



# 珠光控股

ZHUGUANG HOLDINGS

## ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 1176

### 2022 INTERIM REPORT



\* For identification purposes only

# CONTENTS

	<i>Pages</i>
Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Condensed Consolidated Statement of Profit or Loss	57
Condensed Consolidated Statement of Comprehensive Income	58
Condensed Consolidated Statement of Financial Position	59
Condensed Consolidated Statement of Changes in Equity	62
Condensed Consolidated Statement of Cash Flows	64
Notes to Interim Financial Information	67
Other Information	130





## 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

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

Room 5702-5703, 57th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

### COMPANY SECRETARY

Mr. Choi Kwok Keung Sanvic

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Abacus Limited  
17/F, Far East Finance Centre  
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Hong Kong

## **AUDITOR**

Ernst & Young  
Registered Public Interest Entity Auditor  
27/F One Taikoo Place  
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## **LEGAL ADVISORS ON HONG KONG LAW**

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## **LEGAL ADVISORS ON BERMUDA LAW**

Conyers Dill & Pearman  
29th Floor, One Exchange Square  
8 Connaught Place  
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## **PRINCIPAL BANKERS**

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

## **WEBSITE**

[www.zhuguang.com.hk](http://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 2022 (“Period Under Review”) together with the comparative figures for the corresponding period in 2021 as follows:

## FINANCIAL HIGHLIGHTS

### RESULTS

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Revenue by operating segment:		
– Property development	<b>322,912</b>	535,117
– Project management services	<b>923,673</b>	954,462
– Property investment	<b>90,033</b>	99,596
Fair value loss on investment properties, net	<b>(130,084)</b>	(54,331)
(Loss)/profit for the period	<b>(450,454)</b>	271,917
(Loss)/profit for the period attributable to ordinary equity holders of the parent	<b>(453,220)</b>	278,228
	At <b>30 June</b> 2022 HK\$'000	At 31 December 2021 HK\$'000
Total assets	<b>40,558,538</b>	42,897,797
Total liabilities	<b>32,033,133</b>	33,821,494
Total equity	<b>8,525,405</b>	9,076,303

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market and Business Review

The global economy remained unstable and challenging in the first half of 2022. Notwithstanding that the control of the Coronavirus Disease 2019 has attained a certain degree of success on a global scale, the situation of the pandemic outbreak still remained volatile. The rise of global inflation, the raise of the interest rates earlier and quicker than expected, the gradual phase out of the quantitative easing policy, as well as the impact of the pandemic on the global supply chain have brought uncertainties to global economic growth and the global financial markets.

During the Period Under Review, the property market in the People's Republic of China ("PRC") remained weak. However, the number of messages conveyed by the government on the maintenance of the stability of the real estate market continued to increase, including those regarding the support of the commercial housing market to better meet the reasonable housing demands of buyers, so as to stabilise land prices, property prices and expectations, as well as those relating to the implementation of measures according to local conditions, to promote a virtuous cycle and healthy development in the property market. The Group will adhere to the position of the government that housing is for accommodation, not for speculative trading, support the local governments in improving their property policies according to the relevant actual circumstances, strive to meet the rigid and improved demands for housing, and promote the steady and sound development of the real estate market in China.

The urban renewal group of the Company will continue its professionalism as an urban renewal specialist to implement the Group's urban renewal projects in Guangzhou, secure the Group's source of land supply and strengthen the characteristics and competitive edge of the Group for its future development. The Group will also accelerate its efforts in cooperation with its strategic partners in various aspects to strengthen and consolidate its position as an urban renewal specialist.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Market and Business Review *(continued)*

The Group will focus on its strategy of “Optimising the structure, Enhancing capabilities and Improving quality” and strive to overcome the challenges arising from the major adjustments in China’s property market.

### 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\$788,939,000 and contracted gross floor area (“GFA”) sold of approximately 25,058 square meters (“sqm”) during the Period Under Review, representing decreases of approximately 45.9% and 45.2%, respectively, compared with those in the corresponding period in 2021. The details of the property sales contracted and the contracted GFA sold during the Period Under Review are set out below:

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

<b>Projects</b>	<b>Contracted sales</b> (HK\$'000)	<b>Contracted GFA sold</b> (sqm)
Zhuguang Financial Town One	508,141	7,589
Hua Cheng Yujing Garden	82,048	424
Pearl Xincheng Yujing (“Xincheng Yujing”)	67,408	6,809
Yujing Yayuan	52,246	3,779
Zhuguang Yujing Scenic Garden (“Yujing Scenic Garden”)	25,059	1,366
Pearl Tianhu Yujing Garden (“Tianhu Yujing”)	7,553	853
Central Park	7,020	79
Pearl Yunling Lake	2,707	209
Pearl Yijing	624	549
	752,806	21,657
Car parks	36,133	3,401
	788,939	25,058





## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

As at 30 June 2022, 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 三溪 (Sanxi\*) Station of Guangzhou Metro Line No. 5 and within the scope of the planned 廣州國際金融城 (Guangzhou International Financial Town\*) in the Tianhe District. The total site area of this project is approximately 63,637 sqm, which is being developed into office buildings, high-end apartment buildings, shopping malls and a commercial complex including underground car parks over four phases. The total GFA for sale of this project is approximately 391,245 sqm. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 2,034 sqm. During the Period Under Review, contracted sales of approximately HK\$508,141,000 with GFA of approximately 7,589 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)*

#### Hua Cheng Yujing Garden — 100% interest

“Hua Cheng Yujing Garden” was acquired by the Group in 2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm. The total GFA available for sale of this project which belongs to the Group is approximately 108,675 sqm. Out of the GFA of approximately 108,675 sqm, a GFA of approximately 48,043 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 60,632 sqm is attributable to a commercial complex which comprises car parks, shopping malls and office premises. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 87,157 sqm. During the Period Under Review, contracted sales of approximately HK\$82,048,000 with GFA of approximately 424 sqm were recorded with respect to “Hua Cheng Yujing Garden”.



## 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 種王上圍 (Zhong Su Shang Wei\*), 陽光村 (Sunshine Village\*), 湯南鎮 (Tang Nan Town\*), 豐順縣 (Fengshun County\*), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for its hot spring resources which is a major tourism attraction. The project has a site area of approximately 280,836 sqm and a total GFA for sale of approximately 310,486 sqm. The project is being developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project is divided into three phases. Phase I commenced pre-sale during 2017 with delivery commencing in 2018. Phase II commenced pre-sale in 2017 which was completed with delivery commencing in 2019. Phase III also commenced delivery during 2020. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 168,527 sqm. The Group has designated GFA of approximately 10,660 sqm of this property as investment properties held for long-term investment purpose. During the Period Under Review, contracted sales of approximately HK\$67,408,000 with GFA of approximately 6,809 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 development of this project are approximately 15,745 sqm and approximately 38,005 sqm, respectively. The development of this project into five blocks of modern residential buildings, a street-level commercial podium and an underground car park was completed in 2020. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 18,556 sqm. During the Period Under Review, contracted sales of approximately HK\$52,246,000 with GFA of approximately 3,779 sqm were recorded with respect to “Yujing Yayuan”.

#### **Yujing Scenic Garden – 100% interest**

“Yujing Scenic Garden” is located at Provincial Highway G105 (“Highway G105”) line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou City, Guangdong Province, the PRC, which is well connected via a number of highways to and from Guangzhou City. “Yujing Scenic Garden” is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which is a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 758,519 sqm, which comprises four phases of development. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 705,828 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\$25,059,000 with GFA of approximately 1,366 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.

As at 30 June 2022, the aggregate GFA delivered under this project was approximately 138,415 sqm. During the Period Under Review, contracted sales of approximately HK\$7,553,000 with GFA of approximately 853 sqm were recorded with respect to “Tianhu Yujing”.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

#### 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 2022, the aggregate GFA available for sale of the service apartments delivered was approximately 23,668 sqm. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties held for long-term investment purpose. During the Period Under Review, contracted sales of approximately HK\$7,020,000 with GFA of approximately 79 sqm were recorded with respect to “Central Park”.

#### Pearl Yunling Lake – 100% interest

“Pearl Yunling Lake” is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou City, Guangdong Province, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou City. The project site area is approximately 200,083 sqm and the total GFA available for sale is approximately 110,417 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 42,884 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,773 sqm. Phase I with a total GFA available for sale of approximately 39,046 sqm and Phase II with a total GFA available for sale of approximately 29,040 sqm were launched for sale in the first and third quarters of 2017 respectively, whilst the hotel with a GFA of approximately 42,331 sqm has been retained as a long-term asset of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

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

As at 30 June 2022, the aggregate GFA delivered under this project was approximately 39,525 sqm. During the Period Under Review, contracted sales of approximately HK\$2,707,000 with GFA of approximately 209 sqm were recorded with respect to “Pearl Yunling Lake”.

#### **Pearl Yijing — 100% interest**

“Pearl Yijing” is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 45,310 sqm and a total GFA available for sale of approximately 164,603 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 30 June 2022, the aggregate GFA available for sale delivered under this project was approximately 147,499 sqm. During the Period Under Review, contracted sales of approximately HK\$624,000 with GFA of approximately 549 sqm were recorded with respect to “Pearl Yijing”.

## 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. As at 30 June 2022, the aggregate GFA delivered under this project was approximately 51,085 sqm.

#### Meizhou Chaotang Project – 100% interest

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





## 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 廣州大道 (Guangzhou Avenue\*) and 黃埔大道 (Huang Pu Da Dao\*), is a 35-storey high-rise commercial complex, including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The complex was completed in 2015 with a site area of approximately 10,449 sqm and a total GFA available for sale (including carpark areas) and leasing of approximately 109,824 sqm. As at 30 June 2022, the aggregate GFA of the office building and carparks sold was approximately 43,824 sqm, and GFA of approximately 3,345 sqm of this property was still available for sale or leasing. The Group has designated GFA of approximately 62,655 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 2022, the Group had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 893,536 sqm in aggregate. The Group will continue to explore new opportunities for investment and development in cities in the PRC in which the Group already has land investments, as well as other cities in the PRC with growth potential and the best investment value.



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

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

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Project Management Services *(continued)*

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

- (a) if the subsidiary of the Group’s customer (“Project Company”) directly or indirectly acquires the land use rights in the Project Land and to the extent a transfer of the equity interest in the Project Company is permitted under the PRC laws, regulations and policies, the Group is entitled to (i) exercise its pre-emptive rights to acquire the equity interest in the Project Company or (ii) an income from the sale of the equity interest in the Project Land to a third party;
- (b) to the extent that the equity interest in the Project Company (which directly or indirectly holds the land use rights in the Project Land) is not capable of being transferred due to regulatory reasons or government policies, the Group is entitled to an income from the sale of saleable properties developed under the project; and



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **Project Management Services** *(continued)*

- (c) if the Project Company has not directly or indirectly acquired the land use rights in the Project Land, the Group is entitled to an amount equal to (i) the total amount of funds incurred and contributed by the Group under its contractual funding responsibility plus (ii) an income from a fixed rate of return at an agreed percentage of such funds, which represents the minimum consideration receivable by the Group as an assured return on investment for its provision of project management services.

The Group recorded project management services segment revenue of approximately HK\$923,673,000 during the Period Under Review, compared with that of approximately HK\$954,462,000 for the corresponding period in 2021. The decrease in the revenue generated from this business segment was mainly attributable to the decrease in the number of project management agreements entered into by the Group 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 2022, the Group owned (1) certain floors of Royal Mediterranean Hotel (“RM Hotel”) located at 518 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with GFA of approximately 18,184 sqm (31 December 2021: 18,184 sqm); (2) “Zhukong International” with GFA of approximately 62,655 sqm (31 December 2021: 62,655 sqm); (3) certain floors of a commercial complex in “Hua Cheng Yujing Garden” with GFA of approximately 15,918 sqm (31 December 2021: 15,918 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC, with GFA of approximately 7,389 sqm (31 December 2021: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 19,058 sqm (31 December 2021: 19,058 sqm) as investment properties. During the Period Under Review, RM Hotel, “Zhukong International”, the hotel located in Meizhou City and certain commercial properties were partially leased out with total rental income of approximately HK\$90,033,000 generated, representing a decrease of approximately 9.6% as compared with that of approximately HK\$99,596,000 for the corresponding period in 2021. 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

It is expected that the real estate industry will still face great challenges in the second half of 2022. In China, while the development of the real estate industry will be based on the keynote of “stability”, the industry will still have great development potential given the advancement of China’s urbanisation. Various policies based on the local conditions have been implemented to relax housing credit conditions so as to meet the reasonable housing demands of home buyers. Notwithstanding that the Chinese government has put financial policies, regulatory policies, policies to relax property purchase restrictions and other policies from different aspects that are favourable to the property market in place, its position that housing is for accommodation, not for speculative trading is unwavering, and the property industry shall not be taken to stimulate the economy in the short-term. However, with the increase in urbanisation rate and improvement in people’s quality of life, demand for housing quality will continue to grow and properties will return to their commodity essence, which is to meet people’s living needs and improve their quality of life.

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

## 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\$1,336,618,000 (six months ended 30 June 2021: HK\$1,589,175,000), which represented a decrease of approximately 15.9% as compared with that for the corresponding period in 2021.

Revenue from property development for the Period Under Review amounted to approximately HK\$322,912,000 (six months ended 30 June 2021: HK\$535,117,000). The decrease was mainly due to the decrease in the number of properties delivered during the Period Under Review as compared with that during the corresponding period in 2021.

The income from the project management services segment contributed approximately HK\$923,673,000 (six months ended 30 June 2021: HK\$954,462,000) to the total revenue of the Group for the Period Under Review. The decrease was mainly due to the decrease in the number of project management services agreements entered into by the Group during the Period Under Review.

The Group recorded a decrease of approximately 9.6% in rental income for the Period Under Review, as compared with that for the corresponding period in 2021. The rental income decreased from approximately HK\$99,596,000 for the six months ended 30 June 2021 to approximately HK\$90,033,000 for the Period Under Review, mainly due to the decrease 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\$1,164,631,000 for the six months ended 30 June 2021 to approximately HK\$1,070,626,000 for the Period Under Review, mainly due to the decrease in the Group's revenue 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\$130,084,000 as compared with that of approximately HK\$54,331,000 for the corresponding period in 2021. The fair value loss on investment properties, net, recorded for the Period Under Review was mainly due to the decrease in the fair value of “Zhukong International”, “RM Hotel” and certain commercial properties held by the Group in the Guangdong Province, the PRC, as at 30 June 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### Other income and gains

Other income and gains of the Group decreased to approximately HK\$178,909,000 for the Period Under Review (six months ended 30 June 2021: HK\$546,293,000). The decrease was primarily due to (1) the foreign exchange gain of approximately HK\$153,839,000 recorded by the Group for the six months ended 30 June 2021 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\$638,099,000 for the Period Under Review, which has been accounted for as “other expenses” in the condensed consolidated statement of profit or loss presented herein; and (2) the provisional gain on bargain purchase of approximately HK\$257,505,000 recorded by the Group for the six months ended 30 June 2021, 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, which was absent in the Period Under Review.

#### Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group decreased from approximately HK\$240,438,000 for the six months ended 30 June 2021 to approximately HK\$233,919,000 for the Period Under Review. The decrease was mainly due to the decrease in the administrative expenses primarily caused by the decrease in the staff cost incurred for the Period Under Review, as compared with that for the corresponding period in 2021.

\* 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\$377,651,000 for the six months ended 30 June 2021 to approximately HK\$668,516,000 for the Period Under Review. The increase was mainly attributable to the net effect of (1) the record of a foreign exchange loss of approximately HK\$638,099,000 for the Period Under Review, while the Group recorded a foreign exchange gain of approximately HK\$153,839,000 for the six months ended 30 June 2021, which has been accounted for as “other income and gains” in the condensed consolidated statement of profit or loss presented herein; (2) 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 six months ended 30 June 2021 in association with the Group’s 51% of the equity interests of Guangzhou Project Company, in accordance with the applicable accounting policy, which was absent in the Period Under Review; and (3) the net fair value loss on derivative financial instruments of approximately HK\$119,336,000 recorded by the Group during the six months ended 30 June 2021, 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\$116,265,000 recorded by the Group for the six months ended 30 June 2022.

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

Changes in fair value of financial assets at fair value through profit or loss of the Group decreased from approximately HK\$210,942,000 for the six months ended 30 June 2021 to approximately HK\$193,866,000 for the Period Under Review. The decrease was mainly due to the decrease in the fair value of a project management services agreement, under which the Group agreed to provide project management services in relation to a property development project to its customers.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **FINANCIAL REVIEW** *(continued)*

#### **Share of loss of an associate**

Share of loss of an associate of the Company was approximately HK\$43,261,000 during the Period Under Review (six months ended 30 June 2021: HK\$74,294,000), which represented the Company's share of the loss from its associate, Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) ("Silver Grant"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code: 0171. Silver Grant and its subsidiaries are principally engaged in property leasing and investments. The Group held approximately 29.56% interest of the issued share capital of Silver Grant as at 30 June 2022.

#### **Finance costs, net**

Finance costs, net, of the Group for the Period Under Review were approximately HK\$700,200,000 (six months ended 30 June 2021: HK\$799,994,000), which were made up of interest expenses incurred by the Group during the Period Under Review after deduction of the interest expenses capitalised into development costs. The decrease in finance costs, net, was mainly due to the decrease in the interest-bearing bank and other borrowings of the Group during the Period Under Review, as compared with those for the corresponding period in 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### Income tax expense

Income tax expense of the Group comprised corporate income tax (“CIT”) and land appreciation tax (“LAT”) in the PRC and deferred tax. CIT of approximately HK\$83,293,000 (six months ended 30 June 2021: HK\$109,073,000), LAT of approximately HK\$24,386,000 (six months ended 30 June 2021: HK\$41,045,000) and deferred tax credit of approximately HK\$98,709,000 (six months ended 30 June 2021: deferred tax expense of HK\$6,032,000) accounted for the Group’s total income tax expense of approximately HK\$8,970,000 for the Period Under Review (six months ended 30 June 2021: HK\$156,150,000). The decrease in total income tax expense for the Period Under Review was mainly due to the decrease 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 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### Loss for the period

The Group's loss for the Period Under Review was approximately HK\$450,454,000 (six months ended 30 June 2021: profit of HK\$271,917,000). Such change was mainly attributable to (1) the decrease in the Group's revenue from property development from that of approximately HK\$535,117,000 during the six months ended 30 June 2021 to approximately HK\$322,912,000 during the Period Under Review, due to the decrease in the number of properties delivered by the Group in the Period Under Review; (2) the record of a foreign exchange loss by the Group of approximately HK\$638,099,000 for the Period Under Review as a result of the depreciation of the RMB against the HK\$, as compared with the foreign exchange gain of approximately HK\$153,839,000 recorded for the corresponding period in 2021; and (3) the recognition of an impairment loss on financial assets, net, by the Group of approximately HK\$108,919,000 for the Period Under Review, as opposed to the reversal of impairment loss on financial assets, net, of approximately HK\$58,917,000 recognised for the corresponding period in 2021, following the assessment of expected credit losses on the Group's financial assets during the Period Under Review as compared with that during the corresponding period in 2021.



## **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 material seasonality in relation to the borrowing requirements of the Group.

#### **Cash position**

As at 30 June 2022, the Group's cash and bank balances (including restricted cash and term deposits with initial terms over three months) amounted to approximately HK\$1,002,347,000 (31 December 2021: HK\$2,063,976,000). The cash and bank balances of the Group were mainly denominated in RMB, United States dollar ("US\$") and HK\$.

## 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:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Bank loans — secured	<b>8,366,368</b>	9,287,055
Senior notes — secured	<b>1,887,753</b>	1,841,783
Other borrowings — secured	<b>7,643,806</b>	8,020,308
Other borrowings — unsecured and guaranteed	<b>35,000</b>	40,000
Lease liabilities	<b>3,160</b>	6,850
	<b>17,936,087</b>	19,195,996





## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

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

- (a) As at 30 June 2022, 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\$591,637,000 (31 December 2021: HK\$745,260,000), approximately HK\$15,007,861,000 (31 December 2021: HK\$16,113,464,000) and approximately HK\$2,336,589,000 (31 December 2021: HK\$2,337,272,000) were denominated in HK\$, RMB and US\$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 7.00% to 13.00% (31 December 2021: 7.76% to 12.40%). Approximately 21.98% (31 December 2021: 25.46%) of the bank loans carried fixed interest rates ranging from 0.95% to 11.50% (31 December 2021: 0.95% to 13.00%) while the remaining bank loans of approximately 78.02% (31 December 2021: 74.54%) carried floating interest rates.
- (b) The gearing ratio of the Group, being the Group's financial key performance indicator, is measured by the net debt (total interest-bearing borrowings net of cash and bank balances) over the total capital (total equity plus net debt) of the Group. As at 30 June 2022, the gearing ratio of the Group was 67% (31 December 2021: 65%).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

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

- (c) As at 30 June 2022, the Group had outstanding secured bank loans of approximately HK\$8,366 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's property and equipment; (iii) the Group's properties under development and completed properties held for sale; (iv) the Group's term deposits; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited\*), 廣州舜吉實業有限公司 (Guangzhou Shunji Industry Company Limited\*), 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited\*), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited\*) and Guangzhou Project Company; (vi) the corporate guarantees executed by the Company and 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited\*) ("Guangdong Zhuguang Group"); and (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung and Mr. Liao Tengjia. The secured bank loans comprised (1) a bank loan in the principal amount of HK\$6.9 million due in July 2022; (2) a bank loan in the principal amount of RMB10 million due in August 2022; (3) bank loans in the aggregate principal amount of HK\$293.45 million due in August 2022; (4) a bank loan in the principal amount of RMB10 million due in September 2022; (5) a bank loan in the principal amount of RMB10 million due in November 2022; (6) a bank loan in the principal amount of RMB1 million due in November 2022; (7) a bank loan in the principal amount of RMB80 million due in March 2023; (8) bank loans in the aggregate principal amount of RMB40 million due in May 2023; (9) a bank loan in the principal amount of RMB2,500 million due in August 2023; (10) a bank loan in the principal amount of RMB5 million due in August 2023; (11) bank loans in the aggregate principal amount of US\$57.77 million due in August 2023; (12) a bank loan in the principal amount of RMB300 million due in July 2024; (13) a bank loan in the principal amount of RMB3,247.34 million repayable by instalments within 5 years with the last instalment due in December 2024; (14) a bank loan in the principal amount of RMB200 million due in February 2033; and (15) 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 2022, the Group had outstanding senior secured guaranteed notes issued in 2019 (“2019 Senior Notes”) in the aggregate principal amount of US\$242.85 million (equivalent to approximately HK\$1,888 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, Fresh International, Fully Wise, Pacific Win, Polyhero International, Profaitch International, Talent Wide, Top Asset, Top Perfect, Vanco Investment 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)*

- (e) As at 30 June 2022, the Group had outstanding secured other borrowings of approximately HK\$7,644 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's property and equipment; (iii) the Group's investment properties; (iv) the security provided by Guangdong Zhuguang Group; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited\*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited\*), 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited\*) and 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited\*); (vi) the entire equity interest of a subsidiary of Guangdong Zhuguang Group; (vii) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (viii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (ix) 562,000,000 Shares owned by Rong De; and (x) 681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings comprised (1) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 5 years with the last instalment due in September 2022; (2) a margin loan in the principal amount of HK\$250 million due in October 2022; (3) a loan in the principal amount of RMB450 million due in November 2022; (4) loans in the aggregate principal amount of RMB2,400 million due in January 2023; (5) a loan in the principal amount of RMB750 million due in July 2023; (6) a loan in the principal amount of RMB180 million due in July 2023; (7) loans in the aggregate principal amount of RMB220 million due in December 2023; (8) a loan in the principal amount of RMB60 million due in March 2024; (9) loans in the aggregate principal amount of RMB1,778.72 million due in April 2024; (10) a loan in the principal amount of RMB100 million due in June 2024; (11) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; and (12) a loan in the principal amount of RMB636 million due in April 2026.

\* 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)*

- (f) As at 30 June 2022, the Group had outstanding unsecured and guaranteed other borrowings of HK\$35 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\$35 million due in October 2022.

## 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), which is owned as to 34.06% by Mr. Chu Hing Tsung, as to 36.00% by Mr. Liao Tengjia and as to 29.94% by Mr. Chu Muk Chi; (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 2022, the Company had redeemed an aggregate principal amount of US\$167,150,000 (equivalent to approximately HK\$1,303,770,000) of the 2019 Senior Notes and an aggregate principal amount of US\$242,850,000 (equivalent to approximately HK\$1,894,230,000) 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 financial year ended 31 December 2021, 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 Warranholders 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 Warranholders 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 has fully utilised 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 2022, 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 (“2020 Final Dividend”) and a special dividend of HK9 cents per Share (“2020 Special Dividend”, together with the 2020 Final Dividend, the “2020 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 was adjusted from HK\$1.6148 to HK\$1.54 with effect from 27 August 2021 (being the payment date of the 2020 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, Profaiith 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, a third amendment and restatement deed dated 30 October 2020 entered into between Splendid and CCBIS and a fourth amendment and restatement deed dated 29 October 2021 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 2022 (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), HK\$290,000,000 (from and including 30 April 2021 to 29 January 2022), HK\$270,000,000 (from and including 30 January 2022 to 29 April 2022) and HK\$250,000,000 (from and including 30 April 2022 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; (iv) from and including 31 October 2020 up to and including 30 October 2021 at a simple interest rate of 3-month HIBOR + 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; and (v) from and including 31 October 2021



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

#### CCBIS Margin Loan *(continued)*

up to and including the date of full principal repayment at a simple interest rate of 3-month HIBOR + 8.5% 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, 30 October 2020 and 29 October 2021. As at 30 June 2022, the amount of principal outstanding under the CCBIS Margin Loan was HK\$250,000,000.

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 2022, out of the Shares deposited by Rong De into the SL Rong De Account, 562,000,000 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:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<b>2,998,422</b>	4,886,244

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 2022 (31 December 2021: 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 2022, the Group had capital expenditures contracted but not provided for in its financial statements in respect of properties under development of approximately HK\$831,079,000 (31 December 2021: HK\$1,603,026,000) 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 2022, the number of issued ordinary shares of the Company was 7,225,632,753 shares (31 December 2021: 7,225,632,753 shares) in aggregate and the shareholders' equity of the Company was approximately HK\$8,395,473,000 (31 December 2021: HK\$8,934,685,000). The decrease in the shareholders' equity of the Company as at 30 June 2022 was mainly attributable to the loss attributable to the owners of the parent of approximately HK\$453,220,000 for the Period Under Review, as compared with the profit attributable to the owners of the parent of approximately HK\$278,228,000 for the corresponding period in 2021.

As at 30 June 2022, the capital structure of the Group consisted mainly of shareholders' equity, bank loans, senior notes and other borrowings.

As at 30 June 2022, 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, no subscription notices have been received by the Company in respect of the exercise of the subscription rights attached to the 2019 Warrants.





## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 954 employees in Hong Kong and the PRC as at 30 June 2022 (31 December 2021: 927). During the Period Under Review, the level of the Group's overall staff cost was approximately HK\$120,512,000 (six months ended 30 June 2021: HK\$167,148,000). 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 of 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 2022

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
	Notes		
<b>REVENUE</b>	5	<b>1,336,618</b>	1,589,175
Cost of sales		<b>(265,992)</b>	(424,544)
Gross profit		<b>1,070,626</b>	1,164,631
Fair value loss on investment properties, net	12	<b>(130,084)</b>	(54,331)
Other income and gains	5	<b>178,909</b>	546,293
Selling and marketing expenses		<b>(16,348)</b>	(15,353)
Administrative expenses		<b>(217,571)</b>	(225,085)
Change in fair value of financial assets at fair value through profit or loss		<b>193,866</b>	210,942
(Impairment loss)/reversal of impairment loss on financial assets, net		<b>(108,919)</b>	58,917
Other expenses		<b>(668,516)</b>	(377,651)
Finance costs, net	6	<b>(700,200)</b>	(799,994)
Share of loss of an associate		<b>(43,261)</b>	(74,294)
Share of profit/(loss) of joint ventures		<b>14</b>	(6,008)
<b>(LOSS)/PROFIT BEFORE TAX</b>	7	<b>(441,484)</b>	428,067
Income tax expense	8	<b>(8,970)</b>	(156,150)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(450,454)</b>	271,917
Attributable to:			
Owners of the parent		<b>(453,220)</b>	278,228
Non-controlling interests		<b>2,766</b>	(6,311)
		<b>(450,454)</b>	271,917
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (HK cents per share)	10	<b>(6.74)</b>	3.53

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(450,454)</b>	271,917
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>101,378</b>	(8,164)
Share of other comprehensive (loss)/income of an associate	<b>(49,406)</b>	7,987
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<b>51,972</b>	(177)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>51,972</b>	(177)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(398,482)</b>	271,740
Attributable to:		
Owners of the parent	<b>(386,796)</b>	277,213
Non-controlling interests	<b>(11,686)</b>	(5,473)
	<b>(398,482)</b>	271,740

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment	11	733,612	784,618
Investment properties	12	4,212,161	4,537,957
Intangible assets		8,195	9,241
Investments in joint ventures		11,590	12,108
Investments in an associate		1,101,051	1,193,718
Trade receivables	13	2,073,309	2,037,831
Financial assets at fair value through profit or loss	15	13,880	43,872
Deferred tax assets		22,158	5,168
Total non-current assets		8,175,956	8,624,513
<b>CURRENT ASSETS</b>			
Properties under development		10,044,722	11,517,439
Completed properties held for sale		3,612,929	2,502,264
Trade receivables	13	13,765,875	13,608,061
Prepayments, other receivables and other assets	14	3,739,100	2,470,085
Prepaid income tax		183,698	201,105
Financial assets at fair value through profit or loss	15	33,911	1,910,354
Cash and bank balances	16	1,002,347	2,063,976
Total current assets		32,382,582	34,273,284

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2022

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<b>CURRENT LIABILITIES</b>			
Contract liabilities		2,626,364	2,386,942
Trade and other payables	17	5,227,490	5,517,933
Interest-bearing bank and other borrowings	19	7,767,214	7,623,362
Income tax payables		3,587,147	3,668,060
Derivative financial instruments	18	6,293	121,781
Total current liabilities		19,214,508	19,318,078
<b>NET CURRENT ASSETS</b>			
		13,168,074	14,955,206
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		21,344,030	23,579,719
<b>NON-CURRENT LIABILITIES</b>			
Other payables	17	369,391	470,397
Interest-bearing bank and other borrowings	19	10,168,873	11,572,634
Deferred tax liabilities		2,280,361	2,460,385
Total non-current liabilities		12,818,625	14,503,416
Net assets		8,525,405	9,076,303

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2022

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	20	<b>722,564</b>	722,564
Perpetual capital securities	21	<b>1,085,753</b>	1,204,169
Reserves		<b>6,587,156</b>	7,007,952
		<b>8,395,473</b>	8,934,685
Non-controlling interests		<b>129,932</b>	141,618
Total equity		<b>8,525,405</b>	9,076,303

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Unaudited)	Attributable to owners of the parent											
	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	Retained profits HK\$'000	Perpetual capital securities HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021	719,442	5,564,286	(101,922)	(1,005,363)	239,404	6,688	(25,738)	3,017,456	904,416	9,316,649	100,303	9,418,952
Profit/(loss) for the period	-	-	-	-	-	-	-	278,228	-	278,228	(6,311)	271,917
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	(8,002)	-	-	-	-	-	(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	3,122	61,674	-	-	-	-	-	-	-	64,996	-	64,996
Transfer to statutory reserves	-	-	-	-	-	34,326	-	(34,326)	-	-	-	-
Distribution to holders of perpetual capital securities	-	-	-	-	-	-	-	(24,000)	24,000	-	-	-
At 30 June 2021	722,564	5,626,160	(101,922)	(1,006,378)	239,404	40,994	(25,738)	3,297,358	928,416	9,660,856	94,830	9,755,686

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

For the six months ended 30 June 2022

(Unaudited)	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Exchange fluctuation reserve	Contributed surplus	Statutory reserves	Capital reserve	Retained profits	Perpetual capital securities	Total		
	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 2022	722,564	5,626,160*	(101,922)*	(1,052,778)*	239,404*	41,601*	(25,738)*	2,261,225*	1,204,169	8,934,685	141,618	9,076,303
(Loss)/profit for the period	-	-	-	-	-	-	-	(453,220)	-	(453,220)	2,766	(450,454)
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	115,830	-	-	-	-	-	115,830	(14,452)	101,378
Share of other comprehensive loss of an associate	-	-	-	(49,406)	-	-	-	-	-	(49,406)	-	(49,406)
Total comprehensive income/(loss) for the period	-	-	-	66,424	-	-	-	(453,220)	-	(386,796)	(11,686)	(398,482)
Distribution to holders of perpetual capital securities	-	-	-	-	-	-	-	(34,000)	34,000	-	-	-
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	(152,416)	(152,416)	-	(152,416)
At 30 June 2022	722,564	5,626,160*	(101,922)*	(986,354)*	239,404*	41,601*	(25,738)*	1,794,005*	1,085,753	8,395,473	129,932	8,525,405

\* These reserve accounts comprise the consolidated reserves of HK\$6,587,156,000 (31 December 2021: HK\$7,007,952,000) in the condensed consolidated statement of financial position.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		<b>(441,484)</b>	428,067
Total non-cash adjustments		<b>1,144,166</b>	702,793
Total working capital adjustments		<b>(73,820)</b>	(1,274,823)
Cash generated from/(used in) operations		<b>628,862</b>	(143,963)
Corporate income tax paid		<b>(17,075)</b>	(58,284)
Net cash flows from/(used in) operating activities		<b>611,787</b>	(202,247)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Refund of deposits for acquisition of equity interests in property development projects		—	666,421
Interest received		<b>53,563</b>	83,437
Acquisition of a subsidiary	22	—	(649,465)
Settlement of consideration receivables from disposal of a subsidiary		—	1,350,051
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 2022

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2021 (Unaudited) HK\$'000 (Restated)
Purchases of items of property and equipment	<b>(1,116)</b>	(48,678)
Decrease in financial assets at fair value through profit or loss	<b>177,036</b>	1,397,880
Decrease in term deposits with initial terms of over three months	<b>892,746</b>	16,617
Decrease in restricted cash	<b>196,396</b>	32,506
Net cash flows from investing activities	<b>1,318,625</b>	2,851,240
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank and other borrowings	<b>2,746,425</b>	439,616
Repayment of bank and other borrowings	<b>(3,378,070)</b>	(2,153,129)
Principal portion of lease payments	<b>(3,690)</b>	(2,248)
(Repayment to)/advances from related parties	<b>(184,903)</b>	20,227
Repayment to the ultimate holding company	<b>(101,006)</b>	—
Proceeds from issue of shares	<b>—</b>	25,837
Distribution paid on perpetual capital securities	<b>(152,416)</b>	—
Interest paid	<b>(804,691)</b>	(937,100)
Net cash flows used in financing activities	<b>(1,878,351)</b>	(2,606,797)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000 (Restated)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>52,061</b>	42,196
Cash and cash equivalents at beginning of period		<b>83,624</b>	55,229
Effect of foreign exchange rate changes		<b>(4,736)</b>	6,703
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
		<b>130,949</b>	104,128
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances as per condensed consolidated statement of financial position		<b>1,002,347</b>	2,560,032
Less: restricted cash	16	<b>(871,398)</b>	(1,368,713)
Less: term deposits with initial terms of over three months	16	—	(1,087,191)
		<b>130,949</b>	104,128

# NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2022

## 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 2022

### 2. BASIS OF PRESENTATION

As at 30 June 2022, notwithstanding that the Group reported net current assets of HK\$13,168 million, the Group's outstanding interest-bearing bank and other borrowings amounted to HK\$7,767 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of HK\$2,489 million and onshore borrowings in Mainland China of HK\$5,278 million, while the Group's cash and bank balances (excluding restricted cash) amounted to HK\$131 million of which the majority are kept by the Group's subsidiaries in Mainland China. In addition to the bank and other borrowings due to be repaid within one year as mentioned above, the Group has capital commitments contracted but not provided for in the interim financial information of HK\$831 million. In consideration of the prevailing slow-down of the property market, coupled with the challenging market conditions for financing from the capital market, the Group may take a longer time than expected to realise cash from the sale of its properties and/or secure external financing to meet its loan repayment obligations.

In view of these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group has carried out the following plans to address its financial needs in the coming 12 months:

## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 2. BASIS OF PRESENTATION *(Continued)*

- (a) during the prior year and current period, the Group has terminated certain urban redevelopment projects and property management service agreements. During the current period, HK\$972 million has been refunded. The related outstanding receivables as at 30 June 2022 amounted to HK\$1,666 million have been refunded as at the date of approval of the interim financial information and the remaining outstanding receivable amounted to HK\$1,252 million is scheduled to be repaid in 2022;
- (b) the Group is actively negotiating with the lenders of certain bank and other borrowings on the re-financing of the borrowings. In addition, the Group is actively negotiating with several financial institutions to obtain new financing at a reasonable cost;
- (c) the Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables;
- (d) the Group will continue to take active measures to control its administrative costs and manage its capital expenditures; and
- (e) Rong De, the ultimate holding company, has issued a letter of financial support to the Company for a period of 12 months from the reporting period end date to enable the Group to meet its liabilities as and when they fall due and not to demand for repayments of any amounts due to Rong De until the Group is in the position to do so without impairing its financial position and to carry on business without a significant curtailment of operations.



## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 2. BASIS OF PRESENTATION *(Continued)*

The Directors have reviewed the Group's cash flow forecast covering a period of 12 months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe that it is appropriate to prepare the Group's interim financial information for the six months ended 30 June 2022 on a going concern basis.

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

- (i) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties held for sale, to speed up the collection of outstanding sales proceeds and receivables, and to control costs and contain capital expenditure so as to generate adequate net cash inflows;
- (ii) the successful collection of receivable of property management services as scheduled; and
- (iii) the successful refinancing of existing borrowings and obtaining of additional new sources of financing as and when needed.

Should the Group be unable to achieve the above-mentioned plans and measures, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim financial information.

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

#### **(i) Basis of preparation**

The interim financial information for the six months ended 30 June 2022 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 2021.

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 2021, 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.

#### **(ii) Changes in revised HKFRS**

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





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

#### **(ii) Changes in revised HKFRS** *(Continued)*

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

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

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

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

**(ii) Changes in revised HKFRS** *(Continued)*

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

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



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

#### **(ii) Changes in revised HKFRS** *(Continued)*

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

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

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

**(ii) Changes in revised HKFRS** *(Continued)*

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

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

- **HKFRS 9 *Financial Instruments***: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- **HKFRS 16 *Leases***: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.



**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

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

*(Continued)*

#### **(iii) Changes in accounting policy**

Due to the policy change during the year ended 31 December 2021, the presentation of certain items in the condensed consolidated statement of cash flows for the six months ended 30 June 2021 has been revised to comply with the new accounting policy.

Set out below are the amounts by which each condensed consolidated financial statement line item that was affected for the six months ended 30 June 2021 as a result of the policy change:

	Six months ended 30 June 2021 HK\$'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Interest paid	937,100
Increase in cash flows related to operating activities	937,100
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Interest paid	(937,100)
Decrease in cash flows related to financing activities	(937,100)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>—</b>

The adoption of the policy change has had no impact on the condensed consolidated statements of profit or loss, comprehensive income, financial position and changes in equity of the Group.

## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 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 and hotel operation;
- (b) the project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects; and
- (c) the property investment segment invests in properties for their rental income potential and/or for capital appreciation.

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

## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 4. OPERATING SEGMENT INFORMATION *(Continued)*

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

#### For the six months ended 30 June 2022

(Unaudited)	Property development HK\$'000	Project management services HK\$'000	Property investment HK\$'000	Total HK\$'000
<b>Segment revenue:</b> (note 5)				
Sales to external customers	322,912	923,673	90,033	1,336,618
<b>Segment results</b>	<b>(200,637)</b>	<b>428,808</b>	<b>(34,404)</b>	<b>193,767</b>
<i>Reconciliation:</i>				
Fair value gain on derivative financial instruments				116,265
Share of loss of an associate				(43,261)
Share of profit of joint ventures				14
Finance costs, net (other than interest on lease liabilities)				(699,956)
Corporate and other unallocated expenses				(8,313)
Loss before tax				(441,484)
Income tax expense				(8,970)
Loss for the period				(450,454)

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

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



**NOTES TO INTERIM FINANCIAL INFORMATION** (Continued)  
30 June 2022

**4. OPERATING SEGMENT INFORMATION** (Continued)

**30 June 2022**

(Unaudited)	Property development HK\$'000	Project management services HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment assets	17,076,719	16,919,646	4,377,236	38,373,601
<i>Reconciliation:</i>				
Corporate and other unallocated assets				2,184,937
Total assets				40,558,538
Segment liabilities	7,713,599	–	143,415	7,857,014
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				24,176,119
Total liabilities				32,033,133

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**4. OPERATING SEGMENT INFORMATION** *(Continued)*

**31 December 2021**

(Audited)	Property development HK\$'000	Project management services HK\$'000	Property investment HK\$'000	Total HK\$'000
Segment assets	17,484,947	17,395,180	4,668,250	39,548,377
<i>Reconciliation:</i>				
Corporate and other unallocated assets				3,349,420
Total assets				42,897,797
Segment liabilities	7,768,744	—	142,981	7,911,725
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				25,909,769
Total liabilities				33,821,494



## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 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 2022, revenue of approximately HK\$923,673,000 (six months ended 30 June 2021: HK\$954,462,000) 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 2022

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

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

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2021 (Unaudited) HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of properties	<b>322,912</b>	535,117
<i>Revenue from other sources</i>		
Finance component of income from urban redevelopment projects	<b>923,673</b>	954,462
Rental income from investment property operating leases:		
— fixed lease payments	<b>90,033</b>	99,596
	<b>1,336,618</b>	1,589,175

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

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

**Revenue from contracts with customers**

**Disaggregated revenue information**

**Segments - Property development**

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2021 (Unaudited) HK\$'000
<b>Type of goods or services</b>		
Sale of properties	<b>322,912</b>	535,117
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>275,378</b>	516,404
Goods transferred over time	<b>47,534</b>	18,713
Total revenue from contracts with customers	<b>322,912</b>	535,117

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

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

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

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2021 (Unaudited) HK\$'000
Interest income	<b>25,635</b>	83,437
Management service income	<b>27,731</b>	38,464
Fair value gain on derivative financial instruments	<b>116,265</b>	—
Provisional gain on bargain purchase (note 22)	—	257,505
Exchange gains	—	153,839
Others	<b>9,278</b>	13,048
	<b>178,909</b>	546,293



## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 6. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2021 (Unaudited) HK\$'000
Interest on bank and other borrowings and senior notes	<b>856,774</b>	942,466
Interest expense arising from revenue contracts	<b>17,678</b>	15,135
Interest on lease liabilities	<b>244</b>	570
Total interest expense	<b>874,696</b>	958,171
Less: interest capitalised	<b>(174,496)</b>	(158,177)
	<b>700,200</b>	799,994

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**7. (LOSS)/PROFIT BEFORE TAX**

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

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2021 (Unaudited) HK\$'000
Cost of properties sold	<b>265,992</b>	424,544
Depreciation of property and equipment	<b>17,987</b>	1,678
Depreciation of right-of-use assets	<b>3,911</b>	3,403
Amortisation*	<b>659</b>	863
Fair value (gain)/loss on derivative financial instruments**	<b>(116,265)</b>	119,336
Foreign exchange differences, net**	<b>638,099</b>	(153,839)
Lease payments not included in the measurement of lease liabilities	<b>5,774</b>	640
Employee benefit expense (including directors' remuneration)	<b>120,512</b>	167,148
Impairment loss/(reversal of impairment loss) of financial assets, net	<b>108,919</b>	(58,917)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	<b>21,851</b>	1,886
Provisional loss on re-measurement of pre-existing interest in a joint venture**	<b>—</b>	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 2022

### 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 2022 and 2021. 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current:		
PRC corporate income tax	<b>83,293</b>	109,073
PRC land appreciation tax	<b>24,386</b>	41,045
	<b>107,679</b>	150,118
Deferred	<b>(98,709)</b>	6,032
Total tax charge for the period	<b>8,970</b>	156,150

## **NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)* 30 June 2022

### **9. DIVIDENDS**

No interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil) was proposed by the board of directors of the Company.

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the 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 7,225,633,000 (six months ended 30 June 2021: 7,197,354,000) in issue during the period.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

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

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

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
(Loss)/profit attributable to equity holders of the parent (HK\$'000)	<b>(453,220)</b>	278,228
Distribution related to perpetual capital securities (HK\$'000)	<b>(34,000)</b>	(24,000)
(Loss)/profit used in the basic and diluted (loss)/earnings per share calculations (HK\$'000)	<b>(487,220)</b>	254,228
Weighted average number of ordinary shares in issue during the period (thousand shares)	<b>7,225,633</b>	7,197,354

**11. PROPERTY AND EQUIPMENT**

During the six months ended 30 June 2022, the Group had addition of property and equipment of HK\$1,116,000 (six months ended 30 June 2021: HK\$48,678,000, excluding property and equipment acquired through a business combination).

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**12. INVESTMENT PROPERTIES**

	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2021 (Unaudited) HK\$'000
Carrying amount at 1 January	<b>4,537,957</b>	3,774,285
Transfer from completed properties held for sale	—	39,041
Net loss from fair value adjustments	<b>(130,084)</b>	(54,331)
Exchange realignments	<b>(195,712)</b>	43,340
Carrying amount at 30 June	<b>4,212,161</b>	3,802,335

The Group's investment properties were revalued on 30 June 2022 and 2021 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.

At 30 June 2022 and 2021, the fair value measurement of all the Group's investment properties used significant unobservable inputs (Level 3) as defined in HKFRS 13.

## NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2022

### 12. INVESTMENT PROPERTIES (Continued)

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 2021: Nil).

### 13. TRADE RECEIVABLES

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Receivables from sales of properties and rentals	(a)	171,758	130,488
Receivables for urban redevelopment projects			
Related parties	26(c)	15,938,084	15,874,404
Third parties		444,450	343,952
	(b)	16,382,534	16,218,356
Less: Impairment allowance		(715,108)	(702,952)
Net receivables for urban redevelopment projects		15,667,426	15,515,404
Total		15,839,184	15,645,892
Portion classified as non-current assets		(2,073,309)	(2,037,831)
Current portion		13,765,875	13,608,061

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**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:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Current to 180 days	<b>123,481</b>	92,280
181 to 365 days	<b>44,618</b>	20,229
Over 365 days	<b>3,659</b>	17,979
	<b>171,758</b>	130,488

There was no recent history of default and past due amount. As at 30 June 2022 and 31 December 2021, the loss allowance was assessed to be minimal.



## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 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:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Within 1 year	<b>2,055,790</b>	2,408,741
1 to 2 years	<b>2,880,504</b>	6,875,564
2 to 3 years	<b>5,369,076</b>	2,604,311
Over 3 years	<b>6,077,164</b>	4,329,740
	<b>16,382,534</b>	16,218,356

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**

	Notes	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Prepaid construction costs and others		<b>1,187,579</b>	932,305
Prepaid business taxes and other levies		<b>155,597</b>	174,016
Project deposits to a contractor	(a)	<b>167,370</b>	199,563
Consideration receivable	(b)	<b>776,437</b>	812,132
Cost of obtaining contracts		<b>2,760</b>	24,745
Other receivables			
Related parties	(c), 26(c)	<b>1,329,045</b>	38,662
Third parties		<b>194,050</b>	299,899
		<b>1,523,095</b>	338,561
		<b>3,812,838</b>	2,481,322
Impairment allowance		<b>(73,738)</b>	(11,237)
		<b>3,739,100</b>	2,470,085





## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

Notes:

- (a) Project deposits to a contractor of the Group were unsecured, with an interest rate of 12% per annum and repayable on demand.
- (b) 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.
- (c) As at 30 June 2022, other receivables amounting to HK\$1,252,220,000 represented outstanding funds provided to certain related parties for property development projects in the PRC of which the project management service agreements were terminated during the six months ended 30 June 2022 and were reclassified to other receivables stated at amortised cost. The balances are unsecured, interest-free and repayable on agreed terms.

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

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

	Notes	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Other receivables, at fair value	(a)	—	1,879,776
Other unlisted investments, at fair value	(b)	<b>47,791</b>	74,450
		<b>47,791</b>	1,954,226
Portion classified as non-current assets		<b>(13,880)</b>	(43,872)
Current portion		<b>33,911</b>	1,910,354



## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

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

Notes:

- (a) As at 31 December 2021, the other receivables of HK\$1,879,776,000 at fair value represented funds deployed in property development projects in the PRC with certain related parties which are classified as financial assets at fair value through profit or loss. Pursuant to the relevant project management service agreements, as the ordinary course of business of the Group, the Group agreed to provide funds and management services to certain property development projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funds provided and a variable return which is determined with reference to the financial performance of the projects. The fair value of the other receivables is determined based on the discounted cash flow projections based on the expected future cash flows from the property development projects estimated by management. The discount rates applied to the cash flow projections ranged from 20.6% to 24.6%. During the six months ended 30 June 2022, the project management service agreements were terminated and other receivables at fair value of HK\$1,891,394,000 were reclassified to other receivables stated at amortised cost.
- (b) At 30 June 2022, the Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK\$47,791,000 (31 December 2021: HK\$74,450,000). The investment funds are managed with expected return equal to the one-year prevailing savings 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 2022

**16. CASH AND BANK BALANCES**

	Notes	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Restricted cash			
Guaranteed deposits for construction projects	(a)	<b>102,521</b>	122,322
Term deposits pledged for bank borrowings granted to the Group	19(a)(v)	<b>768,877</b>	965,284
		<b>871,398</b>	1,087,606
Term deposits with initial terms of over three months	(b)	—	892,746
Cash and cash equivalents	(c)	<b>130,949</b>	83,624
		<b>1,002,347</b>	2,063,976



## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 16. CASH AND BANK BALANCES *(Continued)*

Notes:

- (a) Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of pre-sale proceeds of properties with designated bank accounts as guaranteed deposits for the construction of the related properties. The deposits can only be used for the purchase of construction materials and payments of construction fees for the relevant property projects. The deposits will be released after completion of the related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is earlier. As at 30 June 2022, such guaranteed deposits amounted to HK\$102,521,000 (31 December 2021: HK\$122,322,000).
- (b) The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 31 December 2021 was 1.70% per annum.
- (c) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**17. TRADE AND OTHER PAYABLES**

	Notes	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Trade and bills payables	(a)	<b>3,297,817</b>	3,394,395
Amounts due to related parties	26(c)	<b>51,945</b>	235,482
Amount due to a joint venture	26(c)	<b>5,847</b>	6,115
Amounts due to the ultimate holding company	26(c)	<b>369,391</b>	470,397
Other payables and accruals	(b)	<b>1,071,284</b>	1,122,603
Other taxes payables		<b>800,597</b>	759,338
		<b>5,596,881</b>	5,988,330
Portion classified as current liabilities		<b>(5,227,490)</b>	(5,517,933)
Non-current portion		<b>369,391</b>	470,397



## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 17. 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:

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Within 1 year	<b>3,102,414</b>	3,334,468
Over 1 year	<b>195,403</b>	59,927
	<b>3,297,817</b>	3,394,395

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

As at 30 June 2022, trade payables amounting to HK\$23,071,000 (31 December 2021: HK\$17,644,000) were payable to Guangzhou Zhuguang Property Management Company Limited, a related company of the Company, for the provision of property management services, which would be settled in payment terms similar to other trade payables (note 26(c)).

- (b) As at 30 June 2022, other payables amounting to HK\$53,945,000 (31 December 2021: HK\$56,425,000) were amounts due to the non-controlling shareholders of the Group, which were unsecured, interest-free and repayable on demand (note 26(c)).

### 18. DERIVATIVE FINANCIAL INSTRUMENTS

The 2019 Warrants (as defined in note 19(b)) were measured at their fair values on 30 June 2022 and 31 December 2021. 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 2022

**19. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	<b>1,844,278</b>	1,913,396
In the second year	<b>2,207,297</b>	2,325,535
In the third to fifth years, inclusive	<b>2,268,901</b>	2,773,810
Over five years	<b>2,045,892</b>	2,274,314
	<b>8,366,368</b>	9,287,055
Other borrowings repayable:		
Within one year or on demand	<b>4,032,023</b>	3,861,333
In the second year	<b>2,909,572</b>	2,821,063
In the third to fifth years, inclusive	<b>737,211</b>	1,377,912
	<b>7,678,806</b>	8,060,308
Senior notes:		
Within one year or on demand	<b>1,887,753</b>	1,841,783
Lease liabilities repayable:		
Within one year or on demand	<b>3,160</b>	6,850
Portion classified as current liabilities	<b>17,936,087 (7,767,214)</b>	19,195,996 (7,623,362)
Non-current portion	<b>10,168,873</b>	11,572,634





## **19. 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\$288,907,000 (31 December 2021: HK\$772,729,000);
  - (ii) pledges over the Group's investment properties with an aggregate carrying amount at the end of the reporting period of approximately HK\$2,730,211,000 (31 December 2021: HK\$2,436,444,000);
  - (iii) pledges over the Group's properties under development with an aggregate carrying amount at the end of the reporting period of approximately HK\$4,363,545,000 (31 December 2021: HK\$11,502,841,000);
  - (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\$2,439,624,000 (31 December 2021: HK\$1,563,684,000);
  - (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\$768,877,000 (31 December 2021: HK\$965,284,000) (note 16);
  - (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\$1,101,051,000 (31 December 2021: HK\$1,193,718,000);

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**19. INTEREST-BEARING BANK AND OTHER BORROWINGS** *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

- (vii) pledges over the Company's equity interest executed by Rong De, the Company's ultimate holding company, for borrowings of the Group amounting to HK\$253,128,000 (31 December 2021: HK\$291,670,000) 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\$8,621,278,000 (31 December 2021: HK\$5,563,725,000) 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\$1,887,753,000 (31 December 2021: HK\$1,841,783,000) at the end of the reporting period;
- (x) corporate guarantees executed by the Company for borrowings of the Group amounting to HK\$10,448,582,000 (31 December 2021: HK\$7,868,993,000) at the end of the reporting period;
- (xi) personal guarantee executed by certain directors of the Company for borrowings of the Group amounting to HK\$12,876,628,000 (31 December 2021: HK\$7,786,666,000) 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\$13,427,305,000 (31 December 2021: HK\$14,299,719,000) as at the end of the reporting period.

## 19. 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 12 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 12 months after the issue date, redeem 10% of the then outstanding principal amount, and shall, on the date falling 24 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. As at 30 June 2022, the 2019 Senior Notes with aggregate principal amount of US\$242,850,000 remained outstanding.

Concurrent with the issuance of the 2019 Senior Notes, nil-paid warrants (the “2019 Warrants”) representing a total amount of exercise moneys 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. In August 2021, the exercise price of the 2019 Warrants was adjusted to HK\$1.54 per ordinary share. As at 30 June 2022, 2019 Warrants with aggregate exercise moneys of US\$55,037,589, representing 278,761,814 ordinary shares of the Company, remained outstanding. The 2019 Warrants are exercisable at any time up to 36 months from the issue date of such warrants.

Rong De has provided pledges and guarantees for the Group’s senior notes of HK\$1,887,753,000 (31 December 2021: HK\$1,841,783,000) as at 30 June 2022.

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**19. INTEREST-BEARING BANK AND OTHER BORROWINGS** *(Continued)*

Notes: *(Continued)*

- (c) As at 30 June 2022, the Group's bank and other borrowings with carrying amounts of HK\$591,637,000 (31 December 2021: HK\$745,260,000), HK\$15,007,861,000 (31 December 2021: HK\$16,113,464,000) and HK\$2,336,589,000 (31 December 2021: HK\$2,337,272,000) were denominated in HK\$, RMB and US\$, respectively.

**20. SHARE CAPITAL**

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Authorised 10,000,000,000 shares of HK\$0.1 each	<b>1,000,000</b>	1,000,000
Issued and fully paid 7,225,632,753 (2021: 7,225,632,753) ordinary shares of HK\$0.1 each	<b>722,564</b>	722,564



## **21. PERPETUAL CAPITAL SECURITIES**

- (i) 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 or in part.

- (ii) On 30 November 2021, the Company issued perpetual capital securities with a principal amount of HK\$250,000,000.

The securities confer the holders a right to receive distributions at the applicable distribution rate of 8% per annum from and including 30 November 2021, 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 or 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.

## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 22. BUSINESS COMBINATION IN PRIOR YEAR

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”) a then 51%-owned joint venture of the Group, at a cash consideration of RMB900,000,000 (equivalent to HK\$1,071,909,000). The acquisition was made as part of the Group’s strategy to expand its market share of the property development market in the PRC. 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 for the six months ended 30 June 2021, the fair value assessment of identifiable assets and liabilities arising from the above acquisition has not been finalized 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 2022

### 22. BUSINESS COMBINATION IN PRIOR YEAR *(Continued)*

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

	<b>Provisional fair value recognised on acquisition date</b>
	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)
Total identifiable net assets at fair value	2,713,090
Provisional gain on bargain purchase	(257,505)
	<u>2,455,585</u>

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**22. BUSINESS COMBINATION IN PRIOR YEAR** *(Continued)*

	HK\$'000
<hr/>	
Satisfied by:	
Cash	655,055
Other payables	416,854
Fair value of pre-existing interest in AEC at the date of acquisition	1,383,676
	<hr/>
	2,455,585
	<hr/>

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

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

Since the completion of the acquisition of AEC in March 2021, AEC has contributed a loss of HK\$38,725,000 to the consolidated profit of the Group for the six months ended 30 June 2021.

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





## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 23. 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.

### 24. FINANCIAL GUARANTEES

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

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	<b>2,998,422</b>	4,886,244

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 proceeds as described below.

## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 24. 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 loss 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.

### 25. COMMITMENTS

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

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for: Properties under development	<b>831,079</b>	1,603,026

## 26. RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties

Name	Relationship
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
Mr. Huang Jiajue	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

**26. RELATED PARTY TRANSACTIONS** *(Continued)*

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

<b>Name</b>	<b>Relationship</b>
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

## 26. RELATED PARTY TRANSACTIONS *(Continued)*

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

<b>Name</b>	<b>Relationship</b>
Xianghe Zhuguang Real Estate Company Limited ("XH Zhuguang Real Estate")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Yueju Real Estate Co., Ltd. ("Yue Ju")	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 a wholly owned subsidiary of the Company in March 2021)
Guangdong Fengshun Luhuh Hot Spring Resort Co., Ltd. ("GD Fengshun Luhuh")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Shiqi Property Development., Ltd ("Shi Qi")	Joint venture of the Group
Guangzhou Yingfu Investment Co., Ltd. ("GZ Ying Fu Investment")	Non-controlling shareholder in Zhongshan Zhuguang Real Estate Company Limited
Guangzhou Dongzhi Real Estate Development Co., Ltd. ("GZ Dongzhi")	Non-controlling shareholder in Guangzhou Hongyue Investment Co., Ltd

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**26. RELATED PARTY TRANSACTIONS** *(Continued)*

**(b) Transactions with related parties**

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:

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Finance component of income from GD Zhuguang Group and its subsidiaries	(i)	<b>923,673</b>	954,462
Interest income from GD Zhuguang Group	(ii)	—	43,783
Service income received from AEC	(iii) (iv)	—	8,255
Service income received from GD Zhuguang Group and its subsidiaries	(iii)	<b>20,635</b>	28,492
Property management service fees to GZ Zhuguang Property Management	(iii)	<b>7,037</b>	8,134
Rental expenses paid to GZ Zhuguang Investment	(iii)	<b>4,169</b>	—



## NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2022

### 26. RELATED PARTY TRANSACTIONS *(Continued)*

#### (b) Transactions 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.
- (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) The amount represents the service income received up to the acquisition completion date of AEC in March 2021 for the six months ended 30 June 2021.

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**26. RELATED PARTY TRANSACTIONS** *(Continued)*

(c) **Outstanding balances with related parties:**

As at 30 June 2022 and 31 December 2021, the Group had the following material balances with related parties:

Note	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Amounts due from related parties relating to receivables for urban redevelopment projects included in trade receivables		
– GD Zhuguang Group	<b>4,098,045</b>	4,091,788
– GZ Zhuguang Property	<b>7,065,260</b>	6,856,574
– GZ Conghua Zhuguang Investment	<b>1,439,756</b>	1,615,252
– SZ Zhuguang Property	<b>590,915</b>	619,756
– GZ Zhuguang Investment	<b>2,744,108</b>	2,691,034
13	<b>15,938,084</b>	15,874,404



**NOTES TO INTERIM FINANCIAL INFORMATION** (Continued)  
30 June 2022

**26. RELATED PARTY TRANSACTIONS** (Continued)

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

Notes	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Amounts due from related parties included in prepayments, other receivables and other assets		
– BJ Quan Ying (i)	<b>1,754</b>	4,073
– GD Zhuguang Group (i)	<b>6,204</b>	–
– GZ Zhuguang Property (i)	–	12,231
– GZ Zhuguang Property Management (i)	<b>1,094</b>	465
– Yifa Industrial (i)	<b>11,552</b>	–
– Yue Ju (i)	–	9,173
– XH Zhuguang Real Estate (i)	<b>1,239</b>	2,446
– Sanya Lantian Investment (i)	–	10,274
– BJ Zhuguang Property (ii)	<b>1,307,202</b>	–
14	<b>1,329,045</b>	38,662

**NOTES TO INTERIM FINANCIAL INFORMATION** (Continued)  
30 June 2022

**26. RELATED PARTY TRANSACTIONS** (Continued)

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

Notes	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Amounts due from related parties included in financial assets at fair value through profit or loss		
— BJ Zhuguang Property 15(a)	—	1,879,776
Amounts due to related parties included in trade and other payables		
— GD Zhuguang Group (iii)	<b>3,032</b>	—
— GZ Zhuguang Property Management 17(a)	<b>23,071</b>	17,644
	<b>26,103</b>	17,644
Amounts due to related parties included in trade and other payables		
— GD Zhuguang Group	<b>25,149</b>	206,812
— GZ Zhuguang Property Management	<b>26,751</b>	27,447
— GD Fengshun Luhu	<b>45</b>	1,223
17, (iii)	<b>51,945</b>	235,482
Amounts due to a joint venture included in trade and other payables		
— Shi Qi 17, (iii)	<b>5,847</b>	6,115

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**26. RELATED PARTY TRANSACTIONS** *(Continued)*

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

Notes	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Amounts due to non-controlling shareholders included in trade and other payables		
– GZ Ying Fu Investment	<b>42,096</b>	44,031
– GZ Dongzhi	<b>11,849</b>	12,394
17(b)	<b>53,945</b>	56,425
Amounts due to the ultimate holding company (Rong De) included in trade and other payables	<b>369,391</b>	470,397
17, (iv)		

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**26. RELATED PARTY TRANSACTIONS** *(Continued)*

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

Notes:

- (i) Amounts due from related parties included in prepayments, other receivables and other assets were derived from the provision of management services, which would be settled in accordance with mutually agrees terms.
- (ii) Amounts due from related parties included in prepayments, other receivables and other assets are unsecured, interest-free and receivable on demand.
- (iii) Amounts due to related parties and a joint venture included in trade and other payables are unsecured, interest-free and repayable on demand.
- (iv) As at 30 June 2022, amounts due to the ultimate holding company, Rong De, included in other payables amounting to HK\$348,368,000 (31 December 2021: HK\$330,965,000) are unsecured, carry interest at 12% per annum and repayable in 2024. The remaining balances are unsecured, interest-free and repayable after one year.

## 26. RELATED PARTY TRANSACTIONS (Continued)

### (d) 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2021 (Unaudited) HK\$'000
Fees	<b>720</b>	720
Other emoluments:		
Salaries, allowances and benefits in kind	<b>8,711</b>	13,578
Pension scheme contributions	<b>123</b>	36
	<b>8,834</b>	13,614
	<b>9,554</b>	14,334

## **27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts of the Group's financial instruments as at 30 June 2022 and 31 December 2021 approximated to their fair values.

Management has assessed that the fair values of trade receivables, deposits, cash and bank balances, trade and other payables and the 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 and amounts due to the ultimate holding company approximate to their fair values. The fair values of the non-current portion of bank and other borrowings and amounts due to the ultimate holding company 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 of fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 30 June 2022 and 31 December 2021 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 2022

**27. 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 2022*

(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	
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	–	–	47,791	47,791
<b>Financial liabilities</b>				
Derivative financial instruments	–	–	6,293	6,293

**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** *(Continued)*

**Fair value hierarchy** *(Continued)*

As at 31 December 2021

	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
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	—	—	1,954,226	1,954,226
<b>Financial liabilities</b>				
Derivative financial instruments	—	—	121,781	121,781



**NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)*  
30 June 2022

**27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** *(Continued)*

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

	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
Financial assets at fair value through profit or loss:		
At beginning of period/year	<b>1,954,226</b>	3,958,041
Change in fair value during the period/year	<b>193,866</b>	381,434
Disposal during the period/year	<b>(177,036)</b>	(2,481,261)
Transfer to other receivable	<b>(1,891,394)</b>	—
Exchange realignment	<b>(31,871)</b>	96,012
At end of period/year	<b>47,791</b>	1,954,226
Derivative financial instruments:		
At beginning of period/year	<b>121,781</b>	19,645
Change in fair value during the period/year	<b>(116,265)</b>	116,147
Exercise of warrants	<b>—</b>	(14,589)
Exchange realignment	<b>777</b>	578
At end of period/year	<b>6,293</b>	121,781

## **NOTES TO INTERIM FINANCIAL INFORMATION** *(Continued)* 30 June 2022

### **27. 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 18 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.

### **28. COMPARATIVE AMOUNTS**

Due to the policy change during the year ended 31 December 2021, the presentation of certain items in the condensed consolidated statement of cash flows has been revised to comply with the new accounting policy. Accordingly, certain comparative amounts have been reclassified and restated to conform to the current period's presentation.

### **29. APPROVAL OF THE INTERIM FINANCIAL INFORMATION**

This interim financial information was approved and authorised for issue by the board of directors on 30 August 2022.



## OTHER INFORMATION

### INTERIM DIVIDEND

No interim dividend in respect of the six months ended 30 June 2022 was proposed by the Board (six months ended 30 June 2021: Nil).

### 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), the chairman of the Company and an executive Director, has been re-designated from the chief executive officer to a co-chief executive officer of Silver Grant with effect from 13 May 2022.

Dr. Feng Ke, an independent non-executive Director, has been appointed as a non-executive director of Guangdong – Hong Kong Greater Bay Area Holdings Limited (a company the shares of which are listed on the Main Board of the Stock Exchange with stock code: 1396) with effect from 27 June 2022.

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 2022, 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, as to 36.00% by Mr. Liao Tengjia and as to 29.94% by Mr. Chu Muk Chi. 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, 562,000,000 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 2022 (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 2022, 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 SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

- (a) As at 30 June 2022, 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 Shareholder

Name of Shareholder	Capacity/Nature of interest	Number of 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	562,000,000 (L)	7.78%	–	–

## SUBSTANTIAL SHAREHOLDER'S 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 Limited ("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 SHAREHOLDER'S 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 SHAREHOLDER'S 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 SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(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, 562,000,000 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 Central Huijin Notice, 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 SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(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 SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(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 notices 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 2022 (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 SHAREHOLDER'S 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 2022, 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 LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE**

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period Under Review.

## **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 2022 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 2022 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](http://www.hkex.com.hk) and the website of the Company at [www.zhuguang.com.hk](http://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 2022