the Group had capital and other commitments contracted but not provided for in the consolidated financial statements of approximately HK$1,907 million.

## 2.1 BASIS OF PRESENTATION *(continued)*

Nevertheless, the consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2019, after taking into consideration of the following:

(i) the available credit facilities of the Group;

(ii) the refinancing plan for the bank and other loans of the Group; and

(iii) the estimated cash flows of the Group for the next twelve months from the end of the reporting period, in particular, with (a) the consideration of the upcoming plan for the realisation of assets, sales of its completed properties held for sale and pre-sale of its properties under development; and (b) the Group's plan to obtain alternative funding including offshore loans under cross-border guarantee arrangements.

## 2.2 BASIS OF PREPARATION

The consolidated 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. These financial statements are presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation* |
| HKFRS 16 | *Leases* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments* |
| *Annual Improvements 2015-2017 Cycle* | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

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

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

**New definition of a lease**

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

(a) (continued)

### As a lessee — Leases previously classified as operating leases

*Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

*Impact on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to include the right-of-use assets in property and equipment as appropriate. This includes the lease assets recognised previously of HK$52,211,000 that were reclassified from intangible assets.

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applying the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application

Accordingly, the Group recognised property and equipment of HK$52,211,000 and derecognised intangible assets of HK$52,211,000 as at 1 January 2019.

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

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or a joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. The interpretation 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 and has three reportable operating segments as follows:

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

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation; and

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

The Group's revenue from external customers from each operating segment is also set out in note 4 to the financial statements.

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

## 3. OPERATING SEGMENT INFORMATION *(continued)*

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

**Year ended 31 December 2019**

| | Property development | Property investment | Project management services | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment revenue**: *(note 4)* | | | | |
| Sales to external customers | **2,540,074** | **164,248** | **1,370,492** | **4,074,814** |
| **Segment results** | **159,370** | **526,236** | **2,032,999** | **2,718,605** |
| *Reconciliation:* | | | | |
| Fair value gain on derivative financial instruments, net | | | | **29,137** |
| Share of profit of an associate | | | | **33,191** |
| Finance costs | | | | **(1,503,924)** |
| Profit before tax | | | | **1,277,009** |
| Income tax expense | | | | **(630,979)** |
| Profit for the year | | | | **646,030** |
| Segment assets | **14,003,903** | **4,763,946** | **14,782,668** | **33,550,517** |
| *Reconciliation:* | | | | |
| Corporate and other unallocated assets | | | | **2,219,261** |
| Total assets | | | | **35,769,778** |

## 3. OPERATING SEGMENT INFORMATION *(continued)*

| | Property development | Property investment | Project management services | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment liabilities | **6,182,561** | **188,421** | **—** | **6,370,982** |
| *Reconciliation:* | | | | |
| Corporate and other unallocated liabilities | | | | **21,908,609** |
| Total liabilities | | | | **28,279,591** |
| **Other segment information:** | | | | |
| Depreciation | **4,638** | **—** | **—** | **4,638** |
| Amortisation | **1,629** | **—** | **—** | **1,629** |
| Capital expenditure* | **91,082** | **244,287** | **—** | **335,369** |
| Fair value gain on investment properties, net | **—** | **384,868** | **—** | **384,868** |

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

## 3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2018

| | Property development | Property investment | Project management services | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Segment revenue:** *(note 4)* | | | | |
| Sales to external customers | 2,527,991 | 164,690 | 12,115 | 2,704,796 |
| **Segment results** | 935,283 | 375,465 | 471,715 | 1,782,463 |
| *Reconciliation:* | | | | |
| Fair value gain on derivative financial instruments, net | | | | 2,258 |
| Share of loss of an associate | | | | (12,760) |
| Finance costs | | | | (1,248,810) |
| Profit before tax | | | | 523,151 |
| Income tax expense | | | | (445,299) |
| Profit for the year | | | | 77,852 |
| Segment assets | 24,286,387 | 4,043,754 | 5,259,216 | 33,589,357 |
| *Reconciliation:* | | | | |
| Corporate and other unallocated assets | | | | 2,219,078 |
| Total assets | | | | 35,808,435 |

3. **OPERATING SEGMENT INFORMATION** *(continued)*

| | Property development | Property investment | Project management services | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment liabilities | 6,458,379 | 94,078 | — | 6,552,457 |
| *Reconciliation:* | | | | |
| Corporate and other unallocated liabilities | | | | 22,407,671 |
| Total liabilities | | | | 28,960,128 |
| **Other segment information:** | | | | |
| Depreciation | 2,717 | — | — | 2,717 |
| Amortisation | 4,222 | — | — | 4,222 |
| Capital expenditure* | 113,179 | 45,841 | — | 159,020 |
| Fair value gain on investment properties, net | — | 279,009 | — | 279,009 |

* Capital expenditure consists of additions to property and equipment and investment properties excluding those arising from acquisition of a subsidiary.

**Geographical information**

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

**Information about a major customer**

For the year ended 31 December 2019, revenue of approximately HK$1,045,058,000 (2018: Nil) was derived from a single related party customer which are attributable to the project management services segment (note 4).

## 4. REVENUE, OTHER INCOME AND GAINS

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

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| *Revenue from contracts with customers* | **2,540,074** | 2,540,106 |
| *Revenue from other sources* | | |
| Rental income from investment property operating leases: | | |
| Other lease payments, including fixed payments | **164,248** | 164,690 |
| Finance component of income from urban redevelopment projects | **1,370,492** | — |
| | **4,074,814** | 2,704,796 |

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

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Interest income | **351,264** | 411,194 |
| Management service income | **53,555** | — |
| Fair value gain on derivative financial instruments | **29,137** | 2,258 |
| Reversal of provision for claims and administrative penalties | — | 49,777 |
| Others | **2,023** | 5,299 |
| | **435,979** | 468,528 |

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Interest on bank and other borrowings and senior notes | **1,743,840** | 1,344,283 |
| Interest expense arising from revenue contracts | **76,466** | 14,063 |
| Total interest expense | **1,820,306** | 1,358,346 |
| Less: interest capitalised | **(316,382)** | (109,536) |
| | **1,503,924** | 1,248,810 |

## 6. PROFIT BEFORE TAX

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of properties sold | **1,987,553** | 1,617,009 |
| Depreciation of property and equipment | **2,569** | 2,717 |
| Depreciation of right-of-use assets | **2,069** | — |
| Amortisation | **1,629** | 4,222 |
| Fair value gain on derivative financial instruments, net | **(29,137)** | (2,258) |
| Minimum lease payments under operating leases | **—** | 8,999 |
| Lease payments not included in the measurement of lease liabilities | **7,902** | — |
| Auditor's remuneration | **4,700** | 4,500 |
| Foreign exchange differences, net | **255,285** | 60,376 |
| Employee benefit expense (including directors' remuneration) | | |
| Wages and salaries | **147,785** | 99,324 |
| Retirement benefit scheme contributions | **6,853** | 4,528 |
| | **154,638** | 103,852 |
| Impairment of financial assets | | |
| Impairment of other receivables, net | **11,745** | 16,697 |
| Impairment of deposits, net | **144,146** | 29,281 |
| | **155,891** | 45,978 |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties | **33,065** | 23,996 |

## 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 (2018: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the majority of the Group's subsidiaries operate.

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current: | | |
| PRC CIT | **233,985** | 214,696 |
| PRC LAT | **153,149** | 105,680 |
| | **387,134** | 320,376 |
| Deferred | **243,845** | 124,923 |
| Total tax charge for the year | **630,979** | 445,299 |

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

The calculation of the basic earnings/(loss) 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 7,192,307,411 (2018: 6,424,417,247) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

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

| | **2019** | 2018 |
|---|---|---|
| Profit attributable to equity holders of the parent *(HK$'000)* | **682,710** | 4,717 |
| Distribution related to perpetual capital securities *(HK$'000)* | **(48,000)** | (8,416) |
| Profit/(loss) used in the basic and diluted earnings/(loss) per share calculations *(HK$'000)* | **634,710** | (3,699) |
| Weighted average number of ordinary shares in issue during the year (thousand shares) | **7,192,307** | 6,424,417 |

## 9. DIVIDENDS

No dividend in respect of the year ended 31 December 2019 (2018: Nil) was proposed by the board of directors of the Company.

## 10. TRADE AND OTHER RECEIVABLES

An ageing analysis of the trade receivables 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:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 180 days | **38,617** | 27,118 |
| 181 to 365 days | **9,642** | 14,311 |
| Over 365 days | **13,950** | 6,016 |
| | **62,209** | 47,445 |

## 11. TRADE AND OTHER PAYABLES

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 year | **2,077,350** | 2,387,649 |
| Over 1 year | **29,710** | 33,733 |
| | **2,107,060** | 2,421,382 |

## 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 FY2019.

## 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 FY2019.

## 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 during FY2019, 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 ("**AGM**"). Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Chairman, did not attend the AGM held on 12 June 2019 due to his prior 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 FY2019, and discussed with the management regarding internal control and financial reporting matters.

## REVIEW OF THE UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for FY2019 has not been completed due to the travel and other restrictions in force in parts of China and Hong Kong to combat the COVID-19, which have prevented the Company's auditor from travelling from Hong Kong to the PRC to conduct audit field work. As a result, the auditing process has been delayed and the Company's auditor was not able to complete the auditing process to allow them to agree with the financial information contained in this announcement by 31 March 2020. In addition, the Company requires the audited financial statements of Silver Grant and its subsidiaries for FY2019 ("**Silver Grant 2019 AFS**") for completion of its audit and issue of the Group's audited financial statements for FY2019, which are not available to the Group as at the date of this announcement for the reasons set out in the announcement of Silver Grant dated 30 March 2020. The unaudited annual results contained herein have not been agreed with the Company's auditor but have been reviewed by the Audit Committee.

Having considered the current progress of the audit work, it is currently expected that, barring unforeseen circumstances and assuming that the Silver Grant 2019 AFS will be made available to the Group by the end of April 2020, the announcement relating to the Group's annual results for FY2019 as agreed with the Company's auditor and the annual report for FY 2019 of the Company will be published by the end of April 2020.

**UNCERTAINTIES OF THE UNAUDITED ANNUAL RESULTS**

Given that the Silver Grant 2019 AFS are not yet available which also affects the completion of the valuation of the recoverable amount of the Group's investment in Silver Grant as at 31 December 2019, which is to be conducted by an independent valuer engaged by the Group ("**Silver Grant Valuation**"), certain financial items of the Group as mentioned in this announcement, namely, the share of profit of an associate for FY2019 and the carrying amount of the investment in an associate as at 31 December 2019 are uncertain and subject to the Silver Grant 2019 AFS and the Silver Grant Valuation.

**FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the annual results for FY2019 as agreed with the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting of the Company will be held; and (iii) the period during which the register of members of the Company will be closed in order to ascertain the eligibility of the Company's shareholders ("**Shareholders**") to attend and vote at the said meeting. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process.

**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.

**The financial information contained herein in respect of the annual results of the Group for the year ended 31 December 2019 has not been audited and has not been agreed with the Company's auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 31 March 2020

*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).*