



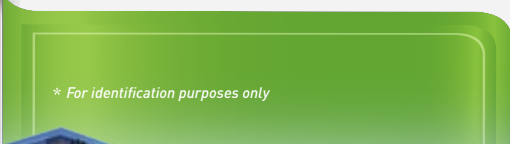
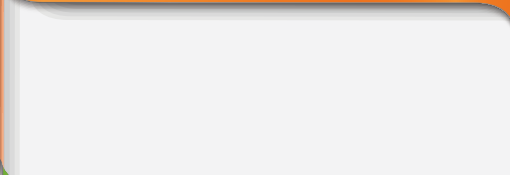
珠光控股

ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 1176



** For identification purposes only*



2021 Interim
Report



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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)
Ms. Ye Lixia

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping *JP*
Mr. Wong Chi Keung
Dr. Feng Ke

AUDIT COMMITTEE

Mr. Leung Wo Ping *JP*
(*Committee Chairman*)
Mr. Wong Chi Keung
Dr. Feng Ke

REMUNERATION COMMITTEE

Mr. Wong Chi Keung
(*Committee Chairman*)
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

NOMINATION COMMITTEE

Mr. Wong Chi Keung
(*Committee Chairman*)
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

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Mr. Choi Kwok Keung Sanvic

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PRINCIPAL BANKERS

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Agricultural Bank of China Limited
China Construction Bank (Asia)
Corporation Limited
Bank of Guangzhou Co., Ltd.
China Zheshang Bank Co., Ltd.
Guangzhou Rural Commercial Bank

WEBSITE

www.zhuguang.com.hk

STOCK CODE

1176

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 HK\$'000	2020 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	278,228	121,474
	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Total assets	43,379,084	36,930,194
Total liabilities	33,623,397	27,511,242
Total equity	9,755,687	9,418,952

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Market and Business Review *(continued)*

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.

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 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:

** English name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Projects	Contracted sales (HK\$'000)	Contracted GFA sold (sqm)
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
	1,432,801	43,805
Car parks	25,513	1,907
	1,458,314	45,712

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

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”.

** English name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

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”.

* English name is translated for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Yujing Yayuan — 50% interest

“Yujing Yayuan” is located at Guoji, Fuyong, Nanqu, Zhongshan City, Guangdong Province, the PRC. The site area and the total GFA available for 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”.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Pearl Yunling Lake — 100% interest *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Yujing Scenic Garden — 100% interest *(continued)*

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”.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Pearl Yijing – 100% interest

“Pearl Yijing” is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Project Tian Ying – 100% interest

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

MANAGEMENT DISCUSSION AND ANALYSIS *(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 28,909 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.

** English name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. As at 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(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 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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.

** English name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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\$.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Borrowings, charges on group assets and gearing ratio

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

	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
	19,391,110	17,041,019

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (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%).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (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.

* English name is translated for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (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 (霽德投資有限公司) (“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”), Profaitch International Holdings Limited (盈信國際控股有限公司) (“Profaitch 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, Profaitch 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (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 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;

* English name is translated for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

(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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES

2019 Senior Notes and 2019 Warrants

The conditional note purchase agreement (“2019 Note Purchase Agreement”) dated 22 September 2019 (as amended and supplemented by (i) a deed of adherence dated 30 June 2020 executed by Quan Xing Holdings Limited (荃興控股有限公司) (“Quan Xing”); (ii) the First Amendment Deed to Terms and Conditions; and (iii) the Second Amendment Deed to Terms and Conditions) was entered into among (a) the Company as the issuer; (b) Rong De as the controlling Shareholder (within the meaning of the Listing Rules); (c) Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi (collectively as the “Ultimate Shareholders”) as personal guarantors; and (d) Blooming Rose Enterprises Corp. (“Blooming Rose”), Heroic Day Limited (“Heroic Day”), CCB International Overseas Limited (“CCB”) and China Cinda (HK) Asset Management Co., Limited (“Cinda”, together with Blooming Rose, Heroic Day and CCB, collectively as “Investors”) as investors, pursuant to which (aa) the Company shall conditionally issue to the Investors the 2019 Senior Notes of an aggregate principal amount of US\$410,000,000 (equivalent to approximately HK\$3,198,000,000); and (bb) in consideration of the agreement to subscribe for the 2019 Senior Notes by the Investors and entering into other transactions contemplated under the relevant transaction documents, the Company shall issue the 2019 Warrants to the Investors pursuant to a warrant instrument (“Warrant Instrument”) dated 27 November 2019 executed by the Company, representing an aggregate amount of the exercise moneys of US\$61,500,000 (equivalent to approximately HK\$479,700,000), under the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 21 November 2019, further details of which are set out in the announcements of the Company dated 22 September 2019 and 21 November 2019, and the circular of the Company dated 5 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

Pursuant to the 2019 Note Purchase Agreement, Rong De was required to create a charge (“2019 Share Charge”) over 3,361,112,000 Shares that it held in the Company in favour of The Bank of New York Mellon, Hong Kong Branch (“BNY HK”) and each of the Ultimate Shareholders has entered into a personal guarantee (collectively, the “2019 Guarantees”) in favour of BNY HK in relation to the 2019 Senior Notes. The 2019 Share Charge, which subsisted during the Period Under Review and as at the date of this interim report, is discloseable pursuant to Rule 13.17 of the Listing Rules. The 2019 Guarantees subsisted during the Period Under Review and as at the date of this interim report.

The conditions of the 2019 Senior Notes, which subsisted during the Period Under Review and as at the date of this interim report, also contain certain conditions imposing specific performance obligations on Rong De (the controlling Shareholder (within the meaning of the Listing Rules)) and the Ultimate Shareholders, which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

It is an event of default under the conditions of the 2019 Senior Notes, if amongst others:

- (i) Rong De ceases to beneficially own at least 3,670,000,000 Shares;
- (ii) Rong De ceases to (a) control the Company, or (b) beneficially own at least 51% of the total issued share capital of the Company on a fully-diluted basis;
- (iii) the Ultimate Shareholders cease to (a) control the Company, or (b) effectively and beneficially own in aggregate at least 51% of the total issued share capital of the Company on a fully-diluted basis;
- (iv) the Ultimate Shareholders cease to (a) control Rong De, or (b) legally and beneficially own in aggregate at least 76.03% of the total issued share capital of Rong De on a fully-diluted basis; and
- (v) any of the Ultimate Shareholders ceases to be a Director.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

Upon the occurrence of an event of default, the 2019 Senior Notes shall become immediately due and repayable in accordance with the conditions of the 2019 Senior Notes.

The 2019 Senior Notes constituted direct, unconditional, secured, guaranteed, unsubordinated and general obligations of the Company and ranked equally and without any preference amongst themselves, and the payment obligations of the Company under the 2019 Senior Notes would (subject to any obligations preferred by mandatory provision of applicable laws and regulations) rank at least pari passu with all other present and future direct, unconditional, unsecured, unsubordinated and general obligations issued, created or assumed by the Company. On 22 September 2019, the Company issued the 2019 Senior Notes in the aggregate principal amount of US\$410,000,000 (equivalent to approximately HK\$3,198,000,000) due on 21 September 2022.

As at 30 June 2021, the Company had redeemed an aggregate principal amount of US\$126,150,000 (equivalent to approximately HK\$983,970,000) of the 2019 Senior Notes and an aggregate principal amount of US\$283,850,000 (equivalent to approximately HK\$2,214,030,000) of the 2019 Senior Notes remained outstanding.

On 27 November 2019, the 2019 Warrants representing aggregate exercise moneys of US\$61,500,000 (equivalent to approximately HK\$479,700,000) were issued to the Investors.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

If the subscription rights attached to the 2019 Warrants are exercised in full at the initial strike price of HK\$1.6148, the 2019 Warrants will entitle the holders thereof (“2019 Warrantheolders”) to subscribe for up to 297,064,651 Shares (“Warrant Shares”, each a “Warrant Share”) (of an aggregate nominal value of HK\$29,706,465.1). The initial strike price of HK\$1.6148 per Warrant Share represents a premium of approximately 46.8% over the closing price per Share of HK\$1.1 as quoted on the Stock Exchange on 20 September 2019, being the last trading day immediately before the entering into of the 2019 Note Purchase Agreement. The Warrant Shares to be allotted and issued upon the exercise of the subscription rights attached to the 2019 Warrants, when allotted and issued, will rank *pari passu* with the existing issued Shares as at the date of allotment, and they will be allotted and issued pursuant to the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 21 November 2019. The subscription rights attached to the 2019 Warrants will expire on the date falling 36 months from the issue date of the 2019 Warrants. Further details of the 2019 Warrants are set out in the announcements of the Company dated 22 September 2019 and 21 November 2019, and the circular of the Company dated 5 November 2019.

The subscription money payable by a 2019 Warrantheolder upon the exercise of the subscription rights, may be satisfied in the following manner at such 2019 Warrantheolder’s election:

- (1) by setting off an amount of the exercise moneys equal to the aggregate strike price against the outstanding principal amount of any 2019 Senior Notes held by such 2019 Warrantheolder (“Set-off”);
- (2) by payment in cash to such bank account as designated by the Company as notified in writing to the 2019 Warrantheolder three business days in advance;

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

- (3) by a combination of payment in cash and by way of Set-off as set forth in the foregoing (1) and (2); or
- (4) by such other method of payment as the Company and such 2019 Warranholder may reasonably agree.

Assuming the 2019 Warrants with an aggregate amount of exercise moneys of US\$61,500,000 are issued and all exercise moneys of the subscription rights attached to the 2019 Warrants will be settled by the 2019 Warranholders with the Company in cash, the Company will receive gross proceeds of approximately HK\$479.7 million, and the net proceeds of approximately HK\$478 million in this regard. The Company currently intends to use the net proceeds from the issue of the 2019 Warrants to repay the 2019 Senior Notes. Assuming the full exercise of the subscription rights attached to the 2019 Warrants, the net price to the Company of each Warrant Share, which is calculated by dividing the aggregate net proceeds from the issue of the Warrant Shares and the exercise of the subscription rights by the 2019 Warranholders by the total number of the Warrant Shares, is approximately HK\$1.6091.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

During the Period Under Review, the 2019 Warrants with an aggregate amount of exercise moneys of US\$6,462,411 (equivalent to approximately HK\$50,407,000) were exercised and an aggregate of 31,215,506 Warrant Shares of aggregate nominal value of HK\$3,121,550.60 were issued to the relevant 2019 Warrantholders at the initial strike price of the 2019 Warrants of HK\$1.6148, as to 15,215,506 Warrant Shares, 15,000,000 Warrant Shares and 1,000,000 Warrant Shares were issued to CCB, Cinda and Heroic Day, respectively (“Exercise of Warrants”). While US\$3,312,411 (equivalent to approximately HK\$25,837,000) of the aggregate exercise moneys of US\$6,462,411 (equivalent to approximately HK\$50,407,000) in relation to the Exercise of Warrants was paid by the relevant 2019 Warrantholders in cash, the remaining amount of the aggregate exercise moneys of US\$3,150,000 (equivalent to approximately HK\$24,570,000) was settled by way of Set-off against the outstanding principal amount of the 2019 Senior Notes. The Company will also use the amount of the net proceeds received in cash of approximately HK\$25,837,000 to repay the 2019 Senior Notes as intended. As at 30 June 2021, the 2019 Warrants with an aggregate amount of exercise moneys of US\$55,037,589 (equivalent to approximately HK\$429,293,194) remained outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

In light of the declaration and payment of a final dividend of HK1 cent per Share (“Final Dividend”) and a special dividend of HK9 cents per Share (“Special Dividend”, together with the Final Dividend, the “Dividends”) which had been approved by the Shareholders at the annual general meeting of the Company held on 11 June 2021, the initial strike price of the 2019 Warrants has been adjusted from HK\$1.6148 to HK\$1.54 with effect from 27 August 2021 (being the payment date of the Dividends) pursuant to the Warrant Instrument. As a result of such adjustment to the initial strike price of the 2019 Warrants, the maximum number of Shares to be issued upon the full exercise of the subscription rights attached to the 2019 Warrants with an aggregate amount of exercise moneys of US\$55,037,589 (equivalent to approximately HK\$429,293,194) which remain outstanding as at the date of this interim report, has increased by 12,912,673 Shares from 265,849,141 Shares to 278,761,814 Shares. Further details of the adjustment to the initial strike price of the 2019 Warrants are set out in the announcement of the Company dated 27 August 2021.

The Board considered that the issue of the 2019 Senior Notes and the 2019 Warrants represented an opportunity to raise funds for the Company to repay the 2016 Indebtedness (as defined below).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

As intended, the Company has used the entire amount of the proceeds received from the issue of the 2019 Senior Notes, to repay the principal amount of the loan (to the extent such principal amount has not been set-off or settled as contemplated under the 2019 Note Purchase Agreement) payable to the 2016 Creditors (as defined below) in relation to the 2016 Indebtedness.

For the purpose of the above, the defined terms used above shall have the following meanings:

- | | |
|---------------------|--|
| “2016 Creditors” | means all creditors who are entitled to any payment under the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants, including the 2016 Noteholders; |
| “2016 Indebtedness” | means all outstanding indebtedness incurred by the 2016 Obligors under the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants (including the 2016 Note Indebtedness but excluding the 2016 Warrants Indebtedness) as at 22 September 2019; |
| “2016 Noteholders” | means all registered holders of the outstanding 2016 Senior Notes as at 22 September 2019; |

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

“2016 Note Indebtedness”	means all outstanding indebtedness incurred by the 2016 Obligor under the 2016 Senior Notes as at 22 September 2019;
“2016 Obligor”	means the parties to the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants, other than the 2016 Noteholders, BNY HK, the other 2016 Creditors and ABCI Securities Company Limited;
“2016 Senior Notes”	means the senior secured guaranteed notes in the aggregate principal amount of up to US\$500,000,000 due 2019 issued by the Company as constituted by the note certificates and the terms and conditions in relation thereto (as amended and supplemented from time to time), further details of which are set out in the announcements of the Company dated 3 August 2016, 23 September 2016, 11 October 2016 and 2 August 2019, and the circular of the Company dated 23 September 2016;
“2016 Warrant Instrument”	means the warrant instrument dated 14 October 2016 executed by way of a deed poll by the Company in relation to the 2016 Warrants;

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

“2016 Warrants”

means the warrants with an aggregate amount of exercise moneys of up to US\$75,000,000 of the Company which entitle holders thereof to subscribe for Shares at the initial strike price of HK\$1.9995 (as adjusted from time to time in accordance with the 2016 Warrant Instrument) with the current adjusted strike price of HK\$1.79, as constituted by the 2016 Warrant Instrument and warrant certificates issued to all registered holders of the outstanding 2016 Warrants as at 22 September 2019, further details of which are set out in the announcements of the Company dated 3 August 2016, 22 August 2016, 23 September 2016, 11 October 2016, 14 November 2016 and 9 January 2019 and the circular of the Company dated 23 September 2016;

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2019 Senior Notes and 2019 Warrants *(continued)*

“2016 Warrants Indebtedness”	means all amounts payable to all registered holders of the outstanding 2016 Warrants as at 22 September 2019 under the 2016 Warrant Instrument as at 22 September 2019;
“First Amendment Deed to Terms and Conditions”	means the amendment deed to terms and conditions dated 24 August 2020 to amend and supplement the terms and conditions attached to the certificates of the 2019 Senior Notes, entered into among the Company, the Investors, Quan Xing, Rong De, the Ultimate Shareholders, All Flourish, Ai De, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fresh International, Fully Wise, Pacific Win, Polyhero International, Profaith International, South Trend, Talent Wide, Top Asset, Top Perfect, Vanco Investment, World Sharp and Zhuguang Group; and
“Second Amendment Deed to Terms and Conditions”	means the amendment deed to terms and conditions dated 30 October 2020 to amend and supplement the terms and conditions attached to the certificates of the 2019 Senior Note, executed by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

CCBIS Margin Loan

On 25 October 2018, Splendid Reach Limited (“Splendid”), a wholly-owned subsidiary of the Company, as borrower, and CCB International Securities Limited (建銀國際證券有限公司) (“CCBIS”), as lender, entered into a margin loan confirmation (“CCBIS Margin Loan Confirmation”) (as amended and supplemented by an amendment and restatement deed dated 24 April 2019 entered into between Splendid and CCBIS and a second amendment and restatement deed dated 1 November 2019 entered into between Splendid and CCBIS and a third amendment and restatement deed dated 30 October 2020 entered into between Splendid and CCBIS), under which CCBIS agreed to make available to Splendid a margin loan (“CCBIS Margin Loan”) over the term (“Term”) commencing from (and including) the first drawdown date of the CCBIS Margin Loan (“First Drawdown Date”) and maturing on 30 October 2021 (provided that if such date does not fall on a business day, then the next business day) (“Maturity Date”), in the principal amount of up to HK\$750,000,000 (for the first five business days of the Term), HK\$550,000,000 (from and including the sixth (6th) business day of the Term to 29 April 2019), HK\$510,000,000 (from and including 30 April 2019 to 30 May 2019), HK\$490,000,000 (from and including 31 May 2019 to 30 July 2019), HK\$450,000,000 (from and including 31 July 2019 to 30 October 2019), HK\$430,000,000 (from and including 31 October 2019 to 30 January 2020), HK\$400,000,000 (from and including 31 January 2020 to 29 April 2020) and HK\$360,000,000 (from and including 30 April 2020 to 29 October 2020), HK\$330,000,000 (from and including 30 October 2020 to 29 April 2021) and HK\$290,000,000 (from and including 30 April 2021 to the Maturity Date). The interest of the CCBIS Margin Loan which is payable quarterly, shall accrue (i) from and including the First Drawdown Date to 31 March 2019 at a simple interest rate of 7.75% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (ii) from and including 1 April 2019 to 30 October 2019 at a simple interest rate of 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (iii) from and including 31 October 2019 up to and including 30 October 2020 at a simple interest rate of 10% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; and (iv) from and including 31 October 2020 up to and including the date of full principal repayment at a simple interest rate of 3-month HIBOR + 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan. Further details of the CCBIS Margin Loan are set out in the announcements of the Company dated 25 October 2018, 1 November 2019 and 30 October 2020. As at 30 June 2021, the amount of principal outstanding under the CCBIS Margin Loan was HK\$290,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

CCBIS Margin Loan *(continued)*

Pursuant to the CCBIS Margin Loan Confirmation, (a) Rong De (the controlling Shareholder (within the meaning of the Listing Rules)) was required to enter into a charge dated 25 October 2018 (“SL Rong De Charge”), in favour of CCBIS, over a margin securities trading account opened by Rong De with CCBIS (“SL Rong De Account”), into which Rong De shall deposit, among other assets, no less than 100,000,000 Shares held by Rong De before the First Drawdown Date (“SL Rong De Charged Shares First Batch”) and no less than 150,000,000 Shares held by Rong De on or before the 60th day of the Term (“SL Rong De Charged Shares Second Batch”, together with the SL Rong De Charged Shares First Batch, collectively as the “Aggregate SL Rong De Charged Shares”); and (b) the Company, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi were required to enter into a continuing guarantee dated 25 October 2018 (“CCBIS Continuing Guarantee”), in favour of CCBIS, to guarantee the settlement of all liabilities and obligations of Splendid under the CCBIS Margin Loan. The SL Rong De Charge, which subsisted during the Period Under Review and as at the date of this interim report, is disclosable pursuant to Rule 13.17 of the Listing Rules. As at 30 June 2021, out of the Shares deposited by Rong De into the SL Rong De Account, 425,000,000 Shares were in relation to the CCBIS Margin Loan. The CCBIS Continuing Guarantee subsisted during the Period Under Review and as at the date of this interim report.

The conditions of the CCBIS Margin Loan which subsisted during the Period Under Review and as at the date of this interim report, also contain certain specific performance obligations on Rong De (the controlling Shareholder (within the meaning of the Listing Rules)), which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

CCBIS Margin Loan *(continued)*

Under the CCBIS Margin Loan Confirmation, Splendid shall procure Rong De to:

- (i) deposit the SL Rong De Charged Shares First Batch into the SL Rong De Account prior to the First Drawdown Date;
- (ii) deliver the SL Rong De Charge prior to the First Drawdown Date;
- (iii) deposit the SL Rong De Charged Shares Second Batch into the SL Rong De Account on or before the 60th day of the Term;
- (iv) maintain its deposit of the Aggregate SL Rong De Charged Shares in the SL Rong De Account, and shall procure Rong De not to charge, mortgage, pledge, or otherwise permit any encumbrance to be created over the Aggregate SL Rong De Charged Shares (other than the encumbrance created pursuant to the SL Rong De Charge or otherwise agreed by CCBIS);
- (v) not to apply for registration as a non-Hong Kong company pursuant to Part 16 of the Companies Ordinance without having obtained the prior written consent of CCBIS;

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

CCBIS Margin Loan *(continued)*

- (vi) in the event that Rong De has obtained the prior written consent to apply for registration as a non-Hong Kong Company as set out in (v) above, Rong De shall procure that the prescribed particulars of the SL Rong De Account together with the SL Rong De Charge be delivered to the Companies Registry of Hong Kong for the registration of the SL Rong De Charge and promptly deliver the certificate of such registration of the SL Rong De Charge to CCBIS;
- (vii) promptly after execution of the SL Rong De Charge, instruct its registered agent to enter particulars as required by the BVI Business Companies Act 2004 of the British Virgin Islands (“BVI Act”), as amended, of the security created pursuant to the SL Rong De Charge in the Rong De’s Register of Charges (“Rong De Register of Charges”);
- (viii) enter particulars as required by the BVI Act of the security created pursuant to the SL Rong De Charge in the Rong De Register of Charges and, immediately after entry of such particulars have been made, provide CCBIS with a certified true copy of the updated Rong De Register of Charges;
- (ix) effect registration, or assist CCBIS in effecting registration, of the SL Rong De Charge with the Registrar of Corporate Affairs pursuant to the BVI Act; and
- (x) immediately on receipt, deliver or procure to be delivered to CCBIS, the certificate of registration of charge issued by the Registrar of Corporate Affairs evidencing that the requirements of Part VIII of the BVI Act as to registration have been complied with and the filed stamped copy of the application containing the relevant particulars of charge.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

CCBIS Margin Loan *(continued)*

A breach of any of the above acts by Rong De shall constitute an event of default, which shall cause the CCBIS Margin Loan to become immediately due and repayable in accordance with the conditions of the CCBIS Margin Loan.

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 HK\$'000	31 December 2020 HK\$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	3,336,771	3,643,803

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES *(continued)*

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

Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	5	1,589,175	1,339,415
Cost of sales		(424,544)	(155,299)
Gross profit		1,164,631	1,184,116
Fair value loss on investment properties, net	12	(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		(6,008)	20,264
PROFIT BEFORE TAX	7	428,067	197,371
Income tax expense	8	(156,150)	(80,014)
PROFIT FOR THE PERIOD		271,917	117,357
Attributable to:			
Equity holders of the parent		278,228	121,474
Non-controlling interests		(6,311)	(4,117)
		271,917	117,357
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	10	3.53	1.35

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) 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)
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)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(177)	(117,129)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	271,740	228
Attributable to:		
Equity holders of the parent	277,213	20,499
Non-controlling interests	(5,473)	(20,271)
	271,740	228

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property and equipment	11	414,133	366,393
Investment properties	12	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	13	8,940,012	8,352,626
Financial assets at fair value through profit or loss	15	1,535,453	1,585,462
Deferred tax assets		8,317	18,177
Total non-current assets		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	13	6,726,117	6,231,006
Prepayments, other receivables and other assets	14	2,579,973	3,676,303
Prepaid income tax		197,382	163,779
Financial assets at fair value through profit or loss	15	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
Total current assets		27,048,829	19,491,532

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
CURRENT LIABILITIES			
Contract liabilities		2,339,073	1,482,331
Trade and other payables	16	5,205,823	3,858,256
Interest-bearing bank and other borrowings	18	7,110,358	7,956,461
Income tax payables		3,635,243	3,454,683
Derivative financial instruments	17	124,242	19,645
Total current liabilities		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
NON-CURRENT LIABILITIES			
Other payables	16	344,432	353,223
Interest-bearing bank and other borrowings	18	12,280,752	9,084,558
Deferred tax liabilities		2,583,474	1,302,085
Total non-current liabilities		15,208,658	10,739,866
Net assets		9,755,687	9,418,952

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	19	722,563	719,442
Perpetual capital securities	20	928,416	904,416
Reserves		8,009,878	7,694,791
		9,660,857	9,318,649
Non-controlling interests		94,830	100,303
Total equity		9,755,687	9,418,952

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Attributable to owners of the parent

(Unaudited)	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Contributed surplus HK\$'000	Statutory reserves HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits HK\$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to a disposal	Perpetual capital securities HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
										group classified as held for sale HK\$'000				
At 1 January 2020	719,442	5,564,286	(101,922)	(619,705)	239,404	6,668	(25,738)	3,671	823,052	—	856,416	7,465,574	98,520	7,564,094
Profit for the period	—	—	—	—	—	—	—	—	121,474	—	—	121,474	(4,117)	117,357
Other comprehensive loss for the period:														
Exchange differences on translation of foreign operations	—	—	—	(73,071)	—	—	—	—	—	—	—	(73,071)	(16,154)	(89,225)
Share of other comprehensive loss of an associate	—	—	—	(23,540)	—	—	—	(4,364)	—	—	—	(27,904)	—	(27,904)
Total comprehensive income/(loss) for the period	—	—	—	(96,611)	—	—	—	(4,364)	121,474	—	—	20,499	(20,271)	228
Transfer to amounts recognised in other comprehensive income and accumulated equity relating to a disposal group classified as held for sale	—	—	—	65,830	—	—	—	—	—	(65,830)	—	—	—	—
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	—	—	29,554	29,554
Distribution to holders of perpetual capital securities	—	—	—	—	—	—	—	—	(24,000)	—	24,000	—	—	—
At 30 June 2020	719,442	5,564,286	(101,922)	(650,496)	239,404	6,668	(25,738)	(693)	920,526	(65,830)	880,416	7,496,073	107,803	7,593,876

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 30 June 2021

	Attributable to owners of the parent											
	Share capital	Share premium	Merger reserve	Exchange fluctuation reserve	Contributed surplus	Statutory reserves	Capital reserve	Retained profits	Perpetual capital securities	Total	Non-controlling interests	Total equity
(Unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	719,442	5,564,286*	(101,922)*	(1,005,363)*	239,404*	6,668*	(25,738)*	3,017,456*	904,416	9,316,649	100,303	9,418,952
Profit for the period	-	-	-	-	-	-	-	278,228	-	278,228	(6,311)	271,917
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	(9,002)	-	-	-	-	-	(9,002)	838	(8,164)
Share of other comprehensive income of an associate	-	-	-	7,987	-	-	-	-	-	7,987	-	7,987
Total comprehensive income/(loss) for the period	-	-	-	(1,015)	-	-	-	278,228	-	277,213	(5,473)	271,740
Issue of shares (note 19)	3,121	61,674	-	-	-	-	-	-	-	64,995	-	64,995
Transfer to statutory reserves	-	-	-	-	-	34,326	-	(34,326)	-	-	-	-
Distribution to holders of perpetual capital securities	-	-	-	-	-	-	-	(24,000)	24,000	-	-	-
At 30 June 2021	722,563	5,626,160*	(101,922)*	(1,006,378)*	239,404*	40,994*	(25,738)*	3,237,358*	928,416	9,660,657	94,830	9,755,687

* These reserve accounts comprise the consolidated reserves of HK\$8,009,878,000 (31 December 2020: HK\$7,694,791,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		428,067	197,371
Total non-cash adjustments		702,793	550,905
Total working capital adjustments		(1,274,823)	(530,271)
Cash (used in)/generated from operations		(143,963)	218,005
Interest paid		(937,100)	(705,659)
Corporate income tax paid		(58,284)	(46,046)
Net cash flows used in operating activities		(1,139,347)	(533,700)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances paid for urban redevelopment projects		—	(3,600,476)
Refund of deposits for acquisition of equity interests in property development projects		666,421	—
Repayment from related parties		—	957,879
Interest received		83,437	50,805
Deposit received for disposal of a subsidiary		—	1,654,020
Acquisition of a subsidiary	21	(649,465)	—
Settlement of consideration receivables from disposal of a subsidiary		1,350,051	—
Acquisition of a joint venture		—	(1,157,814)
Investment in a joint venture		(6,129)	—
Proceeds from disposal of a joint venture		8,600	—

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Purchases of items of property and equipment	(48,678)	(1,755)
Decrease in financial assets at fair value through profit or loss	1,397,880	260,514
Decrease in term deposits with initial terms of over three months	16,617	1,181,551
Decrease/(increase) in restricted cash	32,506	(185,573)
Net cash flows from/(used in) investing activities	2,851,240	(840,849)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	439,616	3,013,175
Repayment of bank and other borrowings	(2,153,129)	(1,673,301)
Principal portion of lease payments	(2,248)	(3,990)
Capital contribution from a non-controlling shareholder	—	29,554
Advances from/(repayment to) related parties	20,227	(87,565)
Proceeds from issue of shares	25,837	—
Net cash flows (used in)/from financing activities	(1,669,697)	1,277,873

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	42,196	(96,676)
at beginning of period	55,229	353,708
Effect of foreign exchange rate changes	6,703	(98,608)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	104,128	158,424
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	104,128	158,406
Cash and cash equivalents included in a disposal group classified as held for sale	—	18
	104,128	158,424

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2021

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 (“Rong De”), which is incorporated in the British Virgin Islands.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

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 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\$2,644 million as set out in note 24 to the interim financial information.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

2. BASIS OF PRESENTATION *(Continued)*

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

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>

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

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

(Continued)

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

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

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

(a) *(Continued)*

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

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) *(Continued)*

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 information.

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

4. OPERATING SEGMENT INFORMATION *(Continued)*

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2021

(Unaudited)	Property development HK\$'000	Project management services HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment revenue: (note 5)				
Sales to external customers	535,117	954,462	99,596	1,589,175
Segment results	101,446	1,306,906	25,257	1,433,609
<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)				(799,424)
Profit before tax				428,067
Income tax expense				(156,150)
Profit for the period				271,917

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2020

(Unaudited)	Property development HK\$'000	Project management services HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment revenue: (note 5)				
Sales to external customers	240,023	1,015,498	83,894	1,339,415
Segment results				
	94,133	901,273	21,846	1,017,252
<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)				(804,444)
Profit before tax				197,371
Income tax expense				(80,014)
Profit for the period				117,357

NOTES TO INTERIM FINANCIAL INFORMATION (Continued)
30 June 2021

4. OPERATING SEGMENT INFORMATION (Continued)

30 June 2021

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

4. OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2020

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) 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
	1,589,175	1,339,415

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2021

	Property development (Unaudited) HK\$'000
Type of goods or services	
Sale of properties	535,117
Timing of revenue recognition	
Goods transferred at a point in time	516,404
Goods transferred over time	18,713
Total revenue from contracts with customers	535,117

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

Disaggregated revenue information *(Continued)*

For the six months ended 30 June 2020

	Property development (Unaudited) HK\$'000
Type of goods or services	
Sale of properties	240,023
Timing of revenue recognition	
Goods transferred at a point in time	190,618
Goods transferred over time	49,405
Total revenue from contracts with customers	240,023

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) 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 (note 21)	257,505	—
Exchange gains	153,839	—
Others	13,048	—
	546,293	148,632

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

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)
	799,994	804,444

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

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	—

* The amortisation is included in "Administrative expenses" in the condensed consolidated statement of profit or loss.

** These items are included in "Other income and gains"/"Other expenses" in the condensed consolidated statement of profit or loss.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

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
	150,118	104,046
Deferred	6,032	(24,032)
Total tax charge for the period	156,150	80,014

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)* 30 June 2021

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT
(Continued)

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 (HK\$'000)	278,228	121,474
Distribution related to perpetual capital securities (HK\$'000)	(24,000)	(24,000)
Profit used in the basic earnings per share calculations (HK\$'000)	254,228	97,474
Weighted average number of ordinary shares in issue during the period (thousand shares)	7,197,354	7,194,417

11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2021, the Group had addition of property and equipment of HK\$48,678,000 (six months ended 30 June 2020: HK\$1,755,000), excluding property, plant and equipment acquired through a business combination as disclosed in note 21 to the interim financial information.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

12. INVESTMENT PROPERTIES

	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Carrying amount at 1 January	3,774,285	4,709,808
Transfer from completed properties held for sale	39,041	—
Fair value adjustments	(54,331)	(49,830)
Exchange realignments	43,340	(90,559)
Carrying amount at 30 June	3,802,335	4,569,419

The Group's investment properties were revalued on 30 June 2021 and 2020 based on valuations performed by Greater China Appraisal Limited, an independent professionally qualified valuer.

The valuations of completed investment properties were based on either (i) the term and reversionary approach by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties, which is positively correlated to the market rental growth rate, and negatively correlated to term yields and reversion yields; or (ii) the direct comparison method by reference to comparable market transactions, which is positively correlated to the market unit sale rate.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

12. INVESTMENT PROPERTIES *(Continued)*

The valuations of investment properties under construction were based on the residual approach, which is positively correlated to the estimated annual rental value per square meter and the development profit, and negatively correlated to the capitalisation rate.

At 30 June 2021 and 2020, the fair value measurement of all the Group's investment properties used significant unobservable inputs (Level 3) as defined in HKFRS 13.

In the opinion of the Directors, for all investment properties that are measured at fair value, the current use of the properties is their highest and best use.

During the period, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfer into or out of Level 3 (six months ended 30 June 2020: Nil).

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

13. TRADE RECEIVABLES

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Receivables from sales of properties and rentals	(a)	154,259	82,942
Receivables from urban redevelopment projects			
Related parties	25(b)	15,805,894	14,842,398
Third parties		283,463	179,132
Less: Impairment allowance	(b)	16,089,357 (577,487)	15,021,530 (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 TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

13. TRADE RECEIVABLES *(Continued)*

- (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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

13. TRADE RECEIVABLES *(Continued)*

- (b) An ageing analysis of the receivables for 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
	16,089,357	15,021,530

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Deposits to related parties for acquisition of equity interests in property development projects	(a), 25(b)	—	712,896
Prepaid construction costs and others		946,580	239,816
Prepaid business taxes and other levies		159,231	104,315
Project deposits to a contractor	(b)	186,615	192,526
Consideration receivable	(c)	798,002	788,938
Cost of obtaining contracts		15,770	17,628
Other receivables			
A joint venture	25(b)	—	23,760
Related parties	25(b)	61,696	14,869
Third parties		421,504	1,668,389
		2,589,398	3,763,137
Impairment allowance		(9,425)	(86,834)
		2,579,973	3,676,303

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

Notes:

- (a) As at 31 December 2020, deposits of HK\$712,896,000 were paid to Guangdong Zhuguang Group Company Limited (“GD Zhuguang Group”) and its subsidiaries (related parties of the Group) as authorised agents of the Group for the proposed acquisitions of equity interests of certain entities which own certain land use rights or property development projects in the PRC.
- (b) Project deposits to a contractor of the Group were unsecured, with an interest rate of 12% per annum and repayable on demand.
- (c) The receivable relates to certain properties to be developed with a saleable area of approximately 38,179 sq.m. that will be transferred to the Group upon completion of the urban redevelopment project and formed part of the total consideration on the disposal of 100% equity interest in Guangzhou Yuhong Investment Company Limited (a company engaged in the property redevelopment project in the PRC). Details of the disposal are set out in the Company’s announcement and circular dated 22 April 2020 and 24 June 2020, respectively.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Other receivables, at fair value	(a)	2,743,718	3,885,718
Other unlisted investments, at fair value	(b)	73,154	72,323
		2,816,872	3,958,041
Portion classified as current assets		(1,281,419)	(2,372,579)
Non-current portion		1,535,453	1,585,462

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

- (a) As at 30 June 2021, the other receivables of HK\$2,743,718,000 (31 December 2020: HK\$3,885,718,000) at fair value represented funds provided to certain related parties for property project development in the PRC which are classified as financial assets at fair value through profit or loss. Pursuant to the relevant project management service agreements, the Group agreed to provide funds and management service to certain property development projects. In return, the Group is entitled to a fixed return calculated at pre-determined percentages on the funds provided, plus a variable return to be determined with reference to the pre-agreed operating and financial performance metrics/parameters of the underlying projects upon completion. The fair value of the other receivables is determined based on the discounted cash flows on the future cash flow projections from the property development projects estimated by management. The discount rates applied to the cash flow projections ranged from 20.6% to 20.8% (31 December 2020: ranged from 17.1% to 17.3%).
- (b) At 30 June 2021, the Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK\$73,154,000 (31 December 2020: HK\$72,323,000). The investment funds are managed with expected return equal to the prevailing one-year deposit interest rate quoted by the People's Bank of China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

16. TRADE AND OTHER PAYABLES

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade and bills payables	(a)	2,660,025	2,207,549
Amounts due to related parties	25(b)	659,585	218,724
Amount due to a joint venture	25(b)	6,009	158,452
Amount due to the ultimate holding company	25(b)	344,432	344,432
Other payables and accruals		1,050,962	558,922
Other taxes payables		829,242	723,400
		5,550,255	4,211,479
Portion classified as current liabilities		(5,205,823)	(3,858,256)
Non-current portion		344,432	353,223

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

16. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

- (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
	2,660,025	2,207,549

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

17. DERIVATIVE FINANCIAL INSTRUMENTS

The 2019 Warrants (as defined in note 18(b)) were measured at their fair values on 30 June 2021 and 31 December 2020. The fair values (categorised as level 3 measurement under HKFRS 13) of the warrants were based on a valuation, using trinomial tree method, carried out by an independent qualified professional valuer and approved by the Directors. The significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	3,044,535	2,382,610
In the second year	854,175	610,778
In the third to fifth years, inclusive	3,234,220	596,645
Over five years	2,338,808	2,317,967
	9,471,738	5,908,000
Other borrowings repayable:		
Within one year or on demand	3,808,466	4,983,795
In the second year	2,637,314	2,351,667
In the third to fifth years, inclusive	1,345,701	595,711
Over five years	—	749,088
	7,791,481	8,680,261
Senior notes:		
Within one year or on demand	250,088	583,056
In the second year	1,867,374	1,855,852
	2,117,462	2,438,908
Lease liabilities repayable:		
Within one year or on demand	7,269	7,000
In the second year	3,160	6,850
	10,429	13,850
	19,391,110	17,041,019
Portion classified as current liabilities	(7,110,358)	(7,956,461)
Non-current portion	12,280,752	9,084,558

18. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

- (a) Certain of the Group's bank and other borrowings are secured or guaranteed by:
- (i) pledges over the Group's property and equipment with an aggregate carrying amount at the end of the reporting period of approximately HK\$319,777,000 (31 December 2020: HK\$348,197,000);
 - (ii) pledges over the Group's investment properties with an aggregate carrying amount at the end of the reporting period of approximately HK\$1,009,232,000 (31 December 2020: HK\$2,736,059,000);
 - (iii) pledges over the Group's properties under development with an aggregate carrying amount at the end of the reporting period of approximately HK\$7,201,688,000 (31 December 2020: HK\$623,265,000);
 - (iv) pledges over the Group's completed properties held for sale with an aggregate carrying amount at the end of the reporting period of approximately HK\$2,928,120,000 (31 December 2020: HK\$3,281,195,000);
 - (v) pledges over the Group's term deposits with initial terms of over three months with an aggregate carrying amount at the end of the reporting period of approximately HK\$1,070,212,000 (31 December 2020: HK\$1,041,440,000);
 - (vi) pledges over the Group's interest in an associate with an aggregate carrying amount at the end of the reporting period of approximately HK\$1,520,048,000 (31 December 2020: HK\$1,586,396,000);

18. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: *(Continued)*

(a) *(Continued)*

- (vii) pledges over the Company's equity interest executed by the Company's ultimate holding company for borrowings of the Group amounting to HK\$293,376,000 (31 December 2020: HK\$332,320,000) at the end of the reporting period;
- (viii) pledges over the equity interests of the Group's certain subsidiaries for borrowings of the Group amounting to HK\$5,948,939,000 (31 December 2020: HK\$6,285,640,000) at the end of the reporting period;
- (ix) corporate guarantees executed or security provided by Rong De, the Company's ultimate holding company, for the senior notes of the Group amounting to HK\$2,117,462,000 (31 December 2020: HK\$2,438,908,000) at the end of the reporting period;
- (x) corporate guarantees executed by the Company for borrowings of the Group amounting to HK\$8,032,234,000 (31 December 2020: HK\$8,284,102,000) at the end of the reporting period;
- (xi) personal guarantee executed by certain directors for borrowings of the Group amounting to HK\$7,665,783,000 (31 December 2020: HK\$8,532,182,000) at the end of the reporting period; and
- (xii) pledges and guarantees provided by GD Zhuguang Group for borrowings of the Group amounting to HK\$10,797,944,000 (31 December 2020: HK\$8,258,792,000) as at the end of the reporting period.

18. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: *(Continued)*

- (b) On 22 September 2019, the Company issued 3-year secured guaranteed senior notes (the “2019 Senior Notes”) with an aggregate principal amount of US\$410,000,000 for settlement of the senior notes issued in 2016. The Company, at its option, can redeem all or a portion of the 2019 Senior Notes at any time after twelve months from the issue date and from time to time prior to the maturity date at the redemption price plus accrued and unpaid interest up to the redemption date. The Company shall, on the date falling twelve months after the issue date, redeem 10% of the then outstanding principal amount, and shall, on the date falling twenty four months after the issue date, redeem 10% of the then outstanding principal amount. The remaining outstanding principal amount of the 2019 Senior Notes is due on 21 September 2022. The 2019 Senior Notes are denominated in US\$ with an interest rate at 11% per annum.

Concurrent with the issuance of the 2019 Senior Notes, nil-paid warrants (the “2019 Warrants”) representing a total amount of exercise monies of US\$61,500,000 (the exchange rate to be used for the purchase of HK\$ with US\$ shall be HK\$7.8 per US\$1.0) were granted by the Company to these investors to subscribe for 297,064,651 ordinary shares of the Company at an initial exercise price of HK\$1.6148 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. During the six months ended 30 June 2021, the Company received notices of exercise 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 of 31,215,506 ordinary shares of the Company being allotted and issued by the Company to the holders of the 2019 Warrants. As at 30 June 2021, 2019 Warrants with aggregate exercise monies of US\$55,037,589, representing 265,849,141 ordinary shares of the Company remained outstanding. Subsequent to the end of the reporting period, on 27 August 2021, the exercise price of the 2019 Warrants was adjusted to HK\$1.54 per ordinary share. The 2019 Warrants are exercisable at any time up to 36 months from the issue date of such warrants.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

18. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: *(Continued)*

- (c) As at 30 June 2021, the Group's bank and other borrowings with carrying amounts of HK\$1,073,529,000 (31 December 2020: HK\$1,037,773,000), HK\$16,046,299,000 (31 December 2020: HK\$13,281,930,000) and HK\$2,271,282,000 (31 December 2020: HK\$2,721,316,000) were denominated in HK\$, RMB and US\$, respectively.

19. SHARE CAPITAL

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Authorised 10,000,000,000 shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid 7,225,632,753 (2020: 7,194,417,247) ordinary shares of HK\$0.1 each	722,563	719,442

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

19. SHARE CAPITAL *(Continued)*

A summary of movements in the Company's issued share capital is as follow:

	Number of share in issue	Share capital HK\$'000	Share premium HK\$'000
At 1 January 2020, 31 December 2020 and 1 January 2021	7,194,417,247	719,442	5,564,286
Issue of shares (Note)	31,215,506	3,121	61,874
At 30 June 2021	7,225,632,753	722,563	5,626,160

Note:

For the six months ended 30 June 2021, 31,215,506 ordinary shares were issued at an exercise price of HK\$1.6148 per share pursuant to the exercise of the 2019 Warrants in aggregate for a total consideration, before expenses, of approximately HK\$50,407,000. An amount of HK\$14,588,000 was transferred from derivative financial instruments to share premium upon the exercise of the 2019 Warrants.

20. PERPETUAL CAPITAL SECURITIES

On 29 October 2018, the Company issued perpetual capital securities with a principal amount of HK\$800,000,000.

The securities confer the holders a right to receive distributions at the applicable distribution rate of 6% per annum from and including 29 October 2018, payable semi-annually on 20 June and 20 December of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the Directors, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments of the Company.

21. BUSINESS COMBINATION

In December 2020, the Group entered into an equity transfer agreement with GD Zhuguang Group, a related party of the Group, for the acquisition of 49% equity interest in Guangzhou Development Automobile City Co., Ltd. ("AEC") at a cash consideration of RMB900,000,000 (equivalent to HK\$1,071,909,000). The acquisition was completed in March 2021 and AEC has become a wholly-owned subsidiary of the Company since then.

As at the date of approval for issuance of the interim financial information, the fair value assessment of identifiable assets and liabilities arising from the above acquisition has not been finalised and thus, the fair values of the assets and liabilities recognised at the date of acquisition have been determined provisionally.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

21. BUSINESS COMBINATION *(Continued)*

The provisional fair values of the identifiable assets and liabilities of AEC as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition date
	HK\$'000
Property and equipment	399
Properties under development	8,992,168
Prepayments, other receivables and other assets	636,392
Prepaid income tax	7,763
Restricted cash	48,076
Cash and cash equivalents	5,590
Contract liabilities	(114,489)
Trade and other payables	(1,963,888)
Interest-bearing bank and other borrowings	(3,654,717)
Deferred tax liabilities	(1,244,204)
	<hr/>
Total identifiable net assets at fair value	2,713,090
Provisional gain on bargain purchase	(257,505)
	<hr/>
	2,455,585
	<hr/>
Satisfied by:	
Cash	655,055
Other payables	416,854
Fair value of pre-existing interest in AEC at the date of acquisition	<hr/>
	1,383,676
	<hr/>
	2,455,585
	<hr/>

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

21. BUSINESS COMBINATION *(continued)*

An analysis of the cash flows in respect of the acquisition of AEC is as follows:

	HK\$'000
Cash consideration	(655,055)
Cash and cash equivalent acquired	5,590
Net outflow of cash and cash equivalents included in cash flows from investing activities	(649,465)

Since the acquisition, AEC contributed a loss of HK\$38,725,000 to the consolidated profit of the Group for the period ended 30 June 2021.

Had the combination taken place at the beginning of the period, the profit of the Group for the period ended 30 June 2021 would have been HK\$266,145,000.

22. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

During the six months ended 30 June 2021, the Group issued 15,215,506 ordinary shares for a total consideration of HK\$24,570,000 pursuant to the exercise of the 2019 Warrants for settlement of the 2019 Senior Notes with the same principal amount.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

23. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at the end of the reporting period:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	3,336,771	3,643,803

As at 30 June 2021, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction banks, net of any auction proceeds as described below.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

23. FINANCIAL GUARANTEES *(Continued)*

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees at initial recognition and the expected credit losses allowance are not significant as the Directors consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

24. COMMITMENTS

The Group had the following capital and other commitments as at the end of the reporting period:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracted, but not provided for:		
Properties under development	2,644,100	720,169
Investment in a joint venture	—	1,069,344
	2,644,100	1,789,513

25. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Names	Relationships
Rong De	Ultimate holding company of the Company
Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)	Major shareholder of Rong De, the chairman of the Company's board of directors (the "Board"), the Company's executive director, and a member of key management personnel of the Company
Mr. Liao Tengjia	Major shareholder of Rong De, deputy chairman of the Board, the Company's executive director and a member of key management personnel of the Company
Guangzhou Zhuguang Property Management Company Limited ("GZ Zhuguang Property Management")	Controlled by a close family member of Mr. Chu Hing Tsung
Guangdong Zhuguang Group Company Limited ("GD Zhuguang Group")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Investment Company Limited ("GZ Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

25. RELATED PARTY TRANSACTIONS *(Continued)*

(a) **Name and relationship with related parties** *(Continued)*

Names	Relationships
Guangzhou Conghua Zhuguang Investment Company Limited ("GZ Conghua Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Property Development Company Limited ("GZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Shenzhen Zhuguang Property Company Limited ("SZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Beijing Zhuguang Property Development Company Limited ("BJ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Yifa Industrial Development Co., Ltd ("Yifa Industrial")	Mr. Liao Tengjia is considered to have significant influence in this company
Sanya Lantian Investment Co., Ltd ("Sanya Lantian Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Beijing Quan Ying Property Development Company Limited ("BJ Quan Ying")	Mr. Liao Tengjia is considered to have significant influence in this company

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

25. RELATED PARTY TRANSACTIONS *(Continued)*

(a) **Name and relationship with related parties** *(Continued)*

Names	Relationships
Xianghe Zhuguang Real Estate Company Limited ("XH Zhuguang Real Estate")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhufa Urban Renewal Investment Company Limited ("Guangzhou Zhufa")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Development Automobile City Co., Ltd. ("AEC")	Joint venture of the Group (became wholly owned subsidiary of the Company in current period)
Guangzhou Shiqi Property Company Limited ("Shiqi")	Joint venture of the Group

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

25. RELATED PARTY TRANSACTIONS *(Continued)*

(a) **Name and relationship with related parties** *(Continued)*

In addition to the transactions and balances detailed elsewhere in the interim financial information, the Group had the following transactions with related parties during the period:

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000
Finance component of income from GD Zhuguang Group and its subsidiaries	(i)	954,462	678,853
Interest income from GD Zhuguang Group	(ii)	43,783	46,684
Service income received from AEC	(iii)	8,255	3,676
Service income received from GD Zhuguang Group and its subsidiaries	(iii)	28,492	33,882
Property management service fees to GZ Zhuguang Property Management	(iii)	8,134	2,202

25. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Name and relationship with related parties *(Continued)*

Notes:

- (i) The finance component of income was derived from the receivables related to urban redevelopment projects in accordance with the terms of the underlying agreements. In the opinion of the Directors, the related party transactions were conducted in the ordinary course of business of the Group.
- (ii) The interest income was derived from the deposit for acquisition of equity interest in a property development project at a mutually agreed rate.
- (iii) The above transactions were conducted in accordance with the terms of the underlying agreements.
- (iv) During the six months ended 30 June 2021 and 2020, the Group's principal place of business in the PRC was provided by GD Zhuguang Group for which no charge was made.

(b) Outstanding balances with related parties:

As at 30 June 2021 and 31 December 2020, the Group had the following material balances with related parties:

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) **Outstanding balances with related parties:** *(Continued)*

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Amount due from related parties relating to receivables for urban redevelopment projects included in trade receivables			
– GD Zhuguang Group		3,767,066	3,468,456
– GZ Zhuguang Property		6,363,096	7,437,244
– GZ Conghua Zhuguang Investment		2,635,519	2,700,626
– SZ Zhuguang Property		570,073	527,367
– GZ Zhuguang Investment		2,470,140	708,705
	13	15,805,894	14,842,398

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) **Outstanding balances with related parties:** *(Continued)*

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Amounts due from related parties included in prepayments, other receivables and other assets			
– BJ Quan Ying	(i)	2,001	4,176
– XH Zhuguang Real Estate	(i)	1,202	3,564
– Sanya Lantian Investment	(i)	–	7,129
– GZ Zhuguang Property	(i)	12,018	–
– GD Zhuguang Group	(ii)	46,475	–
	14	61,696	14,869
Amounts due from AEC included in prepayments, other receivables and other assets	(i), 14	–	23,760
Amounts due from related parties included in prepayments, other receivables and other assets			
– GD Zhuguang Group	14	–	712,896

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) **Outstanding balances with related parties:** *(Continued)*

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Amounts due from related parties included in financial assets at fair value through profit or loss			
— BJ Zhuguang Property		1,875,823	1,930,169
— Yifa Industrial		867,895	1,955,549
	15(a)	2,743,718	3,885,718
Amounts due to GZ Zhuguang Property Management included in trade and other payables	(iii)	—	17,768
Amounts due to AEC included in trade and other payables	(iv), 16	—	158,452
Amounts due to Shiqi included in trade and other payables	(iv), 16	6,009	—

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) **Outstanding balances with related parties:** *(Continued)*

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Amounts due to related parties included in trade and other payables			
— GD Zhuguang Group	(iv)	224,582	197,159
— GD Zhuguang Group	(v)	420,634	—
— GZ Conghua Zhuguang Investment	(iv)	—	273
— GZ Zhuguang Property Management	(iv)	—	2,222
— GZ Zhuguang Property	(iv)	102	19,070
— GZ Zhuguang Investment	(iv)	12	—
— SZ Zhuguang Property	(iv)	74	—
— Guangzhou Zhufa	(iv)	14,181	—
	16	659,585	218,724
Amounts due to the ultimate holding company (Rong De) included in trade and other payables	(vi), 16	344,432	344,432

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties: *(Continued)*

Notes:

- (i) Amounts due from related parties and AEC included in prepayments, other receivables and other assets were derived from the provision of management services, which would be settled in accordance with mutually agreed terms.
- (ii) An amount due from GD Zhuguang Group included in prepayments, other receivables and other assets is the interest receivables derived from the deposit for acquisition of equity interest in a property development project at a mutually agreed rate.
- (iii) An amount due to GZ Zhuguang Property Management included in trade and other payables was derived from the provision of property management services, which would be settled in accordance with mutually agreed terms.
- (iv) Amounts due to related parties and AEC included in trade and other payables are unsecured, interest-free and repayable on demand.
- (v) Amounts due to GD Zhuguang Group included in trade and other payables are consideration payable arising from acquisition of AEC (note 21).
- (vi) Amounts due to the ultimate holding company of the Company are unsecured, interest-free and repayable on demand.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

25. RELATED PARTY TRANSACTIONS *(Continued)*

(c) **Compensation of key management personnel of the Group**

In the opinion of the Directors, the directors and the chief executive officer of the Company represented the key management personnel of the Group and the compensation of the key management personnel are set out as follows:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Fees	720	720
Other emoluments:		
Salaries, allowances and benefits-in-kind	13,578	11,163
Pension scheme contributions	36	30
	13,614	11,193
	14,334	11,913

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments as at 30 June 2021 and 31 December 2020 approximated to their fair values.

Management has assessed that the fair values of trade and other receivables, deposits, restricted cash, cash and cash equivalents, term deposits, trade and other payables and current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The carrying amounts of the non-current portion of bank and other borrowings approximate to their fair values. The fair values of the non-current portion of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 30 June 2021 and 31 December 2020 were assessed to be insignificant.

The Group has estimated the fair value of unlisted PRC investment funds by using a discounted cash flow valuation model based on the market interest rate of instruments with similar terms and risks.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of derivative financial instruments are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2021

(Unaudited)	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets				
Financial assets at fair value through profit or loss	–	–	2,816,872	2,816,872
Financial liabilities				
Derivative financial instruments	–	–	124,242	124,242

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(Continued)*

As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
(Audited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Financial assets at fair value				
through profit or loss	—	—	3,958,041	3,958,041
Financial liabilities				
Derivative financial instruments	—	—	19,645	19,645

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2021

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The movements in fair value measurements of financial assets and financial liabilities within Level 3 is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Financial assets at fair value through profit or loss:		
At beginning of period/year	3,958,041	3,939,090
Change in fair value during the period/year	210,942	367,802
Disposal during the period/year	(1,397,880)	(621,942)
Exchange realignment	45,769	273,091
At end of period/year	2,816,872	3,958,041
Derivative financial instruments:		
At beginning of period/year	19,645	40,134
Change in fair value during the period/year	119,336	(20,489)
Exercise of warrants	(14,588)	—
Exchange realignment	(151)	—
At end of period/year	124,242	19,645

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2021

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The details of the valuation technique and the inputs used in the fair value measurement of financial assets at fair value through profit or loss and derivative financial instruments have been disclosed in note 15 and note 17 to the interim financial information, respectively.

Save as disclosed above, during the period/year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

27. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the board of directors on 30 August 2021.

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

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.

** English name is translated for identification purpose only*

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there were changes in the information required to be disclosed in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in the course of the Directors' term of office.

Mr. Chu Hing Tsung (alias Zhu Qing Yi), an executive Director, has been re-designated from a non-executive director to an executive director and appointed as the chief executive officer and an authorised representative under Rule 3.05 of the Listing Rules of Silver Grant with effect from 1 August 2021.

Mr. Huang Jiajue, an executive Director, has resigned as an executive director, the chief executive officer, a member of the remuneration committee and an authorised representative under Rule 3.05 of the Listing Rules of Silver Grant with effect from 1 August 2021.

Mr. Wong Chi Keung, an independent non-executive Director, has been appointed as an independent non-executive director of Guoan International Limited ("Guoan International") (a company the shares of which are listed on the Main Board of the Stock Exchange with stock code: 0143) with effect from 13 April 2021 and ceased to be an independent non-executive director of Guoan International with effect from 9 June 2021.

Save as the aforesaid, the Company has not been advised by the Directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to the Shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

- (a) As at 30 June 2021, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (ii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director/ chief executive of the Company	Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 2)
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of a controlled corporation (Note 1)	4,830,591,289	66.85%
Liao Tengjia	Interest of a controlled corporation (Note 1)	4,830,591,289	66.85%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(a) *(continued)*

Notes:

1. 4,830,591,289 Shares were held by Rong De, which was owned as to 34.06% by Mr. Chu Hing Tsung and as to 36.00% by Mr. Liao Tengjia. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO. To the best knowledge of the Directors, out of the aforesaid 4,830,591,289 Shares, 425,000,000 Shares and 3,361,112,000 Shares have been pledged by Rong De to CCBIS and BNY HK, respectively. Mr. Liao Tengjia is a director of Rong De.
2. The total number of the issued Shares as at 30 June 2021 (i.e. 7,225,632,753 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(a) *(continued)*

Interest in shares of the Company's associated corporations

Name of Director/ chief executive of the Company	Name of associated corporation	Capacity	Total number of ordinary shares	Approximate percentage of interest
Chu Hing Tsung (alias Zhu Qing Yi)	Rong De	Beneficial owner	68,120	34.06%
Chu Muk Chi (alias Zhu La Yi)	Rong De	Beneficial owner	59,888	29.94%
Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Huang Jiajue	Silver Grant	Beneficial owner	11,928,000	0.52%

(b) Save as disclosed in this interim report, as at 30 June 2021, none of the Directors or the chief executive of the Company had any interest and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (ii) were required, pursuant to the Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

- (a) As at 30 June 2021, so far as it is known to the Directors or the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO:

Interests of substantial Shareholders

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
Rong De (Note 1)	Beneficial owner	4,830,591,289 (L)	66.85%	—	—

Interests of other persons

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
CCBIS (Note 1)	Security interest	425,000,000 (L)	5.88%	—	—

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
Central Huijin Investment Ltd. ("Central Huijin") (Notes 2 and 3)	Interest of controlled corporations	16,215,506 (L)	0.22%	49,718,355 (L)	0.69%
	Security interest	3,361,112,000 (L)	46.52%	—	—
Agricultural Bank of China Limited ("ABCL") (Note 2)	Interest of controlled corporations	1,000,000 (L)	0.01%	49,718,355 (L)	0.69%
	Security interest	3,361,112,000 (L)	46.52%	—	—
Ministry of Finance of the People's Republic of China ("MOF") (Note 2)	Interest of controlled corporations	1,000,000 (L)	0.01%	49,718,355 (L)	0.69%
	Security interest	3,361,112,000 (L)	46.52%	—	—

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
China Construction Bank Corporation ("CCB") (Note 3)	Interest of controlled corporations	15,215,506 (L)	0.21%	—	—
	Security interest	3,361,112,000 (L)	46.52%	—	—
The Bank of New York Mellon Corporation ("BNY") (Note 4)	Interest of a controlled corporation	3,361,788,000 (L)	46.53%	—	—
China Orient Asset Management Co., Ltd. ("COAM") (Note 5)	Interest of controlled corporations	3,361,112,000 (L)	46.52%	144,909,586 (S)	2.01%
Cheung Fong Wing (Note 6)	Interest of a controlled corporation	418,500,000 (L)	5.79%	8,622,119 (L)	0.12%
	Security interest	3,361,112,000 (L)	46.52%	—	—

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 9)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 9)
Quan Xing (Note 6)	Beneficial owner	418,500,000 (L)	5.79%	8,622,119 (L)	0.12%
	Security interest	3,361,112,000 (L)	46.52%	—	—
中國華融資產管理股份有限公司 ("CHAMCL") (Note 7)	Interest of controlled corporations	92,336,000 (L)	1.28%	—	—
	Security interest	1,586,000,000 (L)	21.95%	—	—
China Cinda Asset Management Co., Ltd. ("CCAM") (Note 8)	Interest of controlled corporations	15,000,000 (L)	0.21%	62,599,083 (L)	0.87%
		23,300,000 (S)	0.32%	—	—
	Security interest	3,361,112,000 (L)	46.52%	—	—

(L) *Long position*

(S) *Short position*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Notes:

1. The Shares comprised the 4,830,591,289 Shares beneficially owned by Rong De as stated under "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures – Long position in the Shares". To the best knowledge of the Directors, out of the aforesaid 4,830,591,289 Shares, 425,000,000 Shares and 3,361,112,000 Shares have been pledged by Rong De to CCBIS and BNY HK respectively. Mr. Liao Tengjia is a director of Rong De.
2. According to the disclosure of interest notices filed by Central Huijin on 9 June 2021 ("Central Huijin Notice"), Heroic Day held direct interest in 3,362,112,000 Shares and 49,718,355 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited ("ABCIIM"). ABCIIM is a wholly-owned subsidiary of ABC International Holdings Limited ("ABCIH"). ABCIH is a wholly-owned subsidiary of ABCL. According to the Central Huijin Notice and the disclosure of interest notice filed by MOF on 15 October 2019, ABCL is in turn owned as to 40.03% by Central Huijin and as to 35.29% by MOF. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and the underlying Shares held by Heroic Day by virtue of the provisions of the SFO.
3. According to the disclosure of interest notice filed by CCB on 8 June 2021, CCB International Overseas Limited ("CCBIO") held direct interest in 3,376,327,506 Shares, and is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH"). CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited ("CCBFH"). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited ("CCBIG"). CCBIG is a wholly-owned subsidiary of CCB. According to the disclosure of interest notice filed by Central Huijin on 9 June 2021, CCB is owned as to 57.11% by Central Huijin. Accordingly, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the Shares held by CCBIO by virtue of the provisions of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Notes: *(continued)*

4. According to the disclosure of interest notice filed by BNY on 24 September 2019, the Bank of New York Mellon held direct interest in 3,361,788,000 Shares and a lending pool consisting of 588,000 Shares, and is wholly-owned by BNY. Accordingly, BNY is deemed to be interested in the Shares held by the Bank of New York Mellon by virtue of the provisions of the SFO.
5. According to the disclosure of interest notice filed by COAM on 28 November 2019, Blooming Rose held direct interest in 3,361,112,000 Shares and short positions in 144,909,586 underlying Shares, and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"). COAM International is held as to 50% by Wise Leader Assets Ltd ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares and the underlying Shares held by Blooming Rose by virtue of the provisions of the SFO.
6. According to the disclosure of interest notice filed by Quan Xing on 5 January 2021, Quan Xing, which is wholly-owned by Mr. Cheung Fong Wing, held direct interest in 3,779,612,000 Shares and 8,622,119 underlying Shares. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares and the underlying Shares held by Quan Xing by virtue of the provisions of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Notes: *(continued)*

7. According to the disclosure of interest notice filed by CHAMCL on 7 April 2021 ("CHAMCL Notice"), Beyond Steady Limited ("Beyond Steady"), a wholly-owned subsidiary of Linewear Assets Limited ("Linewear"), held direct interest in 92,336,000 Shares. Linewear is a wholly-owned subsidiary of Huarong International Financial Holdings Limited ("Huarong International"). Huarong International is held as to 21.01% by Camellia Pacific Investment Holding Limited ("Camellia Pacific") and as to 29.98% by Right Select International Limited ("Right Select"). Each of Camellia Pacific and Right Select is a wholly-owned subsidiary of China Huarong International Holdings Limited ("CHIH"). CHIH is held as to 15.16% by 華融致遠投資管理有限責任公司 (Huarong Zhiyuan Investment & Management Co., Ltd. *) ("HZY"), which is a wholly-owned subsidiary of CHAMCL, and 84.84% by CHAMCL. Accordingly, Linewear, Huarong International, Camellia Pacific, Right Select, CHIH, HZY and CHAMCL are deemed to be interested in the Shares held by Beyond Steady by virtue of the provisions of the SFO. According to the CHAMCL Notice, 中國華融資產管理股份有限公司(廣東省分公司) (China Huarong Asset Management Company Limited, (Guangdong Branch)*) ("CHAMCLGDBR") held direct interest in 1,586,000,000 Shares and is a wholly-owned subsidiary of CHAMCL. Accordingly, CHAMCL is deemed to be interested in the Shares held by CHAMCLGDBR by virtue of the provisions of the SFO.
8. According to the disclosure of interest notice filed by CCAM, China Cinda (HK) Holdings Company Limited ("CCHK") and Cinda on 18 June 2021, Cinda held direct interest in 3,376,112,000 Shares and 62,599,083 underlying Shares, and short positions in 23,300,000 Shares. Cinda is a wholly-owned subsidiary of CCHK, which is in turn wholly-owned by CCAM. Accordingly, CCHK and CCAM are deemed to be interested in the Shares and the underlying Shares held by Cinda by virtue of the provisions of the SFO.
9. The total number of issued Shares as at 30 June 2021 (i.e. 7,225,632,753 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

* English name is translated for identification purpose only

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

- (b) Save as disclosed above, the Directors and the chief executive officer of the Company are not aware of any other persons (not being Directors or chief executive of the Company) as at 30 June 2021, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO.

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 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 interim report, 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

This 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