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珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

珠光控股集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1176)

2021 INTERIM RESULTS

The board (“Board”) of directors (“Directors”) of Zhuguang Holdings Group Company Limited (“Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 (“Period Under Review”) together with the comparative figures for the corresponding period in 2020 as follows:

FINANCIAL HIGHLIGHTS

RESULTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue by operating segment:		
— Property development	535,117	240,023
— Project management services	954,462	1,015,498
— Property investment	99,596	83,894
Fair value loss on investment properties, net	(54,331)	(49,830)
Profit for the period	271,917	117,357
Profit for the period attributable to equity holders of the parent	<u>278,228</u>	<u>121,474</u>
	At	At
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Total assets	43,379,084	36,930,194
Total liabilities	33,623,397	27,511,242
Total equity	<u>9,755,687</u>	<u>9,418,952</u>

* Chinese name is translated for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In the first half of 2021, despite the persistent uncertainties brought about by the Coronavirus Disease 2019 (“COVID-19”) pandemic on the economic development around the world, the major principle of property market regulation in the People’s Republic of China (the “PRC” or “China”) was to maintain the status quo so as to preserve stability. During the Period Under Review, while the property market of the first-tier and second-tier cities in China, particularly those in the Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area, had significant improvement, the overall transactions in the property market and transaction prices in the country remained the same. Meanwhile, differentiation was striking between regions and cities, with the Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area continuing to achieve leading growth in the size of their property market. In view of the market environment which tended to become stable and financial supervision tended to be tightening, real estate enterprises in China responded to the environmental changes in an active and effective manner as they worked together to maintain the stability and health of the development of the property market.

In 2020, the Guangzhou Municipal Government announced the “Implementation Opinions of the Guangzhou Municipal Committee of the Guangzhou Municipal People’s Government of the Communist Party of China regarding the Deepening of Urban Renewal for Promotion of High Quality Development” (referred to as the “Opinions”), which focuses on the work requirements in the “1+1+N” urban renewal policy document, the incorporation of urban renewal into the territorial spatial plan by the Guangzhou Municipal Planning and Natural Resources Bureau and the implementation of urban renewal projects. The Opinions also revealed the blueprints for old city transformation for the Guangzhou Municipal for the coming 10 years. The transformation of a total of 388 villages in the Guangzhou Municipal shall be implemented within 10 years in three steps, through a three-year implementation plan, a five-year action plan and a ten-year transformation plan.

In 2021, being the first year under the “14th Five-Year Plan”, the positioning of the principle emphasised by the PRC government that “housing is for accommodation, not for speculative trading” has become clearer and the real estate industry will accelerate its transformation into the stock era. The “Recommendations of the Central Committee of the Communist Party of China for the 14th Five-Year Plan for Economic and Social Development and the 2035 Vision of the People’s Republic of China” puts forward the enhancement of the transformation of old communities in cities and community construction, and the implementation of a number of major projects, which coincide with the continuous philosophy of 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), a wholly-owned subsidiary of the Company and a member of the Company’s urban renewal group.

The urban renewal group of the Company will continue its professionalism as an urban renewal specialist to implement each urban renewal project of the Group, secure the Group’s most important source of land supply for the next three years and strengthen the characteristics and competitive edge of the Group’s future development. The Group will also accelerate its efforts in seeking cooperation in various aspects with its strategic partners to strengthen and consolidate its position as an urban renewal specialist.

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Property Development and Sales

During the Period Under Review, the Group continued its focus on the first-tier and key second-tier cities in the People’s Republic of China (“PRC”) with potential growth in demand for properties. The Group has achieved contracted sales of approximately HK\$1,458,314,000 and contracted gross floor area (“GFA”) sold of approximately 45,712 square meters (“sqm”) during the Period Under Review, representing an increase of approximately 80.4% and a slight decrease of approximately 6.2%, respectively, compared with those in the corresponding period in 2020. The details of the property sales contracted and the contracted GFA sold during the Period Under Review are set out below:

Projects	Contracted sales <i>(HK\$ '000)</i>	Contracted GFA sold <i>(sqm)</i>
Zhuguang Financial Town One	1,200,530	21,980
Pearl Xincheng Yujing (“Xincheng Yujing”)	125,733	14,654
Yujing Yayuan	53,693	3,144
Pearl Yunling Lake	32,014	2,590
Zhuguang Yujing Scenic Garden (“Yujing Scenic Garden”)	12,477	807
Pearl Tianhu Yujing Garden (“Tianhu Yujing”)	6,032	485
Pearl Yijing	2,322	145
	<hr/>	<hr/>
	1,432,801	43,805
Car parks	25,513	1,907
	<hr/>	<hr/>
	1,458,314	45,712
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As at 30 June 2021, the Group owned the following property development projects, the details of which are as follows:

Zhuguang Financial Town One — 100% interest

“Zhuguang Financial Town One” is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, which is near the 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 the Tianhe District. The total site area of this project is approximately 63,637 sqm, which is being developed into office buildings, high-end apartment buildings, shopping malls and a commercial complex including underground car parks over four phases. The total GFA for sale of this project is approximately 352,158 sqm. During the Period Under Review, contracted sales of approximately HK\$1,200,530,000 with GFA of approximately 21,980 sqm were recorded with respect to “Zhuguang Financial Town One”.

Xincheng Yujing — 100% interest

“Xincheng Yujing” was acquired by the Group in September 2016. It is located at 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 2019. Phase III also commenced delivery during 2020. Aggregate GFA of approximately 262 sqm, 878 sqm and 5,449 sqm were delivered under Phase I, Phase II and Phase III, respectively, during the Period Under Review. The ancillary commercial building plus a basement with a total GFA of approximately 9,957 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$125,733,000 with GFA of approximately 14,654 sqm were recorded with respect to “Xincheng Yujing”.

Yujing Yayuan — 50% interest

“Yujing Yayuan” is located at Guoji, Fuyong, Nanqu, Zhongshan City, Guangdong Province, the PRC. The site area and the total GFA available for sale of this project are approximately 15,745 sqm and approximately 38,005 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 2020. As at 30 June 2021, the aggregate GFA delivered under this project was approximately 5,947 sqm. During the Period Under Review, contracted sales of approximately HK\$53,693,000 with GFA of approximately 3,144 sqm were recorded with respect to “Yujing Yayuan”.

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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 21,362 sam. The aggregate GFA delivered under Phase II was approximately 16,403 sqm, of which approximately 797 sqm was delivered during the Period Under Review. The remaining GFA available for sale under Phase I and Phase II is expected to be delivered in the second half of 2021. During the Period Under Review, contracted sales of approximately HK\$32,014,000 with GFA of approximately 2,590 sqm were recorded with respect to “Pearl Yunling Lake”.

Yujing Scenic Garden — 100% interest

“Yujing Scenic Garden” is located at Provincial Highway G105 (“Highway G105”) line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou City, Guangdong Province, the PRC, which is well connected via a number of highways to and from Guangzhou City. “Yujing Scenic Garden” is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which is being developed into a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 758,606 sqm, which comprises four phases of development. As at 30 June 2021, the aggregate GFA delivered under this project was approximately 13,448 sqm. Apart from the properties developed for sale under Phases I to IV, “Yujing Scenic Garden” also comprises properties with a total GFA of approximately 3,652 sqm, which are held by the Group for investment purposes.

Properties with a total GFA of approximately 2,761 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$12,477,000 with GFA of approximately 807 sqm were recorded with respect to “Yujing Scenic Garden”.

Tianhu Yujing — 100% interest

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

The aggregate GFA delivered under Phase I was approximately 93,018 sqm. The aggregate GFA delivered under Phase II was approximately 45,284 sqm, of which approximately 85 sqm was delivered during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$6,032,000 with GFA of approximately 485 sqm were recorded with respect to “Tianhu Yujing”.

Pearl Yijing — 100% interest

“Pearl Yijing” is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 45,310 sqm and a total GFA available for sale of approximately 164,628 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 30 June 2021, the aggregate GFA available for sale delivered under Phase I and Phase II were approximately 75,895 sqm and approximately 69,702 sqm, respectively. A total GFA of approximately 1,675 sqm under Phase I and Phase II was delivered during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$2,322,000 with GFA of approximately 145 sqm were recorded with respect to “Pearl Yijing”.

Hua Cheng Yujing Garden — 100% interest

“Hua Cheng Yujing Garden” was acquired by the Group in 2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm, and the total GFA available for sale 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 30 June 2021, the aggregate GFA delivered under this project was approximately 86,739 sqm.

Project Tian Ying — 100% interest

“Project Tian Ying” is located in Jiang Pu Street, Conghua, Guangzhou City, Guangdong Province, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project, which was to be developed into a stylish low-density residential complex with a commercial podium and certain public facilities, was completed in 2019. The aggregate GFA delivered was approximately 49,766 sqm, of which approximately 1,323 sqm was delivered during the Period Under Review.

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 34,202 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 nineteen blocks of villas with a GFA of approximately 5,226 sqm has commenced in the fourth quarter of 2019. The Group has designated the hotel with GFA of approximately 7,389 sqm as an investment property held for long-term investment purpose.

Zhukong International — 80% interest

“Zhukong International”, which is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, at the junction of 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 28,909 sqm thereof has been developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. As at 30 June 2021, the aggregate GFA available for sale of the service apartments delivered was approximately 23,631 sqm. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties held for long-term investment purpose.

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Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. As at 30 June 2021, the Group had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 915,851 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.

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 revenue of approximately HK\$954,462,000 during the Period Under Review, compared with that of approximately HK\$1,015,498,000 for the corresponding period in 2020. The decrease in the revenue generated from this business segment was mainly attributable to the decrease in the number of project management services agreements entered into by the Group during the Period Under Review. The Group will continue to utilise its expertise in project management and urban renewal to further develop its project management services business to broaden its source of income.

Property Investments

As at 30 June 2021, the Group owned (1) certain floors of Royal Mediterranean Hotel (“RM Hotel”) located at 518 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with GFA of approximately 18,184 sqm (31 December 2020: 18,184 sqm); (2) “Zhukong International” with GFA of approximately 43,918 sqm (31 December 2020: 43,918 sqm); (3) certain floors of a commercial complex in “Hua Cheng Yujing Garden” with GFA of approximately 15,918 sqm (31 December 2020: 14,832 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC, with GFA of approximately 7,389 sqm (31 December 2020: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 18,356 sqm (31 December 2020: 18,483 sqm) as investment properties. During the Period Under Review, RM Hotel, “Zhukong International” and certain commercial properties were partially leased out with total rental income of approximately HK\$99,596,000 generated, representing an increase of approximately 18.7% as compared with that of approximately HK\$83,894,000 for the corresponding period in 2020. 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.

Outlook

In the second half of 2021, it is expected that the property market in China will gradually return to stable. With the increasing concentration of the industry, real estate developers do 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 continue to expand its high-quality land bank and adhere to the “1+1+N” development strategy of the Chinese government in the future while focusing its business presence on the Guangdong-Hong Kong-Macau Greater Bay Area. The Group will continue to implement its strategy of focusing on urban renewal projects to support its medium and long term development to meet its short-term needs.

In the second half of 2021, the Group’s inventory for sale will still be mainly its completed projects in Guangzhou. In the future, the Group will continue to increase its sales in the Guangzhou area. Guangzhou will remain the key sales area of the Group in 2021, and the Group will continue to pay close attention to the sales in this market. In terms of land acquisition, the Group will acquire its land resources mainly through urban renewal projects in the future in order to leverage on its competitive edge and boost its urban renewal operations. 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 accelerate its efforts in seeking cooperation in various aspects with its strategic partners to strengthen and consolidate its position as an urban renewal specialist.

FINANCIAL REVIEW

Revenue

During the Period Under Review, the Group's revenue by operating segment included revenue from property development, project management services and property investment. The total revenue of the Group for the Period Under Review was approximately HK\$1,589,175,000 (six months ended 30 June 2020: HK\$1,339,415,000), which represented an increase of approximately 18.6% as compared with that for the corresponding period in 2020.

Revenue from property development for the Period Under Review amounted to approximately HK\$535,117,000 (six months ended 30 June 2020: HK\$240,023,000). The increase was mainly due to the increase in the number of properties delivered during the Period Under Review as compared with that during the corresponding period in 2020.

The income from the project management services segment contributed approximately HK\$954,462,000 (six months ended 30 June 2020: HK\$1,015,498,000) to the total revenue of the Group for the Period Under Review. The decrease was mainly due to the decrease in the number of property development projects and urban redevelopment projects entered into by the Group during the Period Under Review.

The Group recorded an increase of 18.7% in rental income for the Period Under Review, as compared with that for the corresponding period in 2020. The rental income increased from approximately HK\$83,894,000 for the six months ended 30 June 2020 to approximately HK\$99,596,000 for the Period Under Review, mainly due to the increase in the GFA of the investment properties leased out by the Group during the Period Under Review.

Gross profit

Gross profit of the Group decreased from approximately HK\$1,184,116,000 for the six months ended 30 June 2020 to approximately HK\$1,164,631,000 for the Period Under Review in spite of the increase in the overall revenue of the Group, mainly due to the change in the product mix in the properties delivered by the Group under its property development segment during the Period Under Review.

Fair value loss on investment properties, net

For the Period Under Review, the Group recorded a fair value loss on investment properties, net, of approximately HK\$54,331,000 as compared with that of approximately HK\$49,830,000 for the corresponding period in 2020. The fair value loss on investment properties, net, for the Period Under Review was mainly due to the decrease in the fair value of "Zhukong International" and certain commercial properties held by the Group in the Guangdong Province, the PRC, as at 30 June 2021.

Other income and gains

Other income and gains of the Group increased to approximately HK\$546,293,000 for the Period Under Review (six months ended 30 June 2020: HK\$148,632,000). The increase was primarily due to (1) the provisional gain on bargain purchase of approximately HK\$257,505,000 recorded by the Group for the Period Under Review (six months ended 30 June 2020: Nil), which arose from the acquisition by the Group of the remaining 49% of the equity interests of 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*) (“Guangzhou Project Company”), a subsidiary of the Company; and (2) the foreign exchange gains of approximately HK\$153,839,000 recorded by the Group for the Period Under Review as a result of the appreciation of the Renminbi (“RMB”) against the Hong Kong dollar, while the Group recorded a foreign exchange loss of approximately HK\$136,396,000 for the six months ended 30 June 2020 and accounted for it as “other expenses” in the condensed consolidated statement of profit or loss presented herein.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group increased from approximately HK\$161,947,000 for the six months ended 30 June 2020 to approximately HK\$240,438,000 for the Period Under Review. The increase was mainly due to the increase in administrative expenses primarily caused by the increase in the staff costs incurred by the Group during the Period Under Review, as compared with those for the corresponding period in 2020.

Other expenses

Other expenses of the Group increased from approximately HK\$139,628,000 for the six months ended 30 June 2020 to approximately HK\$377,651,000 for the Period Under Review. The increase was mainly attributable to (1) the recognition of a provisional loss on re-measurement of pre-existing interest in a joint venture of approximately HK\$250,286,000 by the Group for the Period Under Review (six months ended 30 June 2020: Nil) in association with the Group’s 51% of the equity interests of Guangzhou Project Company, in accordance with the applicable accounting policy; and (2) the net fair value loss on derivative financial instruments of approximately HK\$119,336,000 recorded by the Group during the Period Under Review, following the fair value assessment of the warrants issued by the Company in 2019 (“2019 Warrants”) which remained outstanding as at 30 June 2021, as compared with the net fair value gain on derivative financial instruments of approximately HK\$8,979,000 recorded by the Group for the six months ended 30 June 2020.

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

Changes in fair value of financial assets at fair value through profit or loss of the Group increased from approximately HK\$140,753,000 for the six months ended 30 June 2020 to approximately HK\$210,942,000 for the Period Under Review. The increase was mainly due to the increase in the fair value of certain project management services agreements for the Period Under Review under which the Group agreed to provide funding and management services in relation to property development projects.

Share of loss of an associate

For the Period Under Review, the Group recorded a share of loss of an associate of approximately HK\$74,294,000 (six months ended 30 June 2020: HK\$44,680,000), which represented the Group's share of the loss from its associate, Silver Grant International Holdings Group Limited ("Silver Grant"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code: 0171. Silver Grant and its subsidiaries are principally engaged in property leasing and investments. The Group 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 of the Group for the Period Under Review were approximately HK\$799,994,000 (six months ended 30 June 2020: HK\$804,444,000), which were made up of interest expenses incurred during the Period Under Review after deduction of the interest expenses capitalised into development costs. The slight decrease in finance costs was mainly due to the increase in the interest expenses capitalised into development costs during the Period Under Review, as compared with those for the corresponding period in 2020.

Income tax expense

Income tax expense of the Group for the Period Under Review comprised corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC and deferred tax. CIT of approximately HK\$109,073,000 (six months ended 30 June 2020: HK\$93,968,000), LAT of approximately HK\$41,045,000 (six months ended 30 June 2020: HK\$10,078,000) and deferred tax expense of approximately HK\$6,032,000 (six months ended 30 June 2020: deferred tax credit of HK\$24,032,000) accounted for the Group's total income tax of approximately HK\$156,150,000 for the Period Under Review (six months ended 30 June 2020: HK\$80,014,000). The increase in total income tax expense for the Period Under Review was mainly due to the increase in the income generated by the Group during the Period Under Review which was subject to income tax, as compared with that in the corresponding period in 2020.

Profit for the period

The Group's profit for the Period Under Review was approximately HK\$271,917,000 (six months ended 30 June 2020: HK\$117,357,000), which represented an increase of approximately 131.7% as compared to that for the corresponding period in 2020. The increase in profit was mainly attributable to (1) the reversal of the net impairment loss on financial assets of approximately HK\$58,917,000 recorded by the Group for the Period Under Review, as compared with the net provision of impairment loss on financial assets of approximately HK\$95,865,000 recorded by the Group for the six months ended 30 June 2020; and (2) the foreign exchange gains of approximately HK\$153,839,000 recorded by the Group for the Period Under Review as a result of the appreciation of the RMB against the Hong Kong dollar, as compared with the foreign exchange losses of approximately HK\$136,396,000 recorded by the Group for the six months ended 30 June 2020, which were partially offset by (a) the increase in the administrative expenses recorded by the Group from approximately HK\$152,324,000 for the six months ended 30 June 2020 to approximately HK\$225,085,000 for the Period Under Review, mainly resulted from the increase in the staff costs incurred by the Group for the Period under Review; (b) the net fair value loss on derivative financial instruments of approximately HK\$119,336,000 recognised by the Group for the Period Under Review, following the fair value assessment of the 2019 Warrants which remained outstanding as at 30 June 2021, as compared with the net fair value gain of approximately HK\$8,979,000 recognised by the Group for the six months ended 30 June 2020; and (c) the increase in the income tax expense incurred by the Group from approximately HK\$80,014,000 for the six months ended 30 June 2020 to approximately HK\$156,150,000 for the Period Under Review.

Treasury and funding policies

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

Cash position

As at 30 June 2021, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK\$2,560,032,000 (31 December 2020: HK\$2,512,180,000). The cash and cash equivalents of the Group were mainly denominated in RMB, United States dollar ("US\$") and HK\$.

Borrowings, charges on group assets and gearing ratio

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Bank loans — secured	9,231,905	5,671,151
Bank loans — unsecured and guaranteed	239,833	236,849
Senior notes — secured	2,117,462	2,438,908
Other borrowings — secured	7,711,481	8,580,261
Other borrowings — unsecured and guaranteed	80,000	100,000
Lease liabilities	10,429	13,850
	<u>19,391,110</u>	<u>17,041,019</u>

- (a) As at 30 June 2021, the Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans, a margin loan and term loan facilities; and (iv) lease liabilities. Out of these borrowings, approximately HK\$1,073,529,000 (31 December 2020: HK\$1,037,773,000), approximately HK\$16,046,299,000 (31 December 2020: HK\$13,281,930,000) and approximately HK\$2,271,282,000 (31 December 2020: HK\$2,721,316,000) were denominated in HK\$, RMB and US\$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 3% to 12.40% (31 December 2020: 3% to 14%). Approximately 63.23% (31 December 2020: 41.58%) of the bank loans carried fixed interest rates ranging from 1% to 13% (31 December 2020: 2.35% to 13%) while the remaining 36.77% (31 December 2020: 58.42%) 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 30 June 2021, the gearing ratio of the Group was 63% (31 December 2020: 61%).

- (c) As at 30 June 2021, the Group had outstanding secured bank loans of approximately HK\$9,232 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*), 廣州發展汽車城有限公司 (Guangzhou Development Automobile City 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 Company Limited ("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 revolving bank loan in the principal amount of HK\$38.77 million with the final maturity date falling due in July 2021; (2) a bank loan in the principal amount of RMB5 million due in August 2021; (3) a bank loan in the principal amount of RMB2,500 million due in August 2021; (4) a bank loan in the principal amount of US\$14.04 million due in September 2021; (5) bank loans in the principal amount of HK\$198.56 million in aggregate due in September 2021; (6) a bank loan in the principal amount of HK\$349 million due in October 2021; (7) a bank loan in the principal amount of RMB300 million repayable by instalments within 3 years with the last instalment due in November 2021; (8) a bank loan in the principal amount of RMB750 million due in January 2022; (9) a bank loan in the principal amount of HK\$2.15 million due in March 2022; (10) a bank loan in the principal amount of HK\$92.64 million due in June 2022; (11) a bank loan in the principal amount of HK\$11.6 million due in June 2022; (12) a bank loan in the principal amount of US\$5.77 million due in June 2022; (13) a bank loan in the principal amount of RMB40 million due in June 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 RMB2,891 million repayable by instalments within 5 years with the last instalment due in December 2024; (16) a bank loan in the principal amount of RMB150 million due in February 2033; and (17) a bank loan in the principal amount of RMB2,500 million due in September 2035.
- (d) As at 30 June 2021, the Group had an outstanding unsecured and guaranteed bank loan of approximately HK\$240 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 guarantee 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

- (e) As at 30 June 2021, the Group had outstanding senior secured guaranteed notes issued in 2019 (“2019 Senior Notes”) in the aggregate principal amount of US\$283.85 million (equivalent to approximately HK\$2,117 million), due on 21 September 2022, which were secured and guaranteed by (i) 3,361,112,000 ordinary shares of the Company (“Shares”) owned by Rong De Investments Limited (融德投資有限公司) (“Rong De”) (a controlling shareholder (“Shareholder”) of the Company (within the meaning of the Rules (“Listing Rules”) Governing the Listing of Securities on the Stock Exchange)); (ii) the 100% equity interest of the Company’s subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) (“Ai De”), All Flourish Investments Limited (通興投資有限公司) (“All Flourish”), Capital Fame Investments Limited (嘉鋒投資有限公司) (“Capital Fame”), Cheng Chang Holdings Limited (誠昌控股有限公司) (“Cheng Chang”), East Orient Investment Limited (達東投資有限公司) (“East Orient”), Ever Crown Corporation Limited (冠恒興業有限公司) (“Ever Crown”), Fresh International Limited (豐順國際有限公司) (“Fresh International”), Fully Wise Investment Limited (惠豐投資有限公司) (“Fully Wise”), Pacific Win Investments Limited (保鋒投資有限公司) (“Pacific Win”), Polyhero International Limited (寶豪國際有限公司) (“Polyhero International”), Profaitth International Holdings Limited (盈信國際控股有限公司) (“Profaitth International”), Talent Wide Holdings Limited (智博控股有限公司) (“Talent Wide”), Top Asset Development Limited (通利發展有限公司) (“Top Asset”), Top Perfect Development Limited (泰恒發展有限公司) (“Top Perfect”), Vanco Investment Limited (雅豪投資有限公司) (“Vanco Investment”) and World Sharp Investments Limited (華聲投資有限公司) (“World Sharp”); (iii) the corporate guarantees executed by Rong De, Zhuguang Group Limited (珠光集團有限公司) (“Zhuguang Group”), South Trend Holdings Limited (南興控股有限公司) (“South Trend”), Ai De, All Flourish, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fully Wise, Pacific Win, Polyhero International, Profaitth 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 30 June 2021, the Group had outstanding secured other borrowings of approximately HK\$7,711 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) 425,000,000 Shares owned by Rong De; and (ix) 681,240,000 shares in Silver

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Grant owned by the Company. The secured other borrowings comprised (1) a margin loan in the principal amount of HK\$290 million due in October 2021; (2) loans in the principal amount of RMB165.5 million in aggregate repayable by instalments within 2 years with the last instalment due in November 2021; (3) a loan in the principal amount of RMB58.5 million repayable by instalments within 2 years with the last instalment due in November 2021; (4) a loan in the principal amount of RMB629.6 million repayable by instalments within 4 years with the last instalment due in December 2021; (5) a loan in the principal amount of RMB450 million repayable by instalments within 3 years with the last instalment due in January 2022; (6) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 5 years with the last instalment due in June 2022; (7) a loan in the principal amount of RMB2,500 million due in December 2022; (8) a loan in the principal amount of RMB1,200 million due in January 2023; (9) a loan in the principal amount of RMB1,200 million due in January 2023; (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 30 June 2021, the Group had outstanding unsecured and guaranteed other borrowings of HK\$80 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\$80 million due in December 2021.

CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u>3,336,771</u>	<u>3,643,803</u>

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

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

Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

FOREIGN EXCHANGE RATE

During the Period Under Review, the Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK\$ and US\$. The conversion of RMB into HK\$, US\$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK\$, US\$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During the Period Under Review, the Group did not adopt any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital expenditures contracted but not provided for in its financial statements in respect of properties under development of approximately HK\$2,644,100,000 (31 December 2020: HK\$1,789,513,000) in aggregate. It is expected that these capital expenditures will be settled by cash through the Group's internal resources and debt financing raised by the Group. Other than the capital commitments as disclosed, the management of the Group does not expect there to be any plans for material capital expenditures or capital assets in the coming six months.

CAPITAL STRUCTURE

As at 30 June 2021, the number of issued ordinary shares of the Company was 7,225,632,753 shares (31 December 2020: 7,194,417,247 shares) in aggregate and the shareholders' equity of the Company was approximately HK\$9,660,857,000 (31 December 2020: HK\$9,318,649,000). The increase in the shareholders' equity of the Company during the Period Under Review was mainly attributable to the profit attributable to the equity holders of the Company of approximately HK\$278,228,000 for the Period Under Review, as compared with the profit attributable to the equity holders of the Company of approximately HK\$121,474,000 for the corresponding period in 2020.

As at 30 June 2021, the capital structure of the Group mainly consisted of shareholders' equity, bank loans, senior notes and other borrowings. There is no material seasonality of borrowing requirements for the Group.

As at 30 June 2021, the Company had warrants representing an aggregate amount of exercise moneys of US\$55,037,589 outstanding, all being the 2019 Warrants.

During the Period Under Review and up to the date of this announcement, the Company received subscription notices from the holders of the 2019 Warrants in respect of the exercise of the subscription rights attached to the 2019 Warrants, to the extent of an aggregate exercise moneys of US\$6,462,411 and an aggregate of 31,215,506 Shares being allotted and issued by the Company to the holders of the 2019 Warrants.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 437 employees in Hong Kong and the PRC as at 30 June 2021 (31 December 2020: 289). During the Period Under Review, the level of the Group's overall staff cost was approximately HK\$167,148,000 (six months ended 30 June 2020: HK\$86,123,000). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group encourages sustainable training by its employees through coaching and further studies. In-house training was provided to eligible employees during the Period Under Review, including training on updates of accounting standards and training on market updates.

During the Period Under Review, the Group did not experience any significant problem with its employees or disruption to its operations due to labour discipline nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group has maintained a good relationship with its employees. Most members of the senior management have been working for the Group for many years.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
REVENUE	5	1,589,175	1,339,415
Cost of sales		<u>(424,544)</u>	<u>(155,299)</u>
Gross profit		1,164,631	1,184,116
Fair value loss on investment properties, net		(54,331)	(49,830)
Other income and gains	5	546,293	148,632
Selling and marketing expenses		(15,353)	(9,623)
Administrative expenses		(225,085)	(152,324)
Change in fair value of financial assets at fair value through profit or loss		210,942	140,753
Impairment loss on financial assets, net		58,917	(95,865)
Other expenses		(377,651)	(139,628)
Finance costs	6	(799,994)	(804,444)
Share of loss of an associate		(74,294)	(44,680)
Share of (loss)/profit of joint ventures		<u>(6,008)</u>	<u>20,264</u>
PROFIT BEFORE TAX	7	428,067	197,371
Income tax expense	8	<u>(156,150)</u>	<u>(80,014)</u>
PROFIT FOR THE PERIOD		<u>271,917</u>	<u>117,357</u>
Attributable to:			
Equity holders of the parent		278,228	121,474
Non-controlling interests		<u>(6,311)</u>	<u>(4,117)</u>
		<u>271,917</u>	<u>117,357</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	10	<u>3.53</u>	<u>1.35</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	271,917	117,357
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(8,164)	(89,225)
Share of other comprehensive income/(loss) of an associate	7,987	(23,540)
	<hr/>	<hr/>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(177)	(112,765)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	—	(4,364)
	<hr/>	<hr/>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(177)	(117,129)
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	271,740	228
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the parent	277,213	20,499
Non-controlling interests	(5,473)	(20,271)
	<hr/>	<hr/>
	271,740	228
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property and equipment		414,133	366,393
Investment properties		3,802,335	3,774,285
Intangible assets		9,932	10,673
Goodwill		88,086	87,081
Investments in joint ventures		11,898	1,657,569
Investments in an associate		1,520,089	1,586,396
Trade receivables	<i>11</i>	8,940,012	8,352,626
Financial assets at fair value through profit or loss		1,535,453	1,585,462
Deferred tax assets		8,317	18,177
		16,330,255	17,438,662
CURRENT ASSETS			
Properties under development		10,427,047	918,433
Completed properties held for sale		3,276,859	3,617,252
Trade receivables	<i>11</i>	6,726,117	6,231,006
Prepayments, other receivables and other assets		2,579,973	3,676,303
Prepaid income tax		197,382	163,779
Financial assets at fair value through profit or loss		1,281,419	2,372,579
Restricted cash		1,368,713	1,353,143
Term deposits with initial terms of over three months		1,087,191	1,103,808
Cash and cash equivalents		104,128	55,229
		27,048,829	19,491,532
CURRENT LIABILITIES			
Contract liabilities		2,339,073	1,482,331
Trade and other payables	<i>12</i>	5,205,823	3,858,256
Interest-bearing bank and other borrowings		7,110,358	7,956,461
Income tax payables		3,635,243	3,454,683
Derivative financial instruments		124,242	19,645
		18,414,739	16,771,376
NET CURRENT ASSETS		8,634,090	2,720,156
TOTAL ASSETS LESS CURRENT LIABILITIES		24,964,345	20,158,818

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Other payables	12	344,432	353,223
Interest-bearing bank and other borrowings		12,280,752	9,084,558
Deferred tax liabilities		2,583,474	1,302,085
		<hr/>	<hr/>
Total non-current liabilities		15,208,658	10,739,866
		<hr/>	<hr/>
Net assets		9,755,687	9,418,952
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		722,563	719,442
Perpetual capital securities		928,416	904,416
Reserves		8,009,878	7,694,791
		<hr/>	<hr/>
		9,660,857	9,318,649
		<hr/>	<hr/>
Non-controlling interests		94,830	100,303
		<hr/>	<hr/>
Total equity		9,755,687	9,418,952
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. CORPORATE AND GROUP INFORMATION

Zhuguang Holdings Group Company Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 9 December 1996.

During the period, the Company’s principal activity was investment holding and the Company and its subsidiaries (collectively the “Group”) were principally engaged in property development, property investment, property management and other property development related services in the mainland of the People’s Republic of China (the “PRC” or the “Mainland China”).

In the opinion of the Company’s directors (the “Directors”), the holding company and the ultimate holding company of the Company is Rong De Investment Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PRESENTATION

As at 30 June 2021, 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\$1,191 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\$19,391 million, of which approximately HK\$7,110 million are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of approximately HK\$1,475 million and onshore borrowings in Mainland China of approximately HK\$5,635 million.

In preparing the interim financial information, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2021, the Group had interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK\$7,110 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 interim financial information of approximately HK\$2,200 million.

Nevertheless, the interim financial information has been prepared on the basis that the Group can continue to operate 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 30 June 2021, after taking into consideration the following:

- (i) the available credit facilities of the Group; and
- (ii) 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.

3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The interim financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (the "HKFRSs") for the first time for the current period's financial information.

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

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate ("HIBOR"), the London Interbank Offered Rate ("LIBOR") and the RMB base lending rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

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

The nature and impact of the revised HKFRSs are described below: *(Continued)*

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In April 2021, the Hong Kong Institute of Certified Public Accountants issued another amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the “2021 Amendment”). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the 2021 Amendment on 1 January 2021 and elected not to apply lease modification accounting during the period ended 30 June 2021 for all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendment did not have any significant impact on the Group’s interim financial statements.

4. 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.

The Group's revenue from external customers from each operating segment is also set out in note 5 to the interim financial information.

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2021

(Unaudited)	Property development <i>HK\$'000</i>	Project management services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue: (note 5)				
<i>Sales to external customers</i>	<u>535,117</u>	<u>954,462</u>	<u>99,596</u>	<u>1,589,175</u>
Segment results	<u>101,446</u>	<u>1,306,906</u>	<u>25,257</u>	<u>1,433,609</u>
<i>Reconciliation:</i>				
Fair value loss on derivative financial instruments, net				(119,336)
Share of loss of an associate				(74,294)
Share of loss of joint ventures				(6,008)
Corporate and other unallocated expenses				(6,480)
Finance costs (other than interest on lease liabilities)				<u>(799,424)</u>
Profit before tax				428,067
Income tax expense				<u>(156,150)</u>
Profit for the period				<u>271,917</u>

For the six months ended 30 June 2020

(Unaudited)	Property development <i>HK\$'000</i>	Project management services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue: (note 5)				
<i>Sales to external customers</i>	<u>240,023</u>	<u>1,015,498</u>	<u>83,894</u>	<u>1,339,415</u>
Segment results	<u>94,133</u>	<u>901,273</u>	<u>21,846</u>	<u>1,017,252</u>
<i>Reconciliation:</i>				
Fair value gain on derivative financial instruments, net				8,979
Share of loss of an associate				(44,680)
Share of profit of a joint venture				20,264
Finance costs (other than interest on lease liabilities)				<u>(804,444)</u>
Profit before tax				197,371
Income tax expense				<u>(80,014)</u>
Profit for the period				<u>117,357</u>

4. OPERATING SEGMENT INFORMATION (Continued)

30 June 2021

(Unaudited)

	Property development <i>HK\$'000</i>	Project management services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>16,616,191</u>	<u>18,255,588</u>	<u>4,333,816</u>	39,205,595
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>4,173,489</u>
Total assets				<u><u>43,379,084</u></u>
Segment liabilities	<u>7,641,639</u>	<u>—</u>	<u>258,117</u>	7,899,756
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>25,723,641</u>
Total liabilities				<u><u>33,623,397</u></u>

31 December 2020

(Audited)

	Property development <i>HK\$'000</i>	Project management services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>8,457,684</u>	<u>18,386,408</u>	<u>4,152,512</u>	30,996,604
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>5,933,590</u>
Total assets				<u><u>36,930,194</u></u>
Segment liabilities	<u>5,448,601</u>	<u>—</u>	<u>258,791</u>	5,707,392
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>21,803,850</u>
Total liabilities				<u><u>27,511,242</u></u>

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

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

Information about major customers

For the six months ended 30 June 2021, revenue of approximately HK\$954,462,000 (six months ended 30 June 2020: HK\$678,853,000) was derived from a single customer, which is a related party, and was attributable to the project management services segment.

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of properties	535,117	240,023
<i>Revenue from other sources</i>		
Rental income from investment property operating leases:		
— fixed lease payments	99,596	83,894
Finance component of income from urban redevelopment projects	954,462	1,015,498
	<u>1,589,175</u>	<u>1,339,415</u>

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	83,437	89,311
Management service income	38,464	50,342
Fair value gain on derivative financial instruments	—	8,979
Provisional gain on bargain purchase	257,505	—
Exchange gains	153,839	—
Others	13,048	—
	<u>546,293</u>	<u>148,632</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on bank and other borrowings and senior notes	958,171	954,287
Less: interest capitalised	(158,177)	(149,843)
	<u>799,994</u>	<u>804,444</u>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Cost of properties sold	424,544	155,299
Depreciation of property and equipment	1,678	2,503
Depreciation of right-of-use assets	3,403	3,404
Amortisation	863	1,218
Fair value loss/(gain) on derivative financial instruments, net	119,336	(8,979)
Foreign exchange differences, net	(153,839)	136,396
Lease payments not included in the measurement of lease liabilities	640	4,740
Employee benefit expenses (including directors' remuneration)	167,148	86,123
Impairment loss of financial assets, net	(58,917)	95,865
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	1,886	649
Provisional loss on re-measurement of pre-existing interest in a joint venture	250,286	—
	<u>250,286</u>	<u>—</u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2021 and 2020. Taxes on profits assessable in the Mainland China have been calculated at the rates of tax prevailing in the cities in which the majority of the Group's subsidiaries operate.

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current:		
PRC corporate income tax	109,073	93,968
PRC land appreciation tax	41,045	10,078
	<u>150,118</u>	<u>104,046</u>
Deferred	6,032	(24,032)
	<u>6,032</u>	<u>(24,032)</u>
Total tax charge for the period	<u>156,150</u>	<u>80,014</u>

9. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil) was proposed by the board of directors of the Company.

10. 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 period attributable to ordinary equity holders of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 7,197,353,500 (six months ended 30 June 2020: 7,194,417,247) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to equity holders of the parent (<i>HK\$ '000</i>)	278,228	121,474
Distribution related to perpetual capital securities (<i>HK\$ '000</i>)	<u>(24,000)</u>	<u>(24,000)</u>
Profit used in the basic earnings per share calculations (<i>HK\$ '000</i>)	<u>254,228</u>	<u>97,474</u>
Weighted average number of ordinary shares in issue during the period (<i>thousand shares</i>)	<u>7,197,354</u>	<u>7,194,417</u>

11. TRADE RECEIVABLES

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Receivables from sales of properties and rentals	<i>(a)</i>	154,259	82,942
Receivables from urban redevelopment projects			
Related parties		15,805,894	14,842,398
Third parties		283,463	179,132
	<i>(b)</i>	16,089,357	15,021,530
Less: Impairment allowance		(577,487)	(520,840)
Net receivables for urban redevelopment projects		15,511,870	14,500,690
Total		15,666,129	14,583,632
Portion classified as non-current assets		(8,940,012)	(8,352,626)
Current portion		6,726,117	6,231,006

Notes:

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Current to 180 days	128,332	75,272
181 to 365 days	21,852	7,477
Over 365 days	4,075	193
	154,259	82,942

There was no recent history of default and past due amount. As at 30 June 2021 and 31 December 2020, the loss allowance was assessed to be minimal.

11. TRADE RECEIVABLES (Continued)

Notes: (Continued)

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 year	7,063,365	7,073,389
1 to 2 years	2,212,751	3,612,492
Over 2 years	6,813,241	4,335,649
	<u>16,089,357</u>	<u>15,021,530</u>

12. TRADE AND OTHER PAYABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	<i>Note</i>	
Trade and bills payables	2,660,025	2,207,549
Amounts due to related parties	659,585	218,724
Amount due to a joint venture	6,009	158,452
Amount due to the ultimate holding company	344,432	344,432
Other payables and accruals	1,050,962	558,922
Other taxes payables	829,242	723,400
	<u>5,550,255</u>	<u>4,211,479</u>
Portion classified as current liabilities	<u>(5,205,823)</u>	<u>(3,858,256)</u>
Non-current portion	<u>344,432</u>	<u>353,223</u>

Note:

- (a) An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the due date, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 year	2,568,473	2,131,531
Over 1 year	91,552	76,018
	<u>2,660,025</u>	<u>2,207,549</u>

The trade and bills payables are non-interest-bearing and unsecured.

OTHER INFORMATION

INTERIM DIVIDEND

No interim dividend in respect of the six months ended 30 June 2021 was proposed by the Board (six months ended 30 June 2020: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

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 (“Second AEC Agreement”), pursuant to which Pacific Win has conditionally agreed to purchase, and Guangdong Zhuguang Group has conditionally agreed to sell, the remaining 49% of the equity interest of Guangzhou Project Company at the consideration of RMB900 million (equivalent to approximately HK\$1,038 million) (“Second AEC Acquisition”). The Group already held 51% of the equity interest of the Guangzhou Project Company before entering into the Second AEC Agreement. 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 those of the Group.

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

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

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 the Period Under Review, other than Code Provision E.1.2 of the CG Code as specified with considered reasons below.

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 11 June 2021 due to his other engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Code”) as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors, who confirmed that they complied with the required standards set out in the Code during the Period Under Review.

AUDIT COMMITTEE

The audit committee of the Board (“Audit Committee”) comprises three independent non-executive Directors. The Audit Committee has reviewed with the management, the accounting principles and policies adopted by the Group and discussed with the management regarding auditing, internal controls and financial reporting matters, including the review of the unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 and this announcement, which is of the opinion that they comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF THE INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim report for the six months ended 30 June 2021 of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhuguang.com.hk, and will be despatched to the Shareholders in due course.

APPRECIATION

On behalf of the Board, the Chairman would like to express the Board’s gratitude and appreciation to the Shareholders for their support and the employees for their contribution to the Group.

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

Hong Kong, 30 August 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).