



珠光控股
ZHUGUANG HOLDINGS

**ZHUGUANG HOLDINGS
GROUP COMPANY LIMITED**

(incorporated in Bermuda with limited liability)

Stock Code: 1176

2023
INTERIM REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung
(alias Mr. Zhu Qing Yi) (*Chairman*)
Mr. Liu Jie (*Chief Executive Officer*)
Mr. Liao Tengjia (*Deputy Chairman*)
Mr. Huang Jiajue (*Deputy Chairman*)
Mr. Chu Muk Chi (alias Mr. Zhu La Yi)
Ms. Ye Lixia

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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Mr. Choi Kwok Keung Sanvic

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PRINCIPAL BANKERS

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

WEBSITE

www.zhuguang.com.hk

STOCK CODE

1176



The board (“Board”) of directors (“Directors”) of Zhuguang Holdings Group Company Limited (“Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023 (“Period Under Review”) together with the comparative figures for the corresponding period in 2022 as follows:

FINANCIAL HIGHLIGHTS

RESULTS

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Revenue by operating segment:		
– Property development	194,540	282,593
– Project management services	656,673	923,673
– Property investment and hotel operation	115,934	130,352
Fair value loss on investment properties, net	(49,289)	(130,084)
Loss for the period	(91,704)	(450,454)
Loss for the period attributable to owners of the parent	(66,923)	(453,220)

	At	At
	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Total assets	35,962,490	37,119,082
Total liabilities	28,987,921	29,767,564
Total equity	6,974,569	7,351,518

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Business Review

In the first half of 2023, the global economy remained challenging as any significant improvement in the major economies was yet to be seen while uncertainty risks were on the rise. In view of factors such as inflationary pressures, rising interest rates, credit tightening and geopolitical conflicts, global economic growth had slowed down significantly.

During the Period Under Review, the economy of China was exposed to consistent internal and external risks. The news on defaults related to the real estate sector in China, weak consumption momentum and intensified risks associated with the real estate sector had posed challenges to the economic growth of China. Policies to regulate the real estate industry previously introduced by the government, such as “housing is for accommodation, not for speculative trading” and “taking measures in response to local conditions” remained in force, which served to stabilise land prices, property prices and market expectations. The stability of the real estate market remained the focus of the Chinese government in its policy-making. Policies have been introduced by the Chinese government to support the steady development of the real estate sector since 2022, such as the “16-point plan” which urged financial institutions to extend loans to private real estate companies with sound corporate governance, and the “three arrows” which aimed at boosting real estate financing by expanding the three financing channels, namely, credit, bonds and equity. The continuation of these policies will further stabilise the expectations of home buyers and their confidence in the real estate market.

The Chinese government has continued to put more efforts into the enhancement of the transformation of old communities in the cities and community construction since 2022 (i.e. the second year under the “14th Five-Year Plan”), which is in line with the continuous philosophy of 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*) (“GZZG Urban Renewal”), a wholly-owned subsidiary of the Company and a member of the Company’s urban renewal group.

** English name is translated for identification purpose only*



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Market and Business Review *(continued)*

The urban renewal group of the Company will continue its professionalism as an urban renewal specialist to implement each urban renewal project of the Group, secure the Group's most important source of future land supply and strengthen the characteristics and competitive edge of the Group's future development. As certain quality urban renewal projects jointly developed by the Group and its strategic partners are reaching a mature stage, the Group will speed up the pace of cooperation with its strategic partners to strengthen and consolidate its position as an urban renewal specialist.

The Group will also uphold its spirit of craftsmanship, focus on improving its product quality, proceed with details, and provide the buyers with properties of quality.

Property Development and Sales

During the Period Under Review, the Group continued its focus on the first-tier and key second-tier cities in the People's Republic of China ("PRC") with potential growth in demand for properties. The Group has achieved contracted sales of approximately HK\$1,345,027,000 and contracted gross floor area ("GFA") sold of approximately 36,867 square meters ("sqm") during the Period Under Review, representing increases of approximately 70.5% and 47.1%, respectively, compared with those in the corresponding period in 2022. The details of the contracted property sales and the contracted GFA sold during the Period Under Review are set out below:

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Projects	Contracted sales (HK\$'000)	Contracted GFA sold (sqm)
Zhuguang Financial Town One	1,075,700	15,164
Central Park	118,801	2,412
Pearl Xincheng Yujing (“Xincheng Yujing”)	63,027	7,764
Yujing Yayuan	40,526	3,823
Zhuguang Yujing Scenic Garden (“Yujing Scenic Garden”)	23,080	2,731
Pearl Tianhu Yujing Garden (“Tianhu Yujing”)	6,169	654
Pearl Yijing	120	109
	1,327,423	32,657
Car parks	17,604	4,210
	1,345,027	36,867



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

As at 30 June 2023, 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 2023, the aggregate GFA delivered under this project was approximately 4,249 sqm. During the Period Under Review, contracted sales of approximately HK\$1,075,700,000 with GFA of approximately 15,164 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)*

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 2023, the aggregate GFA available for sale of the service apartments delivered was approximately 24,570 sqm. The Group has designated GFA of approximately 539 sqm of this property as investment properties held for long-term investment purpose. During the Period Under Review, contracted sales of approximately HK\$118,801,000 with GFA of approximately 2,412 sqm were recorded with respect to “Central Park”.



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 310,716 sqm. The project has been 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 commenced delivery during 2020. As at 30 June 2023, the aggregate GFA delivered under this project was approximately 229,224 sqm. The Group has designated GFA of approximately 9,482 sqm of this property as investment properties held for long-term investment purpose. The ancillary commercial building plus a basement with a total GFA of approximately 9,482 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$63,027,000 with GFA of approximately 7,764 sqm were recorded with respect to “Xincheng Yujing”.

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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 2023, the aggregate GFA delivered under this project was approximately 22,626 sqm. During the Period Under Review, contracted sales of approximately HK\$40,526,000 with GFA of approximately 3,823 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 and car parks. The total GFA available for sale is approximately 757,633 sqm, which comprises four phases of development. As at 30 June 2023, the aggregate GFA delivered under this project was approximately 708,740 sqm. During the Period Under Review, contracted sales of approximately HK\$23,080,000 with GFA of approximately 2,731 sqm were recorded with respect to “Yujing Scenic Garden”.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

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 186,894 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 89,711 sqm, respectively. As at 30 June 2023, the aggregate GFA delivered under this project was approximately 139,130 sqm. During the Period Under Review, contracted sales of approximately HK\$6,169,000 with GFA of approximately 654 sqm were recorded with respect to “Tianhu Yujing”.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Pearl Yijing – 100% interest

“Pearl Yijing” is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 45,310 sqm and a total GFA available for sale of approximately 164,603 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 30 June 2023, the aggregate GFA available for sale delivered under this project was approximately 149,628 sqm. During the Period Under Review, contracted sales of approximately HK\$120,000 with GFA of approximately 109 sqm were recorded with respect to “Pearl Yijing”.

Hua Cheng Yujing Garden – 100% interest

“Hua Cheng Yujing Garden” was acquired by the Group in 2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm. 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 2023, the aggregate GFA delivered under this project was approximately 87,267 sqm.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Pearl Yunling Lake — 100% interest

“Pearl Yunling Lake” is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou City, Guangdong Province, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou City. The project site area is approximately 200,083 sqm and the total GFA 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. As at 30 June 2023, the aggregate GFA delivered under this project was approximately 39,627 sqm.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Property Development and Sales *(continued)*

Project Tian Ying – 100% interest

“Project Tian Ying” is located in Jiang Pu Street, Conghua, Guangzhou City, Guangdong Province, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project, which was to be developed into a stylish low-density residential complex with a commercial podium and certain public facilities, was completed in 2019. As at 30 June 2023, the aggregate GFA delivered under this project was approximately 52,579 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 sale under Phase I of the project are approximately 46,793 sqm and approximately 34,202 sqm, respectively. Phase I of the project will be developed into a number of different types of villas in addition to a hotel. 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 2023, the aggregate GFA of the office building and carparks sold was approximately 43,824 sqm, and GFA of approximately 5,109 sqm of this property was still available for sale or leasing. The Group has designated GFA of approximately 60,891 sqm of this property as investment properties held for long-term investment purpose.

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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 2023, 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 817,533 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\$656,673,000 during the Period Under Review, compared with that of approximately HK\$923,673,000 for the corresponding period in 2022. 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 Investment and Hotel Operation

As at 30 June 2023, 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 2022: 18,184 sqm); (2) Zhukong International with GFA of approximately 60,891 sqm (31 December 2022: 60,891 sqm); (3) certain floors of a commercial complex in “Hua Cheng Yujing Garden” with GFA of approximately 15,918 sqm (31 December 2022: 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 2022: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 12,022 sqm (31 December 2022: 12,911 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\$68,698,000 generated, representing a decrease of approximately 23.7% as compared with that of approximately HK\$90,033,000 for the corresponding period in 2022. 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.

As at 30 June 2023, the Group operated two hotels, namely, (1) 廣州雲嶺湖酒店 (Guangzhou Vlamhoo Hotel*) (“Vlamhoo Hotel”) located at Conghua, Guangzhou City, Guangdong Province, the PRC, which was constructed by the Group, with its operations commenced in December 2021; and (2) 廣東鹿湖溫泉假日酒店 (Guangdong Luhu Hot Spring Holiday Hotel*) (“Luhu Hotel”) located at Fengshun County, Meizhou City, Guangdong Province, the PRC, which has been operated by the Group since December 2021. During the Period Under Review, the operation of these hotels generated a total income of approximately HK\$47,236,000 (six months ended 30 June 2022: HK\$40,319,000) for the Group.

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Outlook

Looking forward to the second half of 2023, the global economy will still face multiple challenges and instability as it will continue to be subject to the impacts of inflation and geopolitical conflicts.

Notwithstanding the anticipated continuation of post-pandemic economic recovery, the real estate industry in China will still face enormous challenges in the second half of 2023 in light of the uncertainties in the global economy. “Stability” will continue to be the focus of the Chinese government for the real estate industry. Various cities in China have implemented policies to relax the credit conditions for granting home buyer loans to meet the buyers’ reasonable demand for housing. The Chinese government has continued to implement multi-perspective policies favourable to the development of the real estate sector, including financial policies and regulatory policies to relax restrictions on property purchases. The real estate sector is gradually moving towards a new development model with locations and product quality being the key determinants influencing the home buyers’ decision making.

The Group’s inventory available for sale is still concentrated in its completed projects in Guangzhou. In the future, the Group will continue to drive up its sales in the Guangzhou area. Guangzhou will remain the key sales area of the Group in the second half of 2023, and the Group will continue to pay close attention to the sales in this market. In terms of land acquisition, the Group will accelerate the implementation of its strategy of cooperation with its strategic partners to support its future development needs.

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

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 and hotel operation. The total revenue of the Group for the Period Under Review was approximately HK\$967,147,000 (six months ended 30 June 2022: HK\$1,336,618,000), which represented a decrease of approximately 27.6% as compared with that for the corresponding period in 2022.

Revenue from property development for the Period Under Review amounted to approximately HK\$194,540,000 (six months ended 30 June 2022: HK\$282,593,000). 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 2022.

The income from the project management services segment contributed approximately HK\$656,673,000 (six months ended 30 June 2022: HK\$923,673,000) 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 the Group had during the Period Under Review.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

During the Period Under Review, the Group recorded an aggregate income of approximately HK\$115,934,000 (six months ended 30 June 2022: HK\$130,352,000) from the property investment and hotel operation segment. The rental income generated by the Group from its investment properties decreased from approximately HK\$90,033,000 for the six months ended 30 June 2022 to approximately HK\$68,698,000 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. During the Period Under Review, the Group generated a total income of approximately HK\$47,236,000 (six months ended 30 June 2022: HK\$40,319,000) from its operation of two hotels in the Guangdong Province, the PRC, namely, the Vlamhoo Hotel, which was constructed by the Group, with its operations commenced in December 2021, and the Luhu Hotel, which has been operated by the Group since December 2021.

Gross profit

Gross profit of the Group decreased from approximately HK\$1,070,626,000 for the six months ended 30 June 2022 to approximately HK\$744,974,000 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\$49,289,000 as compared with that of approximately HK\$130,084,000 for the corresponding period in 2022. 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 2023.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Other income and gains

Other income and gains of the Group decreased to approximately HK\$74,117,000 for the Period Under Review (six months ended 30 June 2022: HK\$178,909,000). The decrease was primarily due to the 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, following the fair value assessment of the warrants issued by the Company in 2019 (“2019 Warrants”), which was absent in the Period Under Review as all of the 2019 Warrants expired on 27 November 2022.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group decreased from approximately HK\$233,919,000 for the six months ended 30 June 2022 to approximately HK\$176,949,000 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 2022.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Other expenses

Other expenses of the Group decreased from approximately HK\$668,516,000 for the six months ended 30 June 2022 to approximately HK\$56,250,000 for the Period Under Review. The decrease was mainly due to the foreign exchange loss of approximately HK\$638,099,000 recorded by the Group for the six months ended 30 June 2022, which was absent in the Period Under Review. Other expenses for the Period Under Review mainly comprised the impairment of the Group's properties under development of approximately HK\$22,000,000 (six months ended 30 June 2022: Nil).

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

As the relevant project management services agreement of the Group classified as a financial asset at fair value through profit or loss under which the Group agreed to provide project management services in relation to a property development project to its customers had been completed in 2022, there was no change in fair value of financial assets at fair value through profit or loss recorded by the Group for the Period Under Review (six months ended 30 June 2022: HK\$193,866,000).

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\$27,863,000 during the Period Under Review (six months ended 30 June 2022: HK\$43,261,000), 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 2023.

Finance costs, net

Finance costs, net, of the Group for the Period Under Review were approximately HK\$492,911,000 (six months ended 30 June 2022: HK\$700,200,000), 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 2022.



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\$69,159,000 (six months ended 30 June 2022: HK\$83,293,000), LAT of approximately HK\$11,478,000 (six months ended 30 June 2022: HK\$24,386,000) and deferred tax credit of approximately HK\$8,390,000 (six months ended 30 June 2022: HK\$98,709,000) accounted for the Group’s total income tax expense of approximately HK\$72,247,000 for the Period Under Review (six months ended 30 June 2022: HK\$8,970,000). The increase in total income tax expense for the Period Under Review was mainly due to the decrease in the deferred tax credit recorded by the Group during the Period Under Review, as compared with that in the corresponding period in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Loss for the period

The Group's loss for the Period Under Review was approximately HK\$91,704,000 (six months ended 30 June 2022: HK\$450,454,000). Such change was mainly attributable to (1) a decrease in finance costs, net, recorded by the Group from approximately HK\$700,200,000 for the six months ended 30 June 2022 to approximately HK\$492,911,000 for the Period Under Review, mainly due to the decrease in the interest-bearing bank and other borrowings of the Group during the Period Under Review; (2) a decrease in other expenses recorded by the Group from approximately HK\$668,516,000 for the six months ended 30 June 2022 to approximately HK\$56,250,000 for the Period Under Review, mainly due to the decrease in the foreign exchange loss recorded by the Group during the Period Under Review, which were partially offset by (a) the decrease in the Group's revenue from project management services from that of approximately HK\$923,673,000 during the six months ended 30 June 2022 to approximately HK\$656,673,000 during the Period Under Review, due to the decrease in the number of project management services agreements the Group had during the Period Under Review; and (b) the change in fair value of financial assets at fair value through profit or loss of approximately HK\$193,866,000 recorded by the Group for the six months ended 30 June 2022, which was absent for the Period Under Review as the relevant project management services agreement of the Group classified as a financial asset at fair value through profit or loss had been completed in 2022.



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 2023, the Group's cash and bank balances (including restricted cash and term deposits with initial terms over three months) amounted to approximately HK\$650,333,000 (31 December 2022: HK\$759,572,000). 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:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Bank loans — secured	6,996,917	7,318,223
Other borrowings:		
Senior notes — secured	1,606,104	1,588,570
Other borrowings — secured	6,135,826	6,365,616
Other borrowings — unsecured and guaranteed	30,000	30,000
Lease liabilities	14,356	16,900
	14,783,203	15,319,309



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (a) As at 30 June 2023, the Group's bank and other borrowings amounted to approximately HK\$14,783,203,000, of which approximately 54.1%, 24.0%, 10.1% and 11.8% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years (31 December 2022: HK\$15,319,309,000, of which approximately 41.7%, 36.9%, 9.4% and 12.0% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years). As at 30 June 2023, such borrowings of the Group 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\$246,144,000 (31 December 2022: HK\$283,830,000), approximately HK\$12,491,779,000 (31 December 2022: HK\$13,006,296,000) and approximately HK\$2,045,280,000 (31 December 2022: HK\$2,029,183,000) 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 2022: 7.00% to 13.00%). Approximately 17.78% (31 December 2022: 17.73%) of the bank loans carried fixed interest rates ranging from 3.61% to 9.00% (31 December 2022: 3.61% to 9.00%) while the remaining bank loans of approximately 82.22% (31 December 2022: 82.27%) 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 2023, the gearing ratio of the Group was 67% (31 December 2022: 66%).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (c) As at 30 June 2023, the Group had outstanding secured bank loans of approximately HK\$6,997 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, GZZG Urban Renewal, 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 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*); (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.

* 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 2023, the Group had outstanding senior, secured and guaranteed notes issued in 2022 in the aggregate principal amount of US\$210 million (equivalent to approximately HK\$1,606 million) due on 21 September 2025 (“2022 Senior Notes”), which were secured and guaranteed by (i) 3,000,000,000 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 Governing the Listing of Securities on the Stock Exchange (“Listing Rules”))); (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”), China Honest International Investments Limited (創豪國際投資有限公司) (“China Honest”), Diamond Crown Limited (毅冠有限公司) (“Diamond Crown”), 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”), Fully Wise Investment Limited (惠豐投資有限公司) (“Fully Wise”), Gains Wide Holdings Limited (利博控股有限公司) (“Gains Wide”), Gold Charter Investments Limited (高澤投資有限公司) (“Gold Charter”), Graceful Link Limited (愉興有限公司) (“Graceful Link”), Pacific Win Investments Limited (保鋒投資有限公司) (“Pacific Win”), Polyhero International Limited (寶豪國際有限公司) (“Polyhero International”), Profaitth International Holdings Limited (盈信國際控股有限公司) (“Profaitth International”), Sharp Wisdom Holdings Limited (銳智控股有限公司) (“Sharp Wisdom”), South Trend Holdings Limited (南興控股有限公司) (“South Trend”), Speedy Full Limited (速溢有限公司) (“Speedy Full”), 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”), World Sharp Investments Limited (華聲投資有限公司) (“World Sharp”) and Zhuguang Group Limited (珠光集團有限公司) (“ZG Group”); (iii) the corporate guarantees executed by Rong De, ZG Group, South Trend, Ai De, All Flourish, Capital Fame, Cheng Chang, China Honest, Diamond Crown, East Orient, Ever Crown, Fully Wise, Gains Wide, Gold Charter, Graceful Link, Pacific Win, Polyhero International, Profaitth International, Talent Wide, Top Asset, Top Perfect, World Sharp, Sharp Wisdom and Speedy Full; 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 2023, the Group had outstanding secured other borrowings of approximately HK\$6,136 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) 923,582,000 Shares owned by Rong De; and (x) 681,240,022 shares in Silver Grant owned by the Company.
- (f) As at 30 June 2023, the Group had outstanding unsecured and guaranteed other borrowings of HK\$30 million, which were guaranteed by the personal guarantee executed by an executive Director, Mr. Chu Hing Tsung.

* English name is translated for identification purpose only



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES

2022 Senior Notes

The conditional note purchase agreement (“2022 Note Purchase Agreement”) dated 22 September 2022 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 “Existing Ultimate Shareholders”) as personal guarantors; and (d) Blooming Rose Enterprises Corp. (“Blooming Rose”), Heroic Day Limited (“Heroic Day”), China Cinda (HK) Asset Management Co., Limited (“Cinda”) and Quan Xing Holdings Limited (荃興控股有限公司) (“Quan Xing”, together with Blooming Rose, Heroic Day and Cinda, collectively as “Investors”) as investors, pursuant to which the Company shall conditionally issue to the Investors the 36-month 12% per annum senior secured guaranteed notes in the aggregate principal amount of US\$210,000,000 (equivalent to approximately HK\$1,638,000,000), further details of which are set out in the announcement of the Company dated 22 September 2022.

Pursuant to the 2022 Note Purchase Agreement, on 22 September 2022, (a) Rong De entered into (i) a charge (“2022 Share Charge”) over 3,000,000,000 Shares that it held in the Company; and (ii) a corporate guarantee (“Corporate Guarantee”), in favour of The Bank of New York Mellon, Hong Kong Branch (“BNY HK”); and (b) each of the Existing Ultimate Shareholders entered into a personal guarantee (collectively, the “Personal Guarantees”, together with the Corporate Guarantee, the “2022 Guarantees”) in favour of BNY HK. The 2022 Share Charge, which subsisted during the Period Under Review (with effect from 22 September 2022) and as at the date of this interim report, is discloseable pursuant to Rule 13.17 of the Listing Rules. The 2022 Guarantees also subsisted during the Period Under Review (with effect from 22 September 2022) and as at the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2022 Senior Notes *(continued)*

The conditions of the 2022 Senior Notes, which subsisted during the Period Under Review (with effect from 22 September 2022) 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 Existing Ultimate Shareholders, which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

It is an event of default under the conditions of the 2022 Senior Notes, if amongst others:

- (i) Rong De ceases to beneficially own not less than 3,670,000,000 Shares (and if there is a sub-division, consolidation or reclassification of those Shares, such number of Shares resulting from it);
- (ii) Rong De ceases to (a) control the Company; or (b) beneficially own at least 51% of the entire issued share capital of the Company on a fully-diluted basis;
- (iii) the persons who are or become shareholders of Rong De and who have agreed to be bound by the 2022 Note Purchase Agreement as a warrantor (“Ultimate Shareholders”) cease to (a) control the Company; or (b) beneficially own at least 51% of the entire issued share capital of the Company on a fully-diluted basis;



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2022 Senior Notes *(continued)*

- (iv) the Ultimate Shareholders cease to (a) control Rong De; or (b) legally and beneficially own in aggregate at least 76.03% of the entire issued share capital of Rong De on a fully-diluted basis; and
- (v) any of the Existing Ultimate Shareholders ceases to be a Director, except that Mr. Liao Tengjia may resign from the Board if he ceases to beneficially own any share in Rong De.

Upon the occurrence of an event of default, the 2022 Senior Notes shall become immediately due and repayable in accordance with the conditions of the 2022 Senior Notes.

The 2022 Senior Notes constitute direct, unconditional, secured, guaranteed, unsubordinated and general obligations of the Company and rank equally and without any preference amongst themselves, and the payment obligations of the Company under the 2022 Senior Notes shall (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 2022, the Company issued the 2022 Senior Notes in the aggregate principal amount of US\$210,000,000 (equivalent to approximately HK\$1,638,000,000) due on 21 September 2025 to the Investors, which remained outstanding as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2022 Senior Notes *(continued)*

The Board considered that the issue of the 2022 Senior Notes represented an opportunity to raise funds for the Company to repay the 2019 Indebtedness (as defined below).

As intended, the Company has used the entire amount of the proceeds received from the issue of the 2022 Senior Notes to repay all the outstanding principal amount of the 2019 Senior Notes (as defined below) (to the extent such outstanding principal amount of the 2019 Senior Notes has not been set-off or otherwise settled as contemplated under the 2022 Note Purchase Agreement) payable to the 2019 Creditors (as defined below) in relation to the 2019 Indebtedness.

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

“2019 Creditors” means all creditors who are entitled to any payment under the transaction documents in connection with the issue by the Company of the 2019 Senior Notes and the 2019 Warrants, including the 2019 Noteholders;

“2019 Indebtedness” means all outstanding indebtedness incurred by the 2019 Obligors under the transaction documents in connection with the issue by the Company of the 2019 Senior Notes and the 2019 Warrants (including the 2019 Note Indebtedness but excluding the 2019 Warrants Indebtedness) as at 22 September 2022;



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2022 Senior Notes *(continued)*

- “2019 Note Indebtedness” means all outstanding indebtedness incurred by the 2019 Obligor under the 2019 Senior Notes as at 22 September 2022;
- “2019 Noteholders” means all registered holders of the outstanding 2019 Senior Notes as at 22 September 2022;
- “2019 Obligors” means the parties to the transaction documents in connection with the issue by the Company of the 2019 Senior Notes and the 2019 Warrants, other than the 2019 Noteholders, BNY HK, as the security agent and ABCI Securities Company Limited as the safekeeping agent;
- “2019 Senior Notes” means the senior secured guaranteed notes in the aggregate principal amount of US\$410,000,000 due 2022 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 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)*

2022 Senior Notes *(continued)*

“2019 Warrant Instrument”	means the warrant instrument dated 27 November 2019 executed by way of a deed poll by the Company in relation to the 2019 Warrants;
“2019 Warrants”	means the warrants with an aggregate amount of exercise moneys of US\$61,500,000 of the Company which entitle holders thereof to subscribe for the Shares at the initial strike price of HK\$1.6148 (as adjusted from time to time in accordance with the 2019 Warrant Instrument) with the final adjusted strike price being HK\$1.54, as constituted by the 2019 Warrant Instrument and warrant certificates issued to all registered holders of the outstanding 2019 Warrants as at 26 November 2022, further details of which are set out in the announcements of the Company dated 22 September 2019, 21 November 2019 and 27 August 2021 and the circular of the Company dated 5 November 2019; and
“2019 Warrants Indebtedness”	means all amounts payable to all registered holders of the outstanding 2019 Warrants as at 26 November 2022 under the 2019 Warrant Instrument as at 26 November 2022.



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, 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, a fourth amendment and restatement deed dated 29 October 2021 entered into between Splendid and CCBIS and a fifth amendment and restatement deed dated 28 October 2022 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 2023 (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), 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), HK\$250,000,000 (from and including 30 April 2022 to 29 October 2022), HK\$235,000,000 (from and including 30 October 2022 to 29 January 2023), HK\$220,000,000 (from and including 30 January 2023 to 29 April 2023) and HK\$200,000,000 (from and including 30 April 2023 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; (v) from and including 31 October 2021 up to and including 30 October 2022 at a simple interest rate of 3-month HIBOR + 8.5% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; and (vi) from and including 31 October 2022 up to and including the date of full principal repayment at a simple interest rate of 10% 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, 29 October 2021 and 28 October 2022. As at 30 June 2023, the amount of HK\$199,000,000 was outstanding under the CCBIS Margin Loan.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

CCBIS Margin Loan *(continued)*

Pursuant to the CCBIS Margin Loan Confirmation, (a) Rong De (the controlling Shareholder (within the meaning of the Listing Rules), which is beneficially owned as to 36.00% by Mr. Liao Tengjia, 34.06% by Mr. Chu Hing Tsung and 29.94% by Mr. Chu Muk Chi, each being an executive Director) 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 2023, out of the Shares deposited by Rong De into the SL Rong De Account, 923,582,000 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;
- (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 particular 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;

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

CCBIS Margin Loan *(continued)*

- (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 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.

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.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,271,920	2,706,018

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 2023 (31 December 2022: 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 2023, the Group had capital expenditures contracted but not provided for in its financial statements in respect of properties under development of approximately HK\$573,915,000 (31 December 2022: HK\$620,805,000) 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 disclosed, the management of the Group does not expect there to be any plans for material investments or capital assets in the coming six months with reference to the current situation as at the date of this interim report.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CAPITAL STRUCTURE

As at 30 June 2023, the number of issued ordinary shares of the Company was 7,225,632,753 shares (31 December 2022: 7,225,632,753 shares) in aggregate and the shareholders' equity of the Company was approximately HK\$6,903,298,000 (31 December 2022: HK\$7,253,789,000). The decrease in the shareholders' equity of the Company as at 30 June 2023 was mainly attributable to the loss attributable to the owners of the parent of approximately HK\$66,923,000 for the Period Under Review, as compared with the loss attributable to the owners of the parent of approximately HK\$453,220,000 for the corresponding period in 2022.

As at 30 June 2023, the capital structure of the Group consisted mainly of shareholders' equity, bank loans, senior notes and other borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 862 employees in Hong Kong and the PRC as at 30 June 2023 (31 December 2022: 883). During the Period Under Review, the level of the Group's overall staff cost was approximately HK\$93,576,000 (six months ended 30 June 2022: HK\$120,512,000). 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 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	5	967,147	1,336,618
Cost of sales		(222,173)	(265,992)
Gross profit		744,974	1,070,626
Fair value loss on investment properties, net	12	(49,289)	(130,084)
Other income and gains	5	74,117	178,909
Selling and marketing expenses		(15,115)	(16,348)
Administrative expenses		(161,834)	(217,571)
Change in fair value of financial assets at fair value through profit or loss		–	193,866
Impairment loss on financial assets, net		(35,287)	(108,919)
Other expenses		(56,250)	(668,516)
Finance costs, net	6	(492,911)	(700,200)
Share of loss of an associate		(27,863)	(43,261)
Share of profit of joint ventures		1	14
LOSS BEFORE TAX	7	(19,457)	(441,484)
Income tax expense	8	(72,247)	(8,970)
LOSS FOR THE PERIOD		(91,704)	(450,454)
Attributable to:			
Owners of the parent		(66,923)	(453,220)
Non-controlling interests		(24,781)	2,766
		(91,704)	(450,454)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	10	(1.40)	(6.74)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(91,704)	(450,454)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(282,352)	101,378
Share of other comprehensive loss of an associate	(2,893)	(49,406)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(285,245)	51,972
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(285,245)	51,972
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(376,949)	(398,482)
Attributable to:		
Owners of the parent	(350,491)	(386,796)
Non-controlling interests	(26,458)	(11,686)
	(376,949)	(398,482)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property and equipment	11	264,850	289,286
Investment properties	12	3,578,292	3,770,968
Intangible assets		6,225	7,020
Investments in joint ventures		10,753	11,098
Investments in an associate		830,627	861,383
Trade receivables	13	5,637,994	4,188,597
Financial assets at fair value through profit or loss	15	12,874	13,288
Deferred tax assets		11,177	22,241
Total non-current assets		10,352,792	9,163,881
CURRENT ASSETS			
Properties under development		8,388,196	8,396,103
Completed properties held for sale		4,462,379	4,661,335
Trade receivables	13	9,186,849	10,429,190
Prepayments, other receivables and other assets	14	2,722,676	3,515,242
Prepaid income tax		186,250	180,325
Financial assets at fair value through profit or loss	15	13,015	13,434
Cash and bank balances	16	650,333	759,572
Total current assets		25,609,698	27,955,201

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2023

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
CURRENT LIABILITIES			
Contract liabilities		2,769,537	2,635,440
Trade and other payables	17	5,469,652	5,742,819
Interest-bearing bank and other borrowings	18	8,005,887	6,381,265
Income tax payables		3,441,257	3,467,128
Total current liabilities		19,686,333	18,226,652
NET CURRENT ASSETS			
		5,923,365	9,728,549
TOTAL ASSETS LESS CURRENT LIABILITIES			
		16,276,157	18,892,430
NON-CURRENT LIABILITIES			
Other payables	17	420,468	406,731
Interest-bearing bank and other borrowings	18	6,777,316	8,938,044
Deferred tax liabilities		2,103,804	2,196,137
Total non-current liabilities		9,301,588	11,540,912
Net assets		6,974,569	7,351,518

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2023

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	722,564	722,564
Reserves		5,026,981	5,411,472
		5,749,545	6,134,036
Perpetual capital securities	20	1,153,753	1,119,753
		6,903,298	7,253,789
Non-controlling interests		71,271	97,729
Total equity		6,974,569	7,351,518

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

(Unaudited)	Attributable to owners of the parent										Non-controlling interests HK\$'000	Total equity HK\$'000
	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		
At 1 January 2022	722,564	5,626,160	(101,922)	(1,052,778)	239,404	41,601	(25,738)	2,281,225	1,204,169	8,934,685	141,618	9,076,303
(Loss)/profit for the period	-	-	-	-	-	-	-	(487,220)	34,000	(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	-	-	-	(487,220)	34,000	(386,796)	(11,686)	(398,482)
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

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

For the six months ended 30 June 2023

(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		Non-controlling interests HK\$'000	Total equity HK\$'000
									Total	HK\$'000		
At 1 January 2023	722,564	5,626,160*	(101,922)*	(1,584,064)*	239,404*	41,601*	(25,738)*	1,216,031*	1,119,753	7,253,789	97,729	7,351,518
(Loss)/profit for the period	-	-	-	-	-	-	-	(100,923)	34,000	(66,923)	(24,781)	(91,704)
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	(280,675)	-	-	-	-	-	(280,675)	(1,677)	(282,352)
Share of other comprehensive loss of an associate	-	-	-	(2,893)	-	-	-	-	-	(2,893)	-	(2,893)
Total comprehensive income/(loss) for the period	-	-	-	(283,568)	-	-	-	(100,923)	34,000	(350,491)	(26,458)	(376,949)
Transfer from statutory reserves	-	-	-	-	-	(41,601)	-	41,601	-	-	-	-
At 30 June 2023	722,564	5,626,160*	(101,922)*	(1,867,632)*	239,404*	-*	(25,738)*	1,156,709*	1,153,753	6,903,298	71,271	6,974,569

* These reserve accounts comprise the consolidated reserves of HK\$5,026,981,000 (31 December 2022: HK\$5,411,472,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(19,457)	(441,484)
Total non-cash adjustments	542,262	1,144,166
Total working capital adjustments	402,210	(73,820)
Cash generated from operations	925,015	628,862
Corporate income tax paid	(9,236)	(17,075)
Net cash flows from operating activities	915,779	611,787
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9,768	53,563
Purchases of items of property and equipment	(140)	(1,116)
Decrease in financial assets at fair value through profit or loss	–	177,036
Decrease in term deposits with initial terms of over three months	–	892,746
Decrease in restricted cash	14,046	196,396
Net cash flows from investing activities	23,674	1,318,625

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	117,139	2,746,425
Repayment of bank and other borrowings	(366,351)	(3,378,070)
Principal portion of lease payments	(2,544)	(3,690)
Repayment to related parties	(76,133)	(184,903)
Advances from/(repayment to) the ultimate holding company	19,281	(101,006)
Distribution paid on perpetual capital securities	-	(152,416)
Interest paid	(704,409)	(804,691)
Net cash flows used in financing activities	(1,013,017)	(1,878,351)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(73,564)	52,061
Cash and cash equivalents at beginning of period	131,259	83,624
Effect of foreign exchange rate changes	3,053	(4,736)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	60,748	130,949

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	Note		
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as per condensed consolidated statement of financial position		650,333	1,002,347
Less: restricted cash	16	(589,585)	(871,398)
		60,748	130,949



NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

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 management, property investment, hotel operation 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 2023

2. BASIS OF PRESENTATION

Notwithstanding that the Group reported net current assets of HK\$5,923 million as at 30 June 2023, the Group's outstanding interest-bearing bank and other borrowings, which are due to be repaid within one year from the end of the reporting period, amounted to HK\$8,006 million, including (1) the secured borrowings of HK\$508 million which have not been repaid according to the scheduled repayment dates as at 30 June 2023; and (2) other secured borrowings of HK\$1,445 million with original maturity date of over one year from the end of the reporting period which have been reclassified to current liabilities. As at 30 June 2023, the Group had cash and bank balances amounting to HK\$650 million, of which HK\$61 million was unrestricted.

As at 30 June 2023, the secured borrowings of HK\$508 million have not been repaid according to the scheduled repayment dates and remained outstanding. Subsequent to the end of the reporting period and up to the date of approval of this interim financial information, the Group had additional borrowings in the amount of HK\$328 million which were not repaid according to the scheduled repayment dates. The Group has been in active discussions with the relevant financial institutions for extension of the repayment dates or refinancing of the aforesaid borrowings. The Directors expect that the extension of the repayment dates or refinancing of such borrowings would be completed by 31 December 2023. Up to the date of approval of this interim financial information, the Group has not received any demand for immediate repayment for any of these borrowings.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

2. BASIS OF PRESENTATION *(Continued)*

In view of these circumstances, the Directors have given careful consideration to the future working capital and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern for at least 12 months from 30 June 2023. The Group has formulated the following plans and measures to mitigate the liquidity pressure and to improve its cash flows:

- (a) the Group has been proactively communicating with the relevant lenders on the Group's business plan, operations, and financial position. Based on the ongoing discussions, the Directors believe that the relevant lenders will not exercise their rights to request the Group for immediate repayment of any significant borrowings prior to their repayment dates in accordance with the relevant loan agreements;
- (b) the Group is actively discussing with the lenders of certain bank and other borrowings on the re-financing of the existing borrowings;
- (c) the Group will continue to accelerate the pre-sales and sales of its properties under development and completed properties, and collection of outstanding sales proceeds and other receivables;
- (d) the Group will continue to take active measures to control administrative costs and manage its capital expenditure; and

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

2. BASIS OF PRESENTATION *(Continued)*

- (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 end of the reporting period. Rong De has agreed to provide the necessary financial support to enable the Group to meet its liabilities as and when they fall due, to continue carrying on its principal business without a significant curtailment of operations, and not to demand for repayment of any amounts due to Rong De until the Group is in the position to repay without impairing its financial position.

The Directors have reviewed the Group's cash flow forecast, covering a period of 12 months from the end of the reporting period, prepared by the management. 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 within the next 12 months from the end of the reporting period. Accordingly, the Directors believe that it is appropriate to prepare the interim financial information on a going concern basis.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

2. BASIS OF PRESENTATION *(Continued)*

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 the following: (a) continual support from the existing lenders of the Group such that they will not demand for immediate repayment of the relevant borrowings; (b) the successful and timely agreement with the lenders on the extension of the repayment dates for existing borrowings subject to the Group's financial and liquidity position, and to obtain additional credit facilities if needed; (c) the successful and timely collection of receivables of urban redevelopment projects in accordance with the schedules; and (d) 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, collection of outstanding sales proceeds and receivables, and to control costs and capital expenditure for better working capital management.

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 this interim financial information.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

3.1 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The interim financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (the "HKFRSs") for the first time for the current period's financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

Amendments to HKAS 8 *Definition of Accounting Estimates*
Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

3.1 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

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

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

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

The adoption of amendments to HKAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

3.2 AMENDMENTS TO HKFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group does not early adopt the following amendments to HKFRSs which were in issue but are not yet effective for the financial year ending 31 December 2023:

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current¹</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants¹</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements¹</i>

¹ Effective for annual periods beginning on or after 1 January 2024

² No mandatory effective date yet determined but available for adoption

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year ended 31 December 2022, the Group realigned its reportable operating segments to be consistent with the Group's strategic initiatives and its operations of which the hotel business was regrouped under the property investment and hotel operation segment. Accordingly, the Group's unaudited financial results for six months ended 30 June 2023 are reported in the regrouped reportable segments and the three regrouped reportable operating segments are as follows:

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

The Group's unaudited financial results for the six months ended 30 June 2022 were also regrouped to conform with the new segment presentation.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

4. OPERATING SEGMENT INFORMATION *(Continued)*

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.

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2023

<i>(Unaudited)</i>	Property development HK\$'000	Project management services HK\$'000	Property investment and hotel operation HK\$'000	Total HK\$'000
Segment revenue: (note 5)				
Sales to external customers	194,540	656,673	115,934	967,147
Segment results	(133,898)	621,386	24,450	511,938
<i>Reconciliation:</i>				
Share of loss of an associate				(27,863)
Share of profit of joint ventures				1
Finance costs, net (other than interest on lease liabilities)				(492,080)
Corporate and other unallocated expenses				(11,453)
Loss before tax				(19,457)
Income tax expense				(72,247)
Loss for the period				(91,704)



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2022

(Unaudited)	Property development HK\$'000 (Restated)	Project management services HK\$'000	Property investment and hotel operation HK\$'000 (Restated)	Total HK\$'000
Segment revenue: (note 5)				
Sales to external customers	282,593	923,673	130,352	1,336,618
Segment results				
	(172,679)	428,808	(62,362)	193,767
<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 2023

4. OPERATING SEGMENT INFORMATION *(Continued)*

30 June 2023

<i>(Unaudited)</i>	Property development HK\$'000	Project management services HK\$'000	Property investment and hotel operation HK\$'000	Total HK\$'000
Segment assets	14,865,312	15,781,906	3,786,493	34,433,711
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,528,779
Total assets				35,962,490
Segment liabilities	8,067,479	14,356	185,188	8,267,023
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				20,720,898
Total liabilities				28,987,921



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

4. OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2022

(Audited)	Property development HK\$'000	Project management services HK\$'000	Property investment and hotel operation HK\$'000	Total HK\$'000
Segment assets	15,560,868	15,620,538	4,256,660	35,438,066
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,681,016
Total assets				37,119,082
Segment liabilities	8,447,309	16,900	190,453	8,654,662
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				21,112,902
Total liabilities				29,767,564

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

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 2023, revenue of approximately HK\$656,673,000 (six months ended 30 June 2022: HK\$923,673,000) was derived from a single customer, including revenue derived from a group of entities which are known to be subsidiaries of that customer, and was attributable to the project management services segment.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of properties	194,540	282,593
Hotel operation income	47,236	40,319
	241,776	322,912
<i>Revenue from other sources</i>		
Finance component of income from urban redevelopment projects	656,673	923,673
Rental income from investment property operating leases: – fixed lease payments	68,698	90,033
	725,371	1,013,706
	967,147	1,336,618

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

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

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000 (Restated)
Type of goods or services		
Sale of properties	194,540	282,593
Hotel operation income	47,236	40,319
	241,776	322,912
Timing of revenue recognition		
At a point in time	202,794	257,584
Over time	38,982	65,328
Total revenue from contracts with customers	241,776	322,912



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

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

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest income	14,254	25,635
Management service income	59,435	27,731
Fair value gain on derivative financial instruments	–	116,265
Others	428	9,278
	74,117	178,909

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

6. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on bank and other borrowings and senior notes	767,712	856,774
Interest expense arising from revenue contracts	82,704	17,678
Interest on lease liabilities	831	244
Total interest expense	851,247	874,696
Less: interest capitalised	(358,336)	(174,496)
	492,911	700,200

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Cost of properties sold	222,173	265,992
Depreciation of property and equipment	16,120	17,987
Depreciation of right-of-use assets	3,768	3,911
Amortisation of intangible assets*	599	659
Fair value gain on derivative financial instruments**	–	(116,265)
Foreign exchange differences, net**	(277)	638,099
Lease payments not included in the measurement of lease liabilities	6,870	5,774
Employee benefit expense (including directors' remuneration)	93,576	120,512
Impairment loss of financial assets, net	35,287	108,919
Impairment of properties under development**	22,000	–
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	7,080	21,851

* 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 2023

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 2023 and 2022. 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
PRC corporate income tax	69,159	83,293
PRC land appreciation tax	11,478	24,386
	80,637	107,679
Deferred	(8,390)	(98,709)
Total tax charge for the period	72,247	8,970



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

9. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil) was proposed by the board of directors of the Company.

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss 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 2022: 7,225,633,000) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 as the Group had no potentially dilutive ordinary shares in issue during the period.

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

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

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to equity holders of the parent (HK\$'000)	(66,923)	(453,220)
Distribution related to perpetual capital securities (HK\$'000)	(34,000)	(34,000)
Loss used in the basic and diluted loss per share calculations (HK\$'000)	(100,923)	(487,220)
Weighted average number of ordinary shares in issue during the period (thousand shares)	7,225,633	7,225,633

11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023, the Group had addition of property and equipment of HK\$140,000 (six months ended 30 June 2022: HK\$1,116,000).



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

12. INVESTMENT PROPERTIES

	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Carrying amount at 1 January	3,770,968	4,537,957
Transfer to completed properties held for sale	(27,766)	–
Net loss from fair value adjustments	(49,289)	(130,084)
Exchange realignment	(115,621)	(195,712)
Carrying amount at 30 June	3,578,292	4,212,161

The Group's investment properties were revalued on 30 June 2023 and 2022 based on valuations performed by Greater China Appraisal Limited, an independent professionally qualified valuer.

The valuations of 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 2023 and 2022, 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 2023

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 2022: Nil).



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

13. TRADE RECEIVABLES

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Receivables from sales of properties	(a)	1,492	1,648
Receivables from property investment and hotel operation		220,754	214,994
Less: Impairment allowance		(3,494)	(3,336)
Net receivables from property investment and hotel operation	(a)	217,260	211,658
Receivables from urban redevelopment projects:			
Related parties	23(c)	14,684,258	14,463,943
Third parties		528,700	482,026
Less: Impairment allowance	(b)	15,212,958 (606,867)	14,945,969 (541,488)
Net receivables from urban redevelopment projects		14,606,091	14,404,481
Total		14,824,843	14,617,787
Portion classified as non-current assets		(5,637,994)	(4,188,597)
Current portion		9,186,849	10,429,190

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

13. TRADE RECEIVABLES *(Continued)*

- (a) An ageing analysis of the trade receivables for receivables from the sales of properties, property investment and hotel operation as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Current to 180 days	162,555	160,413
181 to 365 days	43,259	47,613
Over 365 days	12,938	5,280
	218,752	213,306



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

13. TRADE RECEIVABLES *(Continued)*

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 1 year	1,581,110	1,799,535
1 to 2 years	1,812,957	1,866,911
2 to 3 years	2,485,553	5,599,480
Over 3 years	9,333,338	5,680,043
	15,212,958	14,945,969

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Prepaid construction costs and others		1,040,713	1,029,655
Prepaid business taxes and other levies		134,548	133,128
Project deposits to a contractor	(a)	164,232	179,358
Consideration receivable	(b)	–	809,117
Cost of obtaining contracts		6,916	20,987
		1,346,409	2,172,245
Other receivables:			
Related parties	(c), 23(c)	1,198,562	1,235,744
Third parties		266,682	249,197
		1,465,244	1,484,941
		2,811,653	3,657,186
Impairment allowance		(88,977)	(141,944)
		2,722,676	3,515,242



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

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

Notes:

- (a) Project deposits to a contractor of the Group were unsecured, interest-bearing at 12% (2022: 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 dated 22 April 2020 and circular dated 24 June 2020.

Pursuant to a supplemental agreement entered into by the Group in October 2022, the receivable will be settled by a cash settlement of RMB722,761,000. A gain on a settlement arrangement relating to consideration receivable amounting to HK\$68,234,000 was recognised during the year ended 31 December 2022. The balance was unsecured, interest-free and repaid in April 2023.

- (c) As at 30 June 2023, other receivables amounting to HK\$1,161,505,000 represented outstanding funds provided to certain related parties for property development projects in the PRC of which the project management service agreement was terminated in prior year 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 2023

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Other unlisted investments, at fair value	25,889	26,722
Portion classified as non-current assets	(12,874)	(13,288)
Current portion	13,015	13,434

Note:

At 30 June 2023, the Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK\$25,889,000 (31 December 2022: HK\$26,722,000). 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 2023

16. CASH AND BANK BALANCES

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Restricted cash:			
Guaranteed deposits for construction projects	(a)	134,598	158,468
Term deposits pledged for bank borrowings granted to the Group	18(a)(v)	429,708	443,754
Deposits held at banks due to litigation		25,279	26,091
		589,585	628,313
Cash and cash equivalents	(b)	60,748	131,259
		650,333	759,572

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

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 2023, such guaranteed deposits amounted to HK\$134,598,000 (31 December 2022: HK\$158,468,000).
- (b) 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 2023

17. TRADE AND OTHER PAYABLES

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade and bills payables	(a)	3,120,199	3,249,613
Amounts due to related parties	23(c)	338,048	424,617
Amount due to a joint venture	23(c)	5,423	5,597
Amounts due to the ultimate holding company	23(c)	406,990	387,709
Other payables and accruals	(b)	1,019,214	1,243,856
Other taxes payables		1,000,246	838,158
		5,890,120	6,149,550
Portion classified as current liabilities		(5,469,652)	(5,742,819)
Non-current portion		420,468	406,731

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

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:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 1 year	2,910,134	3,035,600
Over 1 year	210,065	214,013
	3,120,199	3,249,613

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

As at 30 June 2023, trade payables amounting to HK\$50,283,000 (31 December 2022: HK\$47,381,000) 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 23(c)).

- (b) As at 30 June 2023, other payables amounting to HK\$50,037,000 (31 December 2022: HK\$51,645,000) were amounts due to the non-controlling shareholders of the companies in the Group, which are unsecured, interest-free and repayable on demand (note 23(c)).



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	1,398,868	2,005,093
In the second year	3,051,596	2,740,507
In the third to fifth years, inclusive	809,227	729,982
Over five years	1,737,226	1,842,641
	6,996,917	7,318,223
Other borrowings repayable:		
Within one year or on demand	4,995,410	2,782,378
In the second year	486,524	2,906,568
In the third to fifth years, inclusive	683,892	706,670
	6,165,826	6,395,616
Senior notes repayable:		
Within one year or on demand	1,606,104	1,588,570
Lease liabilities repayable:		
Within one year or on demand	5,505	5,224
In the second year	6,110	5,800
In the third to fifth years, inclusive	2,741	5,876
	14,356	16,900
Portion classified as current liabilities	14,783,203 (8,005,887)	15,319,309 (6,381,265)
Non-current portion	6,777,316	8,938,044

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

Notes:

- (a) Certain of the Group's bank and other borrowings are secured or guaranteed by:
- (i) pledges over the Group's property and equipment with an aggregate carrying amount at the end of the reporting period of approximately HK\$260,309,000 (31 December 2022: HK\$268,675,000);
 - (ii) pledges over the Group's investment properties with an aggregate carrying amount at the end of the reporting period of approximately HK\$2,679,147,000 (31 December 2022: HK\$2,826,346,000);
 - (iii) pledges over the Group's properties under development with an aggregate carrying amount at the end of the reporting period of approximately HK\$3,703,795,000 (31 December 2022: HK\$3,898,663,000);
 - (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\$2,349,883,000 (31 December 2022: HK\$2,775,993,000);
 - (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\$429,708,000 (31 December 2022: HK\$443,754,000) (note 16);
 - (vi) pledges over the Group's investments in an associate with an aggregate carrying amount at the end of the reporting period of approximately HK\$830,627,000 (31 December 2022: HK\$861,383,000);



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

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

Notes: *(Continued)*

(a) *(Continued)*

- (vii) pledges over the Company's equity interest executed by the Company's ultimate holding company for borrowings of the Group amounting to HK\$201,788,000 (31 December 2022: HK\$236,930,000) as at the end of the reporting period;
- (viii) pledges over the equity interests of certain subsidiaries of the Company for borrowings of the Group amounting to HK\$7,753,661,000 (31 December 2022: HK\$8,076,296,000) as at the end of the reporting period;
- (ix) corporate guarantees executed or security provided by the Company's ultimate holding company for the senior notes of the Group amounting to HK\$1,606,104,000 (31 December 2022: HK\$1,588,570,000) as at the end of the reporting period;
- (x) corporate guarantees executed by the Company for borrowings of the Group amounting to HK\$8,791,036,000 (31 December 2022: HK\$9,058,848,000) as at the end of the reporting period;
- (xi) personal guarantee executed by certain Directors for borrowings of the Group amounting to HK\$10,595,296,000 (31 December 2022: HK\$11,067,225,000) as at the end of the reporting period; and
- (xii) pledges and guarantees provided by Guangdong Zhuguang Group Company Limited for borrowings of the Group amounting to HK\$11,183,290,000 (31 December 2022: HK\$11,656,490,000) as at the end of the reporting period.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

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

Notes: *(Continued)*

- (b) On 22 September 2022, the Company issued 3-year secured guaranteed senior notes (the “2022 Senior Notes”) with an aggregate principal amount of US\$210,000,000, the net proceeds of which were used to repay the senior notes issued in 2019. In accordance with the 2022 Senior Notes’ purchase agreement dated 22 September 2022, the Company, at its option, can redeem all or a portion of the 2022 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 aggregate principal amount, and shall, on the date falling 24 months after the issue date, redeem 20% of the aggregate principal amount. The remaining outstanding principal amount of the 2022 Senior Notes shall originally be due on 21 September 2025. The 2022 Senior Notes are denominated in US\$ with an interest rate at 12% per annum.

Rong De has provided pledges and guarantees for the 2022 Senior Notes of HK\$1,606,104,000 (31 December 2022: HK\$1,588,570,000) as at 30 June 2023.

- (c) As at 30 June 2023, the Group’s bank and other borrowings with carrying amounts of HK\$246,144,000 (31 December 2022: HK\$283,830,000), HK\$12,491,779,000 (31 December 2022: HK\$13,006,296,000) and HK\$2,045,280,000 (31 December 2022: HK\$2,029,183,000) were denominated in HK\$, RMB and US\$, respectively.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

19. SHARE CAPITAL

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Authorised 10,000,000,000 shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid 7,225,632,753 ordinary shares of HK\$0.1 each	722,564	722,564

20. PERPETUAL CAPITAL SECURITIES

- (i) On 29 October 2018, the Company issued perpetual capital securities with a principal amount of HK\$800,000,000 to Rong De, the ultimate holding company of the Company.

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

20. PERPETUAL CAPITAL SECURITIES *(Continued)*

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

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 2023

21. FINANCIAL GUARANTEES

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	2,271,920	2,706,018

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.

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.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

21. FINANCIAL GUARANTEES *(Continued)*

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.

22. COMMITMENTS

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Contracted, but not provided for: Properties under development	573,915	620,805



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

23. 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
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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

23. RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
Guangzhou Zhuguang Investment Company Limited (“GZ Zhuguang Investment”)	Mr. Liao Tengjia is considered to have significant influence in this company
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
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
Beijing Quan Ying Property Development Company Limited (“BJ Quan Ying”)	Mr. Liao Tengjia is considered to have significant influence in this company



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

23. RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
Xianghe Zhuguang Real Estate Company Limited (“XH Zhuguang Real Estate”)	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Gaopai Real Estate Investment Co., Ltd. (“Gaopai Real Estate”)	Mr. Liao Tengjia is considered to have significant influence in this company
Guangdong Fengshun Luhuhu Spring Resort Co., Ltd. (“GD Fengshun Luhuhu”)	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 of Zhongshan Zhuguang Real Estate Company Limited, a subsidiary of the Company
Guangzhou Dongzhi Real Estate Development Co., Ltd. (“GZ Dongzhi”)	Non-controlling shareholder of Guangzhou Hongyue Investment Co., Ltd., a subsidiary of the Company

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

23. 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:

		Six months ended 30 June	
Notes		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Finance component of income from GD Zhuguang Group and its subsidiaries	(i)	656,673	923,673
Service income from GD Zhuguang Group and its subsidiaries	(ii)	5,974	20,635
Property management service fees to GZ Zhuguang Property Management	(ii)	3,713	7,037
Rental expenses paid to GZ Zhuguang Investment	(ii)	3,874	4,169

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 above transactions were conducted in accordance with the terms of the underlying agreements.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

23. RELATED PARTY TRANSACTIONS *(Continued)*

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

As at 30 June 2023 and 31 December 2022, the Group had the following material balances with related parties:

	Note	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Amounts due from related parties relating to receivables for urban redevelopment projects included in trade receivables			
– GD Zhuguang Group		3,125,564	3,088,970
– GZ Zhuguang Property		7,268,966	7,120,056
– GZ Conghua Zhuguang Investment		1,405,296	1,450,463
– GZ Zhuguang Investment		2,884,432	2,804,454
	13	14,684,258	14,463,943

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

23. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Amounts due from related parties included in prepayments, other receivables and other assets			
– BJ Quan Ying	(i)	–	3,358
– GD Zhuguang Group	(i)	300	4,874
– GZ Zhuguang Property Management	(i)	1,038	1,069
– Yifa Industrial	(i)	27,333	18,517
– XH Zhuguang Real Estate	(i)	8,386	2,373
– Gaopai Real Estate	(i)	–	6,717
– BJ Zhuguang Property	(ii)	1,161,505	1,198,836
	14	1,198,562	1,235,744

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

23. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Amounts due to related parties included in trade and other payables			
– GD Zhuguang Group	(iii)	6,561	6,649
– GZ Zhuguang Property Management	17(a)	50,283	47,381
		56,844	54,030
Amounts due to related parties included in trade and other payables			
– GD Zhuguang Group		300,288	388,074
– GZ Zhuguang Property Management		37,760	36,500
– GD Fengshun Luhu		–	43
	17, (iii)	338,048	424,617
Amounts due to a joint venture included in trade and other payables			
– Shi Qi	17, (iii)	5,423	5,597

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

23. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Notes	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Amounts due to non-controlling shareholders included in trade and other payables			
– GZ Ying Fu Investment		39,047	40,301
– GZ Dongzhi		10,990	11,344
	17(b)	50,037	51,645
Amounts due to the ultimate holding company (Rong De) included in trade and other payables	17, (iv)	406,990	387,709
Perpetual capital securities	20	1,153,753	1,119,753



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

23. 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 agreed 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 2023, amounts due to the ultimate holding company, included in other payables amounting to HK\$385,967,000 (31 December 2022: HK\$366,686,000) are unsecured, carry interest at 12% per annum and repayable in 2024. The remaining balances are unsecured, interest-free and repayable after one year.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

23. 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 is set out as follows:

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Fees	720	720
Other emoluments:		
Salaries, allowances and benefits in kind	8,862	8,711
Pension scheme contributions	118	123
	8,980	8,834
	9,700	9,554



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments as at 30 June 2023 and 31 December 2022 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 2023 and 31 December 2022 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 2023

24. 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 2023

	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	
(Unaudited)				
Financial assets				
Financial assets at fair value through profit or loss	-	-	25,889	25,889



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

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

Fair value hierarchy *(Continued)*

As at 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
(Audited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	-	-	26,722	26,722

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2023

24. 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:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Financial assets at fair value through profit or loss:		
At beginning of period/year	26,722	1,954,226
Change in fair value during the period/year	–	186,973
Disposal during the period/year	–	(411,018)
Reclassified to other receivables	–	(1,726,242)
Exchange realignment	(833)	22,783
At end of period/year	25,889	26,722
Derivative financial instruments:		
At beginning of period/year	–	121,781
Change in fair value during the period/year	–	(122,532)
Exchange realignment	–	751
At end of period/year	–	–



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2023

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

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.

25. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current period's presentation.

26. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the board of directors on 30 August 2023.

OTHER INFORMATION

INTERIM DIVIDEND

No interim dividend in respect of the six months ended 30 June 2023 was proposed by the Board (six months ended 30 June 2022: 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.

Dr. Feng Ke, an independent non-executive Director, ceased to be an independent director of Aotecar New Energy Technology Co., Ltd.* (奥特佳新能源科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002239) with effect from 17 April 2023.

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.

* English name is translated for identification purpose only



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

- (a) As at 30 June 2023, 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%
Liu Jie	Beneficial owner	1,144,000	0.02%
Ye Lixia	Beneficial owner	810,000	0.01%

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, 923,582,000 Shares and 3,000,000,000 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 2023 (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 2023, 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 2023, 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	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)
CCBIS (Note 1)	Security interest	923,582,000	12.78%



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)
Central Huijin Investment Limited ("Central Huijin") (Note 2)	Interest of controlled corporations	3,000,000,000	41.52%
Agricultural Bank of China Limited ("ABCL") (Note 2)	Security interest	3,000,000,000	41.52%
Ministry of Finance of the People's Republic of China ("MOF") (Note 3)	Security interest	3,000,000,000	41.52%
The Bank of New York Mellon Corporation ("BNY") (Note 4)	Interest of a controlled corporation	3,002,499,019	41.55%

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)
China Orient Asset Management Co., Ltd. ("COAM") (Note 5)	Interest of controlled corporations	3,000,000,000	41.52%
Cheung Fong Wing (Note 6)	Interest of a controlled corporation	3,418,500,000	47.31%
Quan Xing (Note 6)	Beneficial owner	418,500,000	5.79%
	Security interest	3,000,000,000	41.52%
中國華融資產管理股份有限公司 ("CHAMCL") (Note 7)	Interest of controlled corporations	92,336,000	1.28%
	Security interest	1,586,000,000	21.95%
China Cinda Asset Management Co., Ltd. ("CCAM") (Note 8)	Interest of controlled corporations	3,000,000,000	41.52%



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, 923,582,000 Shares and 3,000,000,000 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 notice filed by Central Huijin on 29 November 2022, Heroic Day held direct interest in 3,000,000,000 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. ABCL is in turn owned as to 40.03% by Central Huijin. Accordingly, ABCIIM, ABCIH, ABCL and Central Huijin are deemed to be interested in the Shares held by Heroic Day by virtue of the provisions of the SFO.
3. According to the disclosure of interest notice filed by MOF on 15 October 2019, Heroic Day held direct interest in 3,361,112,000 Shares and 50,718,355 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCIIM, which is in turn wholly-owned by ABCIH. ABCIH is a wholly-owned subsidiary of ABCL, which is owned as to 35.29% by MOF. Accordingly, ABCIIM, ABCIH, ABCL 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. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Heroic Day ceased to hold (i) 361,112,000 Shares with effect from 22 September 2022 due to the Company's refinancing of the 2019 Senior Notes by way of the 2022 Senior Notes; and (ii) 50,718,355 underlying Shares with effect from 27 November 2022 as a result of the expiry of the 2019 Warrants.

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 30 September 2022, the Bank of New York Mellon held direct interest in 3,002,499,019 Shares and a lending pool of 2,419,019 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 2022, Blooming Rose held direct interest in 3,000,000,000 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 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 28 November 2022, Quan Xing, which is wholly-owned by Mr. Cheung Fong Wing, held direct interest in 3,418,500,000 Shares. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the 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 27 September 2022, Cinda held direct interest in 3,000,000,000 Shares and 62,599,083 underlying 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. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Cinda ceased to hold the 62,599,083 underlying Shares with effect from 27 November 2022 as a result of the expiry of the 2019 Warrants.
9. The total number of issued Shares as at 30 June 2023 (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 2023, 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 Part 2 of 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 has adopted the Code as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code 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 2023 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 2023 of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhuguang.com.hk, and will be despatched to the Shareholders in due course.

APPRECIATION

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

On behalf of the Board

Zhuguang Holdings Group Company Limited

Chu Hing Tsung

Chairman

Hong Kong, 30 August 2023