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 2020

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 2020 ("**FY2020**") together with the comparative figures for the previous financial year ("**FY2019**") as follows:

** Chinese name is translated for identification purpose only*

FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Revenue by operating segment:		
— Property development	**4,384,023**	2,540,074
— Project management services	**2,063,545**	1,370,492
— Property investment	**177,230**	164,248
Profit for the year attributable to equity holders of the parent	**2,242,404**	747,225

	At 31 December	
	2020	2019
	HK$'000	*HK$'000*
Total assets	**36,930,194**	35,843,685
Total liabilities	**27,511,242**	28,279,591
Total equity	**9,418,952**	7,564,094

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

2020 has been an extraordinary year. Following the disturbance caused by the trade talk between China and the United States in 2019, the global economy was further hit hard by the outbreak of COVID-19 in early January 2020. Most of the countries around the world have implemented precautionary measures against COVID-19, such as strengthening their border control, social distancing, home quarantine, etc., which brought global business activities almost to a standstill. The PRC authority has also taken national prevention and control measures to combat the outbreak of COVID-19. While COVID-19 has brought the economies of many countries to a virtual halt, its impacts on China were less severe as the Chinese government was able to bring the pandemic under control quickly, which allowed the domestic economy to recover rapidly. In turn, the overall impacts of COVID-19 on the Group were limited. In the first quarter of 2020, construction of certain property projects of the Group had been disrupted by the lockdowns across the country. However, as the pandemic gradually came under control in China after the first quarter of 2020, the operations of the Group resumed to normal in the second quarter of 2020. Due to the recovery of the domestic economy in the second half of 2020 and the demand for properties remaining strong, property prices and sales in first-tier cities in China have been stable in spite of the COVID-19 pandemic. The Group's profit increased by approximately 209.3% from FY2019 to FY2020, which was partly attributable to the increase in the revenue generated by the Group from the sale of properties and the provision of management services on property development projects and urban redevelopment projects during FY2020.

In March 2020, the Group completed its acquisition ("**First AEC Acquisition**") of 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). Through its wholly-owned subsidiary, Pacific Win Investments Limited (保鋒投資有限公司) ("**Pacific Win**"), All Flourish held 51% of the equity interest in 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*) ("**Guangzhou Project Company**"), a company which held interest in an urban renewal project ("**AEC Project**") in Guangzhou City known as "Zhuguang Financial Town One* (珠光金融城壹號)" ("**Zhuguang Financial Town One**"). The AEC Project covers the development of three parcels of land with a total gross floor area ("**GFA**") available for sale of approximately 352,496 square metres ("**sqm**"), which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, that are near the Sanxi (三溪) Station of Guangzhou Metro Line No. 5, and are within the scope of the planned Guangzhou International Financial Town* (廣州國際金融城) in the Tianhe District. The land under the AEC Project will be developed into buildings for office, apartment and commercial uses over five phases. Upon completion of the First AEC Acquisition, while the financial results of All Flourish and Pacific Win have been consolidated into the Group's, the financial results of the Guangzhou Project Company have not been consolidated into the Group's under the applicable accounting standards but have been equity accounted for as a joint venture of the Group.

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BUSINESS REVIEW *(continued)*

In September 2020, the Group completed its disposal of (i) the entire equity interest in Guangzhou Yuhong Investment Company Limited* (廣州御宏投資有限公司) ("**Guangzhou Yuhong**"), a non-wholly owned subsidiary of the Company; and (ii) the net amount advanced by way of loan by the Group to, among others, Guangzhou Yuhong, to Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership)* (廣州博浩企業管理合伙企業(有限合伙)) ("**Guangzhou Bohao**"), at the aggregate consideration of RMB4,404 million (equivalent to approximately HK$4,959 million) ("**Huocun Disposal**"). Subject to the satisfaction of certain conditions, the equity interest in Guangzhou Hongxiang Real Estate Company Limited* (廣州宏祥房地產有限公司) ("**Huocun Project Company**") shall be transferred to Guangzhou Yuhong after completion of the Huocun Disposal. The Huocun Project Company undertakes the urban renewal project for the purpose of re-developing the land located at Huocun, Huangpu District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 616,086 sqm, and the buildings thereon into residential, commercial and office areas ("**Huocun Project**"). Pursuant to the agreements in relation to the Huocun Project entered into by the Group, the Company shall be responsible for funding all the development costs of the Huocun Project. Under the terms of the Huocun Disposal, the development costs of the Huocun Project yet to be incurred and paid as at the date of completion of the Huocun Disposal shall be assumed by Guangzhou Bohao in favour of the Company. In addition, Guangzhou Bohao shall procure properties of 38,179 sqm developed on a designated area under the Huocun Project to be transferred to the Group at nil consideration after completion of the development of the project. The Group has realised a gain of approximately HK$2,038 million from the Huocun Disposal. Taking into account of (a) the operating conditions of the Group in the PRC as a result of the trade disputes between China and the United States and the persisting COVID-19 which have imposed uncertainties to the economy in the near future; (b) the Huocun Disposal being able to release the Group from funding the outstanding development costs of the Huocun Project; and (c) the gain generated by the Group from the Huocun Disposal, the Huocun Disposal allowed the Group to realise its investment in the Huocun Project at the appropriate time.

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BUSINESS REVIEW *(continued)*

In December 2020, the Group and 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*) ("**Guangdong Zhuguang Group**") entered into an agreement, pursuant to which the Group has conditionally agreed to purchase, and Guangdong Zhuguang Group has conditionally agreed to sell, 49% of the equity interest of the Guangzhou Project Company at the consideration of RMB900 million (equivalent to approximately HK$1,038 million) ("**Second AEC Acquisition**"). The Second AEC Acquisition was completed in March 2021, upon which the Guangzhou Project Company became a wholly-owned subsidiary of the Company, with its financial results being consolidated into the Group's. In light of the potential of the AEC Project for development and its superior geographic location in Guangzhou City with convenient transportation available, the completion of the First AEC Acquisition and the Second AEC Acquisition, which allowed the Group to take full control of the AEC Project, provided a strategic opportunity for the Group to further develop and expand its property development business in the Guangdong-Hong Kong-Macao Greater Bay Area. As at the date of this announcement, Phase I of the AEC Project which covers four blocks of apartment buildings (including a retail portion) with a total GFA available for sale of approximately 33,081 sqm that has commenced pre-sale in July 2020, is scheduled to be completed in April 2022. Phase II to Phase V of the AEC Project with a total GFA available for sale of approximately 319,415 sqm are scheduled to be completed in May 2025.

In December 2020, the Group completed its disposal of (i) 100% of the equity interest in Guangzhou Yujia Investments Company Limited* (廣州御嘉投資有限公司) ("**Yujia**"); and (ii) the loan owed by Yujia to the Group, at the aggregate consideration of RMB2,983 million (equivalent to approximately HK$3,395 million) ("**Yujia Disposal**"). Yujia holds a block of office and commercial building with a total GFA of approximately 48,528 sqm and 285 car parks thereon, which are situated in a composite residential/commercial property development known as Hua Cheng Yujing Garden* (花城御景花園), located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC. The Group held such properties through Yujia for sale and investment purposes. The Group has recognised the consideration received from the Yujia Disposal and the related profit during FY2020.

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales

During FY2020, 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 GFA sold for FY2020 amounted to approximately HK$4,407,454,000 and approximately 148,877 sqm, representing an increase of approximately 72.17% and a decrease of approximately 19.04% respectively, as compared with those for FY2019. The details of the Group's contracted sales and contracted GFA sold for FY2020 are set out below:

Projects	**Contracted sales**	**Contracted GFA sold**
	(HK$'000)	*(sqm)*
Hua Cheng Yujing Garden	3,197,038	48,802
Pearl Xincheng Yujing ("**Xincheng Yujing**")	338,473	42,472
Zhuguang Yujing Scenic Garden ("**Yujing Scenic Garden**")	334,842	24,447
Yujing Yayuan	105,874	6,987
Pearl Yunling Lake	97,121	7,805
Pearl Yijing	80,606	9,148
Project Tian Ying	32,067	2,696
Pearl Tianhu Yujing Garden ("**Tianhu Yujing**")	5,737	484
	4,191,758	142,841
Car parks	215,696	6,036
	4,407,454	148,877

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

It is expected that the following projects will be available for sale/pre-sale and/or leasing in 2021:

Projects	**Available for sale/ pre-sale/ leasing period**	**GFA available for sale/lease** *(sqm)*	**Usage**
Hua Cheng Yujing Garden	1st quarter	4,053	Leasing/Sale
Xincheng Yujing	1st quarter	23,618	Leasing/Sale
Yujing Scenic Garden	1st quarter	28,153	Sale
Yujing Yayuan	1st quarter	23,030	Sale
Pearl Yunling Lake	1st quarter	35,318	Leasing/Sale
Pearl Yijing	1st quarter	19,566	Sale
Project Tian Ying	1st quarter	8,566	Sale
Tianhu Yujing	1st quarter	29,608	Leasing/Sale
Meizhou Chaotang Project	1st quarter	26,813	Leasing/Sale
Zhukong International	1st quarter	3,134	Leasing/Sale
Central Park	1st quarter	2,432	Leasing/Sale
Zhuguang Financial Town One	2nd quarter	209,963	Pre-sale

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

As at 31 December 2020, the Group owned the following major property development projects, the details of which are as follows:

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, and the total GFA available for development that 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 2020, the aggregate GFA delivered under this project was approximately 85,294 sqm. During FY2020, contracted sales of approximately HK$3,197,038,000 with GFA of approximately 48,802 sqm were recorded with respect to Hua Cheng Yujing Garden.

Xincheng Yujing — 100% interest

"Xincheng Yujing" was acquired by the Group in September 2016. It is located at 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 355,352 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 commenced pre-sale during 2017 with delivery commencing in 2018. Phase II commenced pre-sale in 2017 which was completed with delivery commencing in FY2019. Phase III also commenced delivery during FY2020. Aggregate GFAs of approximately 650 sqm, 1,759 sqm and 48,463 sqm were delivered under Phase I, Phase II and Phase III, respectively, during FY2020. The ancillary commercial building plus a basement with a total GFA of approximately 10,084 sqm were leased out during FY2020. During FY2020, contracted sales of approximately HK$338,473,000 with GFA of approximately 42,472 sqm were recorded with respect to Xincheng Yujing.

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BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Yujing Scenic Garden — 100% interest

"Yujing Scenic Garden" is located at Provincial Highway G105 ("**Highway G105**") line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou City, Guangdong Province, the PRC, which is well connected via a number of highways to and from Guangzhou City. Yujing Scenic Garden is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which is being developed into a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 758,606 sqm, which comprises four phases of development. District II of Phase IV of an aggregate GFA of approximately 53,853 sqm was 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 3,652 sqm, which are held by the Group for investment purposes.

During FY2020, contracted sales of approximately HK$334,842,000 with GFA of approximately 24,447 sqm were recorded with respect to Yujing Scenic Garden.

Yujing Yayuan — 50% interest

"Yujing Yayuan" is located at Guoji, Fuyong, Nanqu, Zhongshan City, Guangdong Province, the PRC. The site area and the GFA available for development of this project are approximately 15,745 sqm and approximately 50,471 sqm, respectively. This project, which was to be developed into five blocks of modern residential buildings, a street-level commercial podium and an underground car park, was completed in FY2020. Aggregate GFA of approximately 4,385 sqm was delivered during FY2020. During FY2020, contracted sales of approximately HK$105,874,000 with GFA of approximately 6,987 sqm were recorded with respect to Yujing Yayuan.

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 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 2017 respectively, whilst the hotel has been retained as a long-term asset of the Group.

The aggregate GFA delivered under Phase I was approximately 21,363 sqm, of which approximately 1,130 sqm was delivered during FY2020. The aggregate GFA delivered under Phase II was approximately 15,606 sqm, of which approximately 4,919 sqm was delivered during FY2020. The remaining GFA available for sale under Phase I and Phase II is expected to be delivered in 2021. During FY2020, contracted sales of approximately HK$97,121,000 with GFA of approximately 7,805 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 164,628 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 31 December 2020, the aggregate GFAs available for sale delivered under Phase I and Phase II were approximately 75,895 sqm and approximately 68,027 sqm, respectively. A total GFA of approximately 9,392 sqm under Phase I and Phase II was delivered during FY2020. During FY2020, contracted sales of approximately HK$80,606,000 with GFA of approximately 9,148 sqm were recorded with respect to Pearl Yijing.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Project Tian Ying — 100% interest

"Project Tian Ying" is located in Jiang Pu Street, Conghua, Guangzhou City, Guangdong Province, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project, which was to be developed into a stylish low-density residential complex with a commercial podium and certain public facilities, was completed in FY2019. The aggregate GFA delivered was approximately 48,443 sqm, of which approximately 23,188 sqm was delivered during FY2020. During FY2020, contracted sales of approximately HK$32,067,000 with GFA of approximately 2,696 sqm were recorded with respect to Project Tian Ying.

Tianhu Yujing — 100% interest

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

The aggregate GFA delivered under Phase I was approximately 93,018 sqm, of which approximately 977 sqm was delivered during FY2020. The aggregate GFA delivered under Phase II was approximately 45,200 sqm, of which approximately 1,722 sqm was also delivered during FY2020. During FY2020, contracted sales of approximately HK$5,737,000 with GFA of approximately 484 sqm were recorded with respect to Tianhu Yujing.

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 34,234 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 ten blocks of villas with a GFA of approximately 2,936 sqm has commenced in the fourth quarter of FY2019. The Group has designated the hotel with GFA of approximately 7,389 sqm as an investment property held for long-term investment purpose.

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

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 Guangzhou Avenue* (廣州大道) and Huang Pu Da Dao* (黃埔大道), 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 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.

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 28,908 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. As at 31 December 2020, 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.

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 2020, the Group and its joint venture 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 1,015,416 sqm in aggregate. 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.

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Project Management Services

The Group has been using its expertise in project management and urban renewal to provide project management services to its customers for property development projects and urban redevelopment projects. In carrying out its business in the provision of project management services, under which it is a common commercial practice for the service providers to include the advancement of funding to customers as part of the services they provide, the Group provides its customers with funding (i.e. development costs, including but not limited to the land costs, costs of preliminary works, building and installation costs, municipal and environmental engineering costs, public ancillary facilities costs and other indirect development costs, required for developing the underlying property development projects or urban redevelopment projects of its customers) and project management services for the projects of its customers. In return, the Group is entitled to a project management services income (i.e. capital utilisation fee which is determined by reference to the agreed capital utilisation rate (in terms of a percentage) and the project development costs advanced by the Group), and a variable income for certain projects which is determined with reference to the performance of the underlying projects subject to certain constraints pursuant to the terms of the relevant project management services agreements entered into between the parties. The Group recorded project management services segment results of approximately HK$2,915,145,000 for FY2020, compared to that of approximately HK$1,608,304,000 for FY2019. The increase in the revenue generated from this business segment was mainly attributable to the increase in the number of project management services agreements entered into by the Group in FY2020. The Group will continue to utilise its expertise in project management and urban renewal to further develop its project management services business to broaden its source of income.

Property Investments

As at 31 December 2020, 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 2019: 18,184 sqm); (2) "Zhukong International" with GFA of approximately 43,918 sqm (31 December 2019: 43,918 sqm); (3) certain floors of a commercial complex in Hua Cheng Yujing Garden with GFA of approximately 14,832 sqm (31 December 2019: 32,051 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 2019: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 18,483 sqm (31 December 2019: 18,459 sqm) as investment properties. During FY2020, RM Hotel, Zhukong International and the commercial properties were partially leased out with total rental income of approximately HK$177,230,000 generated, representing an increase of approximately 7.9% as compared to that of approximately HK$164,248,000 for FY2019. 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.

MATERIAL ACQUISITIONS AND DISPOSALS

During FY2020, the Group entered into and/or completed the following contracts:

(a) On 18 December 2019, South Trend Holdings Limited (南興控股有限公司) ("**South Trend**"), as purchaser, Quan Xing Holdings Limited (荃興控股有限公司) ("**Quan Xing**"), as vendor, and Mr. Cheung Fong Wing, as guarantor, entered into a sale and purchase agreement in relation to the First AEC Acquisition ("**First AEC Acquisition SPA**"). Pursuant to the First AEC Acquisition SPA, South Trend has conditionally agreed to acquire, and Quan Xing has conditionally agreed to sell, the entire issued share capital of All Flourish, a company which held 51% of the equity interest in the Guangzhou Project Company through its interest in the entire issued share capital of Pacific Win, at the consideration of RMB1,050 million (equivalent to approximately HK$1,165.7 million).

The First AEC 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 after completion of the First AEC Acquisition, the financial results of the Guangzhou Project Company have not been consolidated into the Group's under the applicable accounting standards but have been equity accounted for as a joint venture of the Group.

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

(b) On 22 April 2020, (i) United Talent Investments Limited, a wholly-owned subsidiary of the Company, as vendor ("**United Talent**"); (ii) Guangzhou Yuhong, a non-wholly owned subsidiary of the Company, as target company; (iii) the Company; (iv) Skyleap Investments Limited, a wholly-owned subsidiary of the Company; and (v) Guangzhou Bohao, as purchaser, entered into a co-development agreement in relation to the Huocun Disposal ("**Co-Development Agreement**"). Pursuant to the Co-development Agreement, United Talent has conditionally agreed to sell, and Guangzhou Bohao has conditionally agreed to purchase, (1) the entire equity interest in Guangzhou Yuhong at the consideration of RMB1,500 million (equivalent to approximately HK$1,665 million); and (2) the net amount advanced by way of loan by United Talent and/or the subsidiaries of the Company to, among others, Guangzhou Yuhong at completion of the Hucoun Disposal at the consideration equal to the face value of such loan. The Huocun Disposal was completed in September 2020.

Further details of the Huocun Disposal are set out in the announcement and the circular of the Company dated 22 April 2020 and 24 June 2020, respectively.

MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

(c) On 19 June 2020, Guangzhou Rongcheng Investment Development Company Limited* (廣州融晟投資發展有限公司) ("**Guangzhou Rongcheng**"), as vendor, and United Talent, a wholly-owned subsidiary of the Company, as purchaser, entered into an agreement pursuant to which Guangzhou Rongcheng has agreed to sell, and United Talent has agreed to acquire, 10% of the equity interest of Guangzhou Yuhong at nil consideration ("**RC Acquisition**"). Completion of the RC Acquisition ("**RC Completion**") took place on 9 July 2020. Immediately before the RC Completion, the equity interest in Guangzhou Yuhong was owned as to 90% by United Talent and 10% by Guangzhou Rongcheng. Immediately after the RC Completion, the entire equity interest in Guangzhou Yuhong was held by United Talent. Further details of the RC Acquisition are set out in the announcement and the circular of the Company dated 19 June 2020 and 24 June 2020, respectively.

(d) On 12 November 2020, World Charter Investments Limited ("**World Charter**"), a wholly-owned subsidiary of the Company, as first vendor, Guangzhou Shunji Industry Company Limited* (廣州舜吉實業有限公司) ("**Shunji**"), a wholly-owned subsidiary of the Company, as second vendor, and Guangzhou City Cheng Xing Trading Company Limited* (廣州市城興貿易有限公司) ("**Cheng Xing**"), as purchaser, and Yujia, as target, entered into a transfer agreement in relation to the Yujia Disposal ("**Transfer Agreement**"). Pursuant to the Transfer Agreement, World Charter and Shunji agreed to sell, and Cheng Xing agreed to acquire (i) 100% of the equity interest in Yujia; and (ii) the loan owed by Yujia to Shunji, at the aggregate consideration of RMB2,983 million (equivalent to approximately HK$3,395 million). The Yujia Disposal was completed in December 2020, upon which the Group ceased to have any interest in Yujia.

    Further details of the Yujia Disposal are set out in the announcement and the circular of the Company dated 12 November 2020 and 3 December 2020, respectively.

(e) On 7 December 2020, Pacific Win, a wholly-owned subsidiary of the Company, as purchaser, and Guangdong Zhuguang Group, as vendor, entered into an agreement in relation to the Second AEC Acquisition ("**Second AEC Acquisition SPA**"). Pursuant to the Second AEC Acquisition SPA, Pacific Win has conditionally agreed to purchase, and Guangdong Zhuguang Group has conditionally agreed to sell, 49% of the equity interest of the Guangzhou Project Company at the consideration of RMB900 million (equivalent to approximately HK$1,038 million).

    Further details of the Second AEC Acquisition are set out in the announcement and the circular of the Company dated 7 December 2020 and 24 December 2020, respectively.

** English name is translated for identification purpose only*

EVENT AFTER THE REPORTING YEAR

The Second AEC Acquisition was completed in March 2021, upon which the Guangzhou Project Company became a wholly-owned subsidiary of the Company, with its financial results being consolidated into the Group's.

OUTLOOK

2021 will be a year full of both opportunities and challenges for real estate companies in China. The overall post-pandemic recovery of the economy will energize the industry. At the same time, under the primary regulation policies such as "housing is for accommodation, not for speculative trading" and "taking measures in response to local conditions", the demand and supply of properties in the market will gradually return to stable in 2021, and the demand will become more rational. With the increasing concentration of the industry, real estate developers not only have to take advantage of the development opportunities of urban rotation and establish a proper strategic roadmap, but also have to focus on areas where they have advantages, cultivate key cities, conduct in-depth research and analysis of the needs of different customers and strengthen cooperation between developers, in order to better position themselves for potential development opportunities. The Group will expand its high-quality land bank and adhere to the "1+1+N" development strategy in the future while focusing its business presence in the Guangdong-Hong Kong-Macao Greater Bay Area.

In 2021, the Group's inventory for sale will still be concentrated in its completed projects in Guangzhou. In the future, the Group will continue to increase its sales in the Guangzhou area. As of the date of this announcement, the Group's saleable inventory in the Guangzhou area is relatively abundant. As a result, Guangzhou will remain the key sales area of the Group in 2021, 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 of focusing 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 its land resources mainly through urban renewal projects in the future, it will leverage on its competitive edge and 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 reputation.

The Group will also actively seek cooperation with partners in various aspects of its business to enhance and strengthen its position in the industry as an urban renewal expert.

FINANCIAL REVIEW

Revenue

During FY2020, the Group's revenue by operating segment included revenue from property development, project management services and property investment. The total revenue of the Group for FY2020 was approximately HK$6,624,798,000 (FY2019: HK$4,074,814,000), which represented an increase of approximately 62.6% as compared to that for FY2019.

Revenue from property development for FY2020 amounted to approximately HK$4,384,023,000 (FY2019: HK$2,540,074,000). The increase was mainly due to the increase in the average selling price of the properties delivered during FY2020 as compared to that of the properties delivered during FY2019.

The income from project management services segment contributed approximately HK$2,063,545,000 (FY2019: HK$1,370,492,000) to the total revenue of the Group for FY2020. The significant increase was mainly due to the increase in the number of project management services agreements entered into by the Group in FY2020.

The Group recorded an increase of approximately 7.9% in rental income for FY2020, as compared to that for FY2019. The rental income increased from approximately HK$164,248,000 for FY2019 to approximately HK$177,230,000 for FY2020, mainly due to the increase in GFA of the investment properties leased out by the Group during FY2020.

Gross profit and margin

For FY2020, the Group recorded a gross profit of approximately HK$3,223,940,000 (FY2019: HK$2,087,261,000). The increase was mainly due to the increase in the sales of the Group's properties and the increase in the number of project management services agreements entered into by the Group in FY2020.

Fair value loss on investment properties, net

For FY2020, the fair value loss on investment properties, net, recorded by the Group amounted to approximately HK$97,233,000 as compared with a fair value gain on investment properties, net of approximately HK$384,868,000 in FY2019. The fair value loss on investment properties, net was mainly due to the decrease in the fair value of RM Hotel and Zhukong International as at 31 December 2020.

FINANCIAL REVIEW *(continued)*

Other income and gains

Other income and gains of the Group increased to approximately HK$1,144,136,000 during FY2020 (FY2019: HK$435,979,000). The increase was primarily due to the foreign exchange gain of approximately HK$865,753,000 recorded for FY2020 as compared to the foreign exchange loss of approximately HK$254,697,000 recorded in other expenses in FY2019.

Gain on disposal of a subsidiary

Gain on disposal of a subsidiary amounted to approximately HK$2,037,683,000 for FY2020 (FY2019: Nil), which represented the gain realised by the Group from its disposal of the entire equity interest in Guangzhou Yuhong during FY2020.

Administrative expenses and selling and marketing costs

Administrative expenses and selling and marketing costs of the Group increased from approximately HK$393,418,000 for FY2019 to approximately HK$461,334,000 for FY2020. The increase was primarily due to the increase in the professional fees payable by the Group for corporate exercises and bank charges for refinancing arrangements during FY2020.

Other expenses

Other expenses of the Group increased from approximately HK$272,977,000 for FY2019 to approximately HK$763,495,000 for FY2020. Other expenses mainly comprised (i) the impairment of investment in an 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, of approximately HK$539,757,000 recorded for FY2020 (FY2019: Nil); (ii) the impairment of goodwill of approximately HK$126,876,000 recorded for FY2020 (FY2019: Nil) following the sale of Yujia by the Group; and (iii) the impairment of inventory of approximately HK$53,707,000 recorded for FY2020 (FY2019: Nil).

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$662,507,000 for FY2019 to approximately HK$367,802,000 for FY2020. The decrease was mainly due to the decrease in the fair value of certain project management services agreements as at 31 December 2020, under which the Group agreed to provide funding and management services in relation to property development projects to its customers.

FINANCIAL REVIEW *(continued)*

Share of loss of an associate

Share of loss of an associate was approximately HK$134,691,000 during FY2020 (FY2019: share of profit of approximately HK$144,797,000), which represented the Group's share of the loss from its associate, Silver Grant. Silver Grant and its subsidiaries are principally engaged in investments and property leasing. The Group completed the acquisitions of approximately 29.56% 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 FY2020 were approximately HK$1,517,356,000 (FY2019: HK$1,503,924,000), which were made up of interest expenses incurred during FY2020 after deduction of the interest expenses capitalised into development costs. The increase in finance costs was mainly due to the increase in the cost of borrowings incurred by the Group in FY2020.

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$845,743,000 (FY2019: HK$233,985,000), LAT of approximately HK$522,156,000 (FY2019: HK$153,149,000) and deferred tax credit of approximately HK$255,538,000 (FY2019: deferred tax expense of HK$238,166,000) accounted for the Group's total income tax expense of approximately HK$1,112,361,000 for FY2020 (FY2019: HK$625,300,000). The increase in total income tax expense for FY2020 was mainly due to the net effect of (i) the decrease in tax-deductible expenses incurred during FY2020, as compared to those incurred in FY2019; and (ii) the withholding tax arising from the gain on the Group's disposal of Guangzhou Yuhong recorded for FY2020, which was absent in FY2019.

FINANCIAL REVIEW *(continued)*

Profit for the year

The Group's profit for FY2020 was approximately HK$2,225,196,000 (FY2019: HK$719,497,000), which represented an increase of approximately 209.3% as compared to that for FY2019. The increase in profit was mainly attributable to (i) the gain realised from the disposal of a subsidiary in FY2020 resulting from the Group's disposal of the entire equity interest in Guangzhou Yuhong in FY2020, a then wholly owned subsidiary of the Company, of approximately HK$2,037,683,000 which was absent in FY2019; (ii) the increase in the revenue from the sale of properties during FY2020 to approximately HK$4,384,023,000 (FY2019: HK$2,540,074,000) mainly due to the sales revenue recognised by the Group from its disposal of the entire equity interest in Yujia in FY2020, which held a block of office and commercial building and car parks for sale and investment purposes; and (iii) the foreign exchange gain of approximately HK$865,753,000 recorded as a result of the appreciation of Renminbi ("**RMB**") against Hong Kong dollar ("**HK$**") during FY2020 as compared to the foreign exchange loss of approximately HK$254,697,000 recorded in FY2019.

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 2020, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$2,512,180,000 (31 December 2019: HK$3,889,815,000). The cash and cash equivalents of the Group were mainly denominated in RMB, United States dollar ("**US$**") and HK$.

** English name is translated for identification purpose only*

FINANCIAL REVIEW *(continued)*

Borrowings, charges on group assets and gearing ratio

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

	31 December 2020	31 December 2019
	HK$'000	*HK$'000*
Bank loans — secured	**5,671,151**	4,659,742
Bank loans — unsecured and guaranteed	**236,849**	478,264
Senior notes — secured	**2,438,908**	3,381,035
Other borrowings — secured	**8,580,261**	9,446,734
Other borrowings — unsecured and guaranteed	**100,000**	220,000
Lease liability	**13,850**	20,242
	17,041,019	18,206,017

(a) As at 31 December 2020, 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$1,037,773,000 (31 December 2019: HK$1,270,973,000), approximately HK$13,281,930,000 (31 December 2019: HK$13,467,953,000) and approximately HK$2,721,316,000 (31 December 2019: HK$3,467,091,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 3.00% to 14% (31 December 2019: 3.00% to 12%). Approximately 95.90% (31 December 2019: 97.4%) of the bank loans carried fixed interest rates ranging from 2.35% to 13.00% (31 December 2019: 2.97% to 14.25%) while the remaining 4.10% (31 December 2019: 2.6%) of the bank loans carried floating interest rates.

(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 2020, the gearing ratio of the Group was 61% (31 December 2019: 65%).

FINANCIAL REVIEW *(continued)*

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

(c) As at 31 December 2020, the Group had outstanding secured bank loans of approximately HK$5,671.2 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's properties under development and completed properties held for sale; (iii) the Group's term deposits; (iv) 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*), 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 廣州佳譽投資有限公司 (Guangzhou Jiayu Investment Company Limited*); (v) the entire equity interest of a subsidiary of Guangdong Zhuguang Group); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; and (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung and Mr. Liao Tengjia. The secured bank loans comprised (1) a bank loan in the principal amount of US$11.11 million due in March 2021; (2) a bank loan in the principal amount of HK$3.17 million due in May 2021; (3) a revolving bank loan in the principal amount of HK$4.1 million with the final maturity due in June 2021; (4) a bank loan in the principal amount of US$11.28 million due in June 2021; (5) a bank loan in the principal amount of RMB50 million due in June 2021; (6) a bank loan in the principal amount of HK$38.77 million due in July 2021; (7) a bank loan in the principal amount of RMB5 million due in August 2021; (8) a bank loan in the principal amount of RMB2,500 million due in August 2021; (9) bank loans in the principal amount of HK$198.56 million due in September 2021; (10) a bank loan in the principal amount of US$14.04 million due in September 2021; (11) a bank loan in the principal amount of HK$349 million due in October 2021; (12) a bank loan in the principal amount of RMB300 million repayable by instalments within 3 years with the last instalment due in November 2021; (13) a bank loan in the principal amount of RMB750 million due in January 2022; (14) a bank loan in the principal amount of RMB1 million due in November 2022; (15) a bank loan in the principal amount of RMB27.5 million due in July 2025; and (16) a bank loan in the principal amount of RMB2,500 million due in September 2035.

(d) As at 31 December 2020, the Group had an outstanding unsecured and guaranteed bank loan of approximately HK$236.8 million, which was guaranteed by (i) the corporate guarantees executed by the Company, Guangdong Zhuguang Group and a subsidiary 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.

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FINANCIAL REVIEW *(continued)*

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

(e) As at 31 December 2020, the Group had outstanding senior secured guaranteed notes issued in 2019 ("**2019 Senior Notes**") in the aggregate principal amount of US$328 million (equivalent to approximately HK$2,438.9 million), due on 21 September 2022, which are secured and guaranteed by (i) 3,361,112,000 shares of the Company ("**Shares**") owned by Rong De Investments Limited (融德投資有限公司) ("**Rong De**"); (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) ("**Ai De**"), All Flourish, Capital Fame Investments Limited (嘉鋒投資有限公司) ("**Capital Fame**"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("**Cheng Chang**"), East Orient Investment Limited (達東投資有限公司) ("**East Orient**"), Ever Crown Corporation Limited (冠恒興業有限公司) ("**Ever Crown**"), Fresh International Limited (豐順國際有限公司) ("**Fresh International**"), Fully Wise Investment Limited (惠豐投資有限公司) ("**Fully Wise**"), Pacific Win, Polyhero International Limited (寶豪國際有限公司) ("**Polyhero International**"), 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, All Flourish, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fully Wise, Pacific Win, 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.

FINANCIAL REVIEW *(continued)*

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

(f) As at 31 December 2020, the Group had outstanding secured other borrowings of approximately HK$8,580.3 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's assets under construction included in property and equipment; (iii) the Group's investment properties; (iv) the security provided by Guangdong Zhuguang Group; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*) and 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (viii) 445,000,000 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 RMB450 million repayable by instalments within 3 years with the last instalment due in January 2021; (2) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 4 years with the last instalment due in June 2021; (3) a loan in the principal amount of RMB1,200 million due in July 2021; (4) a loan in the principal amount of RMB1,200 million due in July 2021; (5) a margin loan in the principal amount of HK$330 million due in October 2021; (6) loans in the principal amount of RMB165.5 million repayable by instalments within 2 years with the last instalment due in November 2021; (7) a loan in the principal amount of RMB58.5 million repayable by instalments within 2 years with the last instalment due in November 2021; (8) a loan in the principal amount of RMB629.6 million repayable by instalments within 4 years with the last instalment due in December 2021; (9) a loan in the principal amount of RMB2,500 million due in May 2022; (10) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; and (11) a loan in the principal amount of RMB636 million due in April 2026.

(g) As at 31 December 2020, the Group had outstanding unsecured and guaranteed other borrowings of HK$100 million, which were guaranteed by the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed other borrowings comprised a loan in the principal amount of HK$100 million due in December 2021.

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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 2020	31 December 2019
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**3,643,803**	3,671,035

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 2020 (31 December 2019: Nil).

FOREIGN EXCHANGE RATE

During FY2020, 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 FY2020, 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 289 employees in Hong Kong and the PRC as at 31 December 2020 (31 December 2019: 476). During FY2020, the level of the Group's overall staff cost was approximately HK$183.2 million (FY2019: HK$154.6 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 FY2020, including training on updates of accounting standards and training on market updates.

During FY2020, 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

		Year ended 31 December	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**6,624,798**	4,074,814
Cost of sales		**(3,400,858)**	(1,987,553)
Gross profit		**3,223,940**	2,087,261
Fair value (loss)/gain on investment properties, net		**(97,233)**	384,868
Other income and gains	*4*	**1,144,136**	435,979
Gain on disposal of a subsidiary		**2,037,683**	—
Selling and marketing expenses		**(69,901)**	(90,882)
Administrative expenses		**(391,433)**	(302,536)
Changes in fair value of financial assets at fair value through profit or loss		**367,802**	662,507
Impairment losses on financial assets, net		**(440,689)**	(200,296)
Other expenses		**(763,495)**	(272,977)
Finance costs	*5*	**(1,517,356)**	(1,503,924)
Share of (loss)/profit of an associate		**(134,691)**	144,797
Share of loss of a joint venture		**(21,206)**	—
PROFIT BEFORE TAX	*6*	**3,337,557**	1,344,797
Income tax expense	*7*	**(1,112,361)**	(625,300)
PROFIT FOR THE YEAR		**2,225,196**	719,497
Attributable to:			
Equity holders of the parent		**2,242,404**	747,225
Non-controlling interests		**(17,208)**	(27,728)
		2,225,196	719,497
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	*8*	**30.50**	9.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**2,225,196**	719,497
OTHER COMPREHENSIVE 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	**(428,722)**	38,512
Share of other comprehensive income/(loss) of an associate	**81,730**	(40,244)
Release of exchange fluctuation reserve upon disposal of a subsidiary	**(46,802)**	—
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(393,794)**	(1,732)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of an associate	**(3,671)**	(1,978)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(397,465)**	(3,710)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,827,731**	715,787
Attributable to:		
Equity holders of the parent	**1,853,075**	743,070
Non-controlling interests	**(25,344)**	(27,283)
	1,827,731	715,787

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property and equipment		**366,393**	348,513
Investment properties		**3,774,285**	4,709,808
Intangible assets		**10,673**	11,583
Goodwill		**87,081**	207,571
Investment in joint ventures		**1,657,569**	2,739
Investment in an associate		**1,586,396**	2,182,785
Trade receivables	*10*	**8,352,626**	7,884,171
Financial assets at fair value through profit or loss		**1,585,462**	1,654,097
Deferred tax assets		**18,177**	82,736
Total non-current assets		**17,438,662**	17,084,003
CURRENT ASSETS			
Properties under development		**918,433**	1,704,873
Completed properties held for sale		**3,617,252**	5,011,693
Trade receivables	*10*	**6,231,006**	3,051,110
Prepayments, other receivables and other assets		**3,676,303**	2,616,554
Prepaid income tax		**163,779**	200,644
Financial assets at fair value through profit or loss		**2,372,579**	2,284,993
Restricted cash		**1,353,143**	994,217
Term deposits with initial terms of over three months		**1,103,808**	2,541,890
Cash and cash equivalents		**55,229**	353,708
Total current assets		**19,491,532**	18,759,682
CURRENT LIABILITIES			
Contract liabilities		**1,482,331**	2,573,047
Trade and other payables	*11*	**3,858,256**	3,744,454
Interest-bearing bank and other borrowings		**7,956,461**	4,037,192
Current income tax payables		**3,454,683**	2,125,764
Derivative financial instruments		**19,645**	40,134
Total current liabilities		**16,771,376**	12,520,591
NET CURRENT ASSETS		**2,720,156**	6,239,091
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,158,818**	23,323,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

		31 December	
	Note	**2020** ***HK$'000***	2019 *HK$'000*
NON-CURRENT LIABILITIES			
Other payables	*11*	**353,223**	33,239
Interest-bearing bank and other borrowings		**9,084,558**	14,168,825
Deferred tax liabilities		**1,302,085**	1,556,936
Total non-current liabilities		**10,739,866**	15,759,000
Net assets		**9,418,952**	7,564,094
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		**719,442**	719,442
Perpetual capital securities		**904,416**	856,416
Reserves		**7,694,791**	5,889,716
		9,318,649	7,465,574
Non-controlling interests		**100,303**	98,520
Total equity		**9,418,952**	7,564,094

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 2020, the Group had cash and cash equivalents and term deposits (with initial terms of over three months) with an aggregate carrying amount of approximately HK$1,159 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$7,956 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of approximately HK$1,897 million and onshore borrowings in Mainland China of approximately HK$6,059 million.

In preparing the 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 2020, the Group had interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$7,956 million which are due to be repaid within one year from the end of the reporting period. Furthermore, the Group had capital commitments contracted but not provided for in the consolidated financial statements of approximately HK$1,790 million.

Nevertheless, the 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 2020, 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 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.

2.2 BASIS OF PREPARATION

These 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

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

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material of omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statement. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant 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 project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects; and

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that the change in fair value of derivative financial instruments, share of profit/loss of joint ventures, share of profit/loss of an associate, 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, restricted cash, term deposits with initial terms of over three months and cash and cash equivalents as these assets are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020

	Property development *HK$'000*	Project management services *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue: *(note 4)*				
Sales to external customers	4,384,023	2,063,545	177,230	6,624,798
Segment results	568,220	2,915,145	20,112	3,503,477
Reconciliation:				
Fair value gain on derivative financial instruments, net				20,489
Gain on disposal of a subsidiary				2,037,683
Share of loss of an associate				(134,691)
Share of loss of joint venture				(21,206)
Corporate and other unallocated expenses				(12,670)
Finance costs (other than interest on lease liabilities)				(1,515,768)
Impairment on investment in an associate included in other expenses				(539,757)
Profit before tax				3,337,557
Income tax expense				(1,112,361)
Profit for the year				2,225,196
Segment assets	8,457,684	18,386,408	4,152,512	30,996,604
Reconciliation:				
Corporate and other unallocated assets				5,933,590
Total assets				36,930,194
Segment liabilities	5,448,601	—	258,791	5,707,392
Reconciliation:				
Corporate and other unallocated liabilities				21,803,850
Total liabilities				27,511,242
Other segment information:				
Depreciation	10,654	—	—	10,654
Amortisation	1,569	—	—	1,569
Capital expenditure*	894	—	9,472	10,366
Fair value loss on investment properties, net	—	—	97,233	97,233
Impairment of financial assets	—	440,689	—	440,689
Impairment of goodwill	126,876	—	—	126,876
Impairment of inventory	53,707	—	—	53,707
Write-off of trade receivables	—	—	11,832	11,832
Write-off of other receivables	19,059	—	—	19,059

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2019

	Property development HK$'000	Project management services HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue: *(note 4)*				
Sales to external customers	2,540,074	1,370,492	164,248	4,074,814
Segment results	540,247	1,608,304	526,236	2,674,787
Reconciliation:				
Fair value gain on derivative financial instruments, net				29,137
Share of profit of an associate				144,797
Finance costs (other than interest on lease liabilities)				(1,503,924)
Profit before tax				1,344,797
Income tax expense				(625,300)
Profit for the year				719,497
Segment assets	10,105,468	14,752,633	4,758,999	29,617,100
Reconciliation:				
Corporate and other unallocated assets				6,226,585
Total assets				35,843,685
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
Impairment of financial assets	28,650	171,646	—	200,296

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

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

Geographical information

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

Information about major customers

For the year ended 31 December 2020, revenue of approximately HK$1,612,413,000 (2019: HK$1,045,058,000) was derived from a single related party customer, which was attributable to the project management services segment.

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

4. **REVENUE, OTHER INCOME AND GAINS**

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of properties	**4,384,023**	2,540,074
Revenue from other sources		
Finance component of income from urban redevelopment projects	**2,063,545**	1,370,492
Rental income from investment property operating leases:		
— fixed lease payments	**177,230**	164,248
	6,624,798	4,074,814

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

	2020	2019
	HK$'000	*HK$'000*
Interest income	**162,934**	351,264
Management service income	**85,949**	53,555
Fair value gain on derivative financial instruments	**20,489**	29,137
Gain on disposal of investment properties	**8,240**	—
Foreign exchange differences, net	**865,753**	—
Others	**771**	2,023
	1,144,136	435,979

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Interest on bank and other borrowings and senior notes	**1,852,028**	1,743,840
Interest expense arising from revenue contracts	**83,791**	76,466
Interest on lease liabilities	**1,588**	—
Total interest expense	**1,937,407**	1,820,306
Less: interest capitalised	**(420,051)**	(316,382)
	1,517,356	1,503,924

6. PROFIT BEFORE TAX

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

	2020 *HK$'000*	2019 *HK$'000*
Cost of properties sold	**3,400,858**	1,987,553
Depreciation of property and equipment	**2,208**	2,569
Depreciation of right-of-use assets	**8,446**	2,069
Amortisation	**1,569**	1,629
Fair value gain on derivative financial instruments, net	**(20,489)**	(29,137)
Lease payments not included in the measurement of lease liabilities	**2,898**	7,902
Auditor's remuneration	**4,500**	4,700
Foreign exchange differences, net	**(865,753)**	254,697
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**174,817**	147,785
Retirement benefit scheme contributions	**8,429**	6,853
	183,246	154,638
Impairment of financial assets		
Impairment of trade receivables, net	**407,927**	171,646
Impairment of deposits and other receivables	**32,762**	28,650
	440,689	200,296
Impairment of inventory	**53,707**	—
Impairment of goodwill	**126,876**	—
Impairment of investment in an associate	**539,757**	—
Write-off of trade receivables	**11,832**	—
Write-off of other receivables	**19,059**	—
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**48,053**	33,065

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 (2019: 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.

	2020	2019
	HK$'000	*HK$'000*
Current:		
PRC corporate income tax	**845,743**	233,985
PRC land appreciation tax	**522,156**	153,149
	1,367,899	387,134
Deferred	**(255,538)**	238,166
Total tax charge for the year	**1,112,361**	625,300

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 7,194,417,247 (2019: 7,192,307,411) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2020	2019
Profit attributable to equity holders of the parent *(HK$'000)*	**2,242,404**	747,225
Distribution related to perpetual capital securities *(HK$'000)*	**(48,000)**	(48,000)
Profit used in the basic and diluted earnings per share calculations *(HK$'000)*	**2,194,404**	699,225
Weighted average number of ordinary shares in issue during the year (thousand shares)	**7,194,417**	7,192,307

9. DIVIDENDS

A final dividend and a special dividend in respect of the year ended 31 December 2020 of HK1 cent per share and HK9 cents per share respectively, amounting to a total dividend of HK$719,442,000, are to be proposed at the forthcoming annual general meeting. These consolidated financial statements do not reflect these dividends payable.

	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend of HK1 cent (2019: Nil) per ordinary share	**71,944**	—
Proposed special dividend of HK9 cents (2019: Nil) per ordinary share	**647,498**	—
	719,442	—

10. TRADE RECEIVABLES

		2020	2019
	Notes	***HK$'000***	*HK$'000*
Receivables from sales of properties and rental income	*(a)*	**82,942**	62,209
Receivables for urban redevelopment projects	*(b)*	**15,021,530**	11,107,943
Less: Impairment allowance		**(520,840)**	(234,871)
		14,583,632	10,935,281
Portion classified as non-current assets		**(8,352,626)**	(7,884,171)
Current portion		**6,231,006**	3,051,110

Notes:

(a) An ageing analysis of the trade receivables for 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:

	2020	2019
	HK$'000	*HK$'000*
Current to 180 days	**75,272**	38,617
181 to 365 days	**7,477**	9,642
Over 365 days	**193**	13,950
	82,942	62,209

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

	2020 *HK$'000*	2019 *HK$'000*
Within 1 year	**7,073,389**	5,977,802
1 to 2 years	**3,612,492**	4,390,328
Over 2 years	**4,335,649**	739,813
	15,021,530	11,107,943

11. TRADE AND OTHER PAYABLES

	2020 *HK$'000*	2019 *HK$'000*
Trade and bills payables	**2,207,549**	2,107,060
Other payables	**2,003,930**	1,670,633
	4,211,479	3,777,693
Portion classified as current liabilities	**(3,858,256)**	(3,744,454)
Non-current portion	**353,223**	33,239

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:

	2020 *HK$'000*	2019 *HK$'000*
Within 1 year	**2,131,531**	2,077,350
Over 1 year	**76,018**	29,710
	2,207,549	2,107,060

12. COMPARATIVE AMOUNTS

The comparative consolidated statement of financial position has been re-presented and has been reclassified and restated to conform with the current year's presentation.

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 FY2020.

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**"). Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code for FY2020.

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 FY2020, other than Code Provision E.1.2 of the CG Code.

Code Provision E.1.2 of the CG Code requires that the chairman of the Board ("**Chairman**") should attend the annual general meeting of the Company. Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Chairman, did not attend the annual general meeting of the Company held on 15 June 2020 due to his other engagement.

DIVIDENDS

The Directors recommended the payment of a final dividend of HK1 cent (FY2019: Nil) per Share ("**Final Dividend**") and a special dividend of HK9 cents (FY2019: Nil) per Share ("**Special Dividend**") for FY2020, which are both subject to the approval of the shareholders ("**Shareholders**") of the Company at the forthcoming annual general meeting ("**AGM**") of the Company to be held on 11 June 2021.

Subject to the approval of the Shareholders at the AGM, it is expected that both the Final Dividend and the Special Dividend will be paid on or around 27 August 2021, to the Shareholders whose names appear in the register of members of the Company on 18 June 2021. In order to qualify for entitlement to the Final Dividend and the Special Dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 18 June 2021.

ANNUAL GENERAL MEETING

The AGM will be held at 2:15 p.m. on Friday, 11 June 2021 at Meeting Room No. 1, 19/F., Zhuguang Xincheng International Centre, Block B, No. 3 Qingyi Street, Race Course Road, Tianhe District, Guangzhou, the PRC. The notice of the AGM will be published on the websites of the Company (www.zhuguang.com.hk) and the Stock Exchange (www.hkexnews.hk) and will be despatched to the Shareholders in due course.

The record date for determining the entitlement of the Shareholders to attend and vote at the AGM will be Monday, 7 June 2021. In order to qualify for the entitlement to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Monday, 7 June 2021.

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 FY2020, and discussed with the management regarding internal control and financial reporting matters.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and related notes thereto for FY2020 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 FY2020. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF 2020 ANNUAL REPORT

The Company's annual report for FY2020 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 2021

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).