珠光控股
ZHUGUANG HOLDINGS

# ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

# 珠 光 控 股 集 團 有 限 公 司 *

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1176)**

## 2017 INTERIM RESULTS

The board ("Board") of directors ("Directors") of Zhuguang Holdings Group Company Limited ("Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries ("Group") for the six months ended 30 June 2017 together with the comparative figures as follows:

### FINANCIAL HIGHLIGHTS

| RESULTS | Six months ended 30 June<br>**2017**<br>***HK$'000***<br>***(Unaudited)*** | <br>2016<br>*HK$'000*<br>*(Unaudited)* |
|---|---|---|
| Revenue — sales of properties | **1,100,079** | 273,603 |
| — rental income | **67,420** | 45,409 |
| — decoration and project management income | **258,470** | 115,350 |
| Fair value gains on investment properties, net | **37,786** | 230,520 |
| Profit/(loss) for the period | **103,923** | (149,835) |

| | **At 30 June**<br>**2017**<br>***HK$'000***<br>***(Unaudited)*** | At 31 December<br>2016<br>*HK$'000*<br>*(Audited)* |
|---|---|---|
| Total assets | **22,324,936** | 18,746,947 |
| Total liabilities | **17,284,486** | 13,940,856 |
| Total equity | **5,040,450** | 4,806,091 |

* *For identification purpose only*

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the first half of 2017, a series of control policies were rolled out intensively in the first-tier and second-tier cities in the People's Republic of China (the "PRC") to cool down the overheated real estate market, including policies on tightening home purchase eligibility, tightening home mortgages, stricter property pre-sales, tightening bank credit quotas, and raising mortgage interest rates. These control policies were effective in most of the first-tier and core second-tier cities. The real estate market has gradually returned to a rational state with growth being kept in a steady pace.

The Group has actively expanded its land bank through different channels, including participations in public auctions, urban development projects, primary development, and cooperation with and acquisition of project companies. During the period under review, the Group has acquired a new project in Guangzhou, Conghua, the PRC, with gross floor area ("GFA") of approximately 73,908 square metres ("sqm"). The Group also entered into sale and purchase agreements to acquire new projects located in Guangzhou and Xianghe County in Hebei Province in the PRC with site areas of approximately 107,400 sqm and 89,878 sqm respectively during the period under review.

In view of the impact of the tightening control policies on the first-tier and second-tier cities in the PRC, the Group will adjust its sales and development strategies in order to meet market supply and demand in due course, and retain room for profitability and appreciation growth for the second half of 2017.

### Property Development and Sales

During the period under review, the Group continued its focus on the first-tier and core second-tier cities in the PRC with potential growth in demand for properties. As a result, the Group achieved contracted sales of approximately HK$2,324,412,000 and contracted GFA of approximately 218,145 sqm, representing increases of approximately 67% and 52% respectively, compared with those in the corresponding period in 2016. The details of property sales contracted and GFA sold during the period under review are set out below:

| **Projects** | **Contracted sales** *HK$'000* | **GFA Sold** *(sqm)* |
|---|---:|---:|
| Xincheng Yujing | 1,025,954 | 113,355 |
| Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden") | 573,244 | 53,243 |
| Pearl Yijing | 200,299 | 9,702 |
| Pearl Tianhu Yujing Garden ("Tianhu Yujing") | 184,936 | 20,461 |
| Pearl Yunling Lake | 332,881 | 20,967 |
| | 2,317,314 | 217,728 |
| Car Parks | 7,098 | 417 |
| | 2,324,412 | 218,145 |

**BUSINESS REVIEW** *(Continued)*

**Property Development and Sales** *(Continued)*

As at 30 June 2017, the Group owned the following property development projects and the details of each of the projects are as follows:

*Xincheng Yujing—100% interest*

In September 2016, the Group acquired the land for developing "Xincheng Yujing", which is located at Zhong Su Shang Wei* (種王上圍), Sunshine Village* (陽光村), Tang Nan Town* (湯南鎮), Fengshun County* (豐順縣), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for the hot springs which is a major tourist attraction. This project with total GFA available for sale of approximately 344,162 sqm will be developed into various types of villas, high-rise apartment buildings and ancillary commercial developments. The development of the project is divided into four phases. Phase I of the development was launched for pre-sale in the first half of 2017. Phase II of the development is under construction and is expected to be launched for pre-sale in the third quarter of 2017. Phases III and IV of the development are under construction and certain parts of each of these phases are expected to be available for pre-sale in the fourth quarter of 2017.

*Yujing Scenic Garden — 70% interest*

"Yujing Scenic Garden" is located at Provincial Highway G105 line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. The project is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua. The project site area is approximately 294,684 sqm and the project will be developed into a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 753,871 sqm and the project is developed in four phases. Properties with total GFA available for sale of approximately 412,989 sqm under Phases I, and part of Phases II and III of the development have already been delivered. The total GFA of approximately 3,283 sqm of the street-level commercial podium was designated as an investment property and was leased out in 2016. The remaining part of each of Phases II and III of the development is expected to be delivered in the fourth quarter of 2017 and the second half of 2018 respectively. Phase IV of the development with total GFA available for sale of approximately 159,536 sqm is expected to be completed in 2018.

**BUSINESS REVIEW** *(Continued)*

**Property Development and Sales** *(Continued)*

*Tianhu Yujing — 100% interest*

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm. The land is located adjacent to "Yujing Scenic Garden". 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 227,973 sqm. The development is divided into two phases. The total GFA available for sale under Phase I of the development is approximately 96,799 sqm, of which 79,321 sqm has been delivered. The remaining part of each of Phases I and II of the development will be delivered in the fourth quarter of 2017.

*Pearl Yunling Lake — 100% interest*

"Pearl Yunling Lake" is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou. "Pearl Yunling Lake" will be developed into an integrated tourist attraction project with certain public facilities and the total GFA available for sale will be approximately 127,509 sqm. The development is divided into two phases, with Phase I of the development comprising 57 villas and 5 apartment buildings, with an aggregate GFA available for sale of approximately 43,179 sqm, and Phase II of the development comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA available for sale of approximately 84,330 sqm. While Phase I of the development was completed and launched for sale in the first quarter of 2017, it is expected that Phase II of the development will be completed and ready for sale in the fourth quarter of 2017. The hotel will be retained as a long term investment asset of the Group.

*Pearl Yijing — 100% interest*

"Pearl Yijing" is located at No.168 Xinkai Street, Xianghe County, Hebei Province, the PRC. The total GFA available for sale under the project was approximately 169,581 sqm and the project was developed in two phases, comprising residential buildings and street-level commercial areas. Pre-sale of Phase I of the project commenced in the first quarter of 2016 and properties will be delivered in the fourth quarter of 2017. Phase II of the project is under development and is expected to be completed in the second half of 2018.

**BUSINESS REVIEW** *(Continued)*

**Property Development and Sales** *(Continued)*

*Zhukong International — 80% interest*

"Zhukong International" is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, which is at the junction of Guangzhou Avenue and Huang Pu Da Dao. It was developed into a 35-storey high-rise commercial complex, which includes a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The commercial complex was completed in 2015, with total GFA available for sale of approximately 109,738 sqm, of which approximately 43,918 sqm and approximately 65,820 sqm were designated by the Group as investment properties held for long term purposes and held for sale respectively. As at 30 June 2017, the remaining GFA available for sale was approximately 21,997 sqm.

*Central Park — 100% interest*

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and the total GFA for sale of approximately 28,909 sqm was developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. "Central Park" was completed in 2015, and as at 30 June 2017, only approximately 4,972 sqm were available for sale and the entire street-level commercial podium with GFA of approximately 1,318 sqm was leased out.

*Nansha Scenic — 100% interest*

"Nansha Scenic" is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC, which is the central business district in Nansha. The project was completed and only certain car parks are still available for sale as at the date of this announcement. As at 30 June 2017, car parks with areas of approximately 367 sqm and approximately 91 sqm were delivered and available for sale respectively.

**Land Bank**

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's development pipeline for at least three years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisitions of other property development projects. During the period under review, the Group has entered into two sale and purchase agreements to acquire other project companies located in Xianghe County in Hebei Province and Guangzhou, with site areas of approximately 89,878 sqm and 107,400 sqm respectively. As at the date of this announcement, the Group has entered into certain non-legally binding memoranda of understanding to acquire land located in Guangzhou, Shenzhen and core second-tier cities in the PRC. The Group will continue to explore new opportunities in cities in the PRC which the Group has already invested in and other cities in the PRC with growth potential and the best investment value.

**BUSINESS REVIEW** *(Continued)*

**Property Investments**

The Group owns certain floors of Royal Mediterranean Hotel ("RM Hotel") located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC with GFA of approximately 18,184 sqm, and "Zhukong International" with GFA of approximately 43,918 sqm as investment properties. Together with certain commercial properties, "Zhukong International" and the RM Hotel are held by the Group for medium to long term investment purposes. During the period under review, the Group has entered into a sale and purchase agreement with an independent third party to dispose of its interest in the RM Hotel it held through wholly-owned subsidiaries of the Company, at a consideration of RMB1 billion ("RM Hotel Disposal"). Upon completion of the RM Hotel Disposal which is subject to the satisfaction of a condition precedent, the Company will cease to have any interest in the RM Hotel. Further details of the RM Hotel Disposal are set out in paragraph (c) in the section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in this announcement and the announcement of the Company dated 22 June 2017. The Group will continue to seek high quality properties for investment purposes in the future and build a portfolio of investment properties consisting of office buildings, hotels and street-level commercial podiums of high quality and capital value, which will generate steady cash flows to the Group.

**Project Management Services**

During the period under review, the Group provided project management services to its customers. The Group is entitled to project management services income based on the terms of the entrusted construction and management service agreements entered into by the Group with these customers. The Group will continue to utilise its expertise in project management in order to maintain a steady revenue stream in the future.

**EVENT AFTER REPORTING PERIOD**

On 18 August 2017, 廣東喜龍房地產開發有限公司 (unofficial English translation, Guangdong Xilong Property Development Company Limited) whose financial results are consolidated into those of the Company and is treated as a subsidiary of the Company, as vendor ("Vendor"), and Zhu Jingyu*（朱靖瑜）, Zhu Zitao*（朱梓濤）and Zhu Ziyu*（朱梓瑜）(each being a child of Mr. Chu Hing Tsung (alias Zhu Qing Yi) ("Mr. Chu"), an executive Director, the chairman of the Board and a 34.06% shareholder of Rong De Investments Limited, which is a controlling shareholder of the Company as at the date of this announcement), as purchasers (collectively referred to as the "Purchasers"), entered into nine sale and purchase agreements (collectively referred to as the "SP Agreements"). Pursuant to the SP Agreements, the Vendor has agreed to sell and the Purchasers have agreed to acquire nine properties ("Properties") located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, at the aggregate consideration of RMB26,272,385 (equivalent to approximately HK$30,793,862). The completion of the sale and purchase of the Properties shall take place before 31 October 2017, upon which the Vendor shall deliver the Properties to the Purchasers. Further details of the SP Agreements are set out in the announcement of the Company dated 18 August 2017.

** For identification purpose only*

## OUTLOOK

Looking ahead, the Group remains optimistic of the real estate industry in the PRC and predicts that there will be stable growth in the economy of the PRC. The control policies rolled out by the PRC government will continue for a while in order to stabilise the residential property market. In the long run, it is expected that the PRC government will roll out a mechanism to promote long-term healthy and stable developments of the real estate industry. The Group believes that the sizable property market in the PRC will remain a core element to support the healthy and stable development of the Chinese economy.

The Group will sustain its active participation in urban redevelopment projects and construction in featured small towns, and will obtain quality land reserves in high-value area, so as to further enhance its presence in Guangzhou, Xianghe and other first-tier and core second-tier cities in the PRC. At the same time, the Group will strategically identify competent partners, land replenishment opportunities and other potential investment projects with a view to enhancing long term value for the shareholders of the Company ("Shareholders").

## FINANCIAL REVIEW

*Revenue*

The Group's revenue consists of sales of properties, rental income, decoration income and project management income. The revenue of the Group for the period under review was approximately HK$1,425,969,000 (six months ended 30 June 2016: HK$434,362,000). The increase was mainly due to the increase in total areas delivered from 23,098 sqm for the six months ended 30 June 2016 to 137,662 sqm for the period under review. Rental income increased by 48% to approximately HK$67,420,000 (six months ended 30 June 2016: HK$45,409,000), primarily due to additional areas of "Zhukong International" being leased out during the period under review. During the period under review, the Group recognised project management income amounting to HK$258,470,000 (six months ended 30 June 2016: HK$93,547,000) primarily from the provision of project management services to other developers. The Group did not generate any decoration income for the period under review (six months ended 30 June 2016: HK$21,803,000).

*Investment and other income*

Investment and other income decreased to approximately HK$58,459,000 during the period under review (six months ended 30 June 2016: HK$76,320,000), mainly due to the decrease in interest income received from other receivables that were overdue to approximately HK$19,235,000 (six months ended 30 June 2016: HK$33,330,000) as a result of the settlement of the outstanding receivables during the period under review.

## FINANCIAL REVIEW *(Continued)*

*Fair value gains on investment properties, net*

The Group develops and holds certain of its commercial properties, such as hotels, offices, commercial properties and car parks, for rental or capital appreciation purposes.

The Group's investment properties are appraised by independent property valuers. Any appreciation or depreciation in the Group's investment properties is recognised as fair value gains or losses in the Group's consolidated statement of profit or loss. Fair value gains on investment properties for the first half of 2017 decreased to approximately HK$37,786,000 from approximately HK$230,520,000 for the same period in 2016. Such decrease was due to the absence of any additional properties being designated by the Group as investment properties during the period under review, as compared with the same period in 2016, in which certain areas of "Zhukong International" and the street-level commercial podium of "Central Park" were designated as the Group's investment properties.

*Selling and marketing costs*

Selling and marketing costs for the period under review increased to approximately HK$28,212,000 (six months ended 30 June 2016: HK$15,859,000), due to the increase in promotion expenses incurred to boost the sales of Xincheng Yujing during the period under review.

*Administrative expenses*

Administrative expenses of the Group decreased to approximately HK$60,737,000 (six months ended 30 June 2016: HK$70,573,000), which was attributable to (i) the decrease in staff costs as a result of the absence during the period under review of a one-off bonus, which was paid to the staff during the corresponding period in 2016 to celebrate the 20th anniversary of the establishment of the Group; and (ii) the cost controls exercised by the Group during the period under review.

*Finance costs*

Finance costs for the period under review amounted to approximately HK$435,365,000 (six months ended 30 June 2016: HK$327,184,000), which were made up of interest expenses incurred in the period under review after deduction of the interests capitalised into development costs. The increase in finance costs was mainly due to the decrease in interests being capitalised into development costs due to the completion of certain projects during the period under review.

**FINANCIAL REVIEW** *(Continued)*

*Gain on acquisition of a subsidiary*

On 18 January 2017, the Group completed the acquisition of the entire equity interest in Guangzhou Zhenchao Property Development Company Limited* (廣州振超房地產開發有限公司) ("GZ Zhenchao") at the consideration of RMB91,879,000 (equivalent to approximately HK$102,714,000) ("Acquisition"). The gain on acquisition of a subsidiary in the amount of approximately HK$112,609,000 represents the excess in the fair value of GZ Zhenchao as at 18 January 2017 over the consideration paid by the Group in relation to the Acquisition. Further details of the Acquisition are set out in paragraph (a) in the section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in this announcement.

*Income tax expenses*

Income tax expenses comprised corporate income tax in the PRC ("CIT"), land appreciation tax in the PRC ("LAT"), deferred CIT and deferred LAT. The overall decrease in income tax expenses was mainly attributable to the increase in CIT to approximately HK$143,374,000 (six months ended 30 June 2016: HK$53,173,000) due to more properties being delivered during the period under review as compared with the same period in 2016, which was outweighed by (i) the reduction in deferred CIT expense and deferred LAT expense recognised during the period under review as a result of the decrease in fair value gains on investment properties recognised during the period under review; and (ii) the increase in deferred CIT credits recognised during the period under review, due to the increase in the costs of sales realised upon the delivery of the properties during the period under review.

*Cash position*

As at 30 June 2017, the Group's cash and cash equivalents, restricted cash and term deposits with initial terms of over three months amounted to approximately HK$4,511,560,000 (31 December 2016: HK$4,999,639,000).

*Borrowings, charges on group assets and gearing ratio*

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

| | **30 June 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Bank loans — secured | **174,276** | 317,231 |
| Senior notes — secured | **3,061,673** | 3,013,591 |
| Other borrowings — secured | **5,631,227** | 4,453,564 |
| | **8,867,176** | 7,784,386 |

* *For identification purpose only*

## FINANCIAL REVIEW *(Continued)*

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

(a) As at 30 June 2017, the Group's bank and other borrowings were secured by (i) investment properties; (ii) land use rights; (iii) construction in progress; (iv) properties under development; (v) completed properties held for sale; (vi) charges over the entire issued share capital of certain subsidiaries of the Group; (vii) corporate guarantees executed by the Company, certain subsidiaries, related parties and the controlling shareholder of the Company; (viii) guarantees executed by the Directors, namely Mr. Liao Tengjia, Mr. Chu and Mr. Chu Muk Chi (alias Zhu La Yi) and an independent third party; (ix) 3,021,112,000 ordinary shares of the Company beneficially owned by the controlling shareholder of the Company; and (x) charges over the assets provided by Beijing Zhuguang Property Development Company Limited* (北京珠光房地產開發有限公司), Beijing Zhuguang Yujing Property Development Company Limited* (北京珠光御景房地產開發有限公司), Guangdong Fengshun Luhu Hotspring Resort Company Limited* (廣東豐順鹿湖溫泉度假村有限公司) and Xianghe Zhuguang Property Development Company Limited* (香河珠光房地產開發有限公司).

(b) The Company measures its gearing ratio by its net debt (total interest-bearing borrowings net of cash and cash equivalents, terms deposits with initial terms of over three months and restricted cash) ("Net Debt") over the sum of the Net Debt and the total equity of the Company. As at 30 June 2017, the gearing ratio of the Company was 46% (31 December 2016: 37%).

## FOREIGN EXCHANGE

During the period under review, the Group conducted its business almost exclusively in Renminbi ("RMB") except that certain borrowings were in Hong Kong dollars ("HK$") and United States dollars ("US$"). 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 HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. During the period under review, the Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on its hedging policy to manage any possible foreign exchange risk that may arise.

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## STAFF AND REMUNERATION POLICIES

The Group had approximately 181 employees in Hong Kong and the PRC as at 30 June 2017 (31 December 2016: 176), who are remunerated according to their respective job natures, market conditions, individual performances and qualifications. Other benefits offered to the staff of the Group include annual bonus and retirement benefits. The Directors' remuneration was determined based on the qualifications, experiences, duties and responsibilities of the Directors, the Company's remuneration policy and the prevailing market conditions.

The Group provides sustainable training to its employees through coaching and further studies. In-house training on such topics as market and business updates and tax planning has also been provided to eligible employees during the period under review.

The Group has not experienced any significant problems with its employees or disruptions to its operations due to labour discipline nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group has maintained a good relationship with its employees. Most members of senior management have worked for the Group for many years.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
**For the six months ended 30 June 2017**

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **Unaudited** | Unaudited |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **1,425,969** | 434,362 |
| Cost of sales | | **(890,287)** | (251,554) |
| **Gross profit** | | **535,682** | 182,808 |
| Fair value gains on investment properties, net | | **37,786** | 230,520 |
| Investment and other income | *5* | **58,459** | 76,320 |
| Selling and marketing costs | | **(28,212)** | (15,859) |
| Administrative expenses | | **(60,737)** | (70,573) |
| Other gain, net | | **35,711** | 19,439 |
| **Operating profit** | | **578,689** | 422,655 |
| Finance costs | *6* | **(435,365)** | (327,184) |
| Gain on acquisition of a subsidiary | | **112,609** | — |
| **Profit before income tax** | | **255,933** | 95,471 |
| Income tax expenses | *7* | **(152,010)** | (245,306) |
| **Profit/(loss) for the period** | | **103,923** | (149,835) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **93,491** | (159,165) |
| Non-controlling interests | | **10,432** | 9,330 |
| | | **103,923** | (149,835) |
| Earnings/(loss) per share for profit/(loss) attributable to owners of the Company during the period (expressed in HK cents per share) | | | |
| — Basic and diluted | *8* | **1.46 cents** | (3.30) cents |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
**For the six months ended 30 June 2017**

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| | ***HK$'000*** | *HK$'000* |
| **Profit/(loss) for the period** | **103,923** | (149,835) |
| **Other comprehensive income/(loss)** | | |
| *Items that have been/may be subsequently reclassified to profit or loss:* | | |
| Currency translation differences | **130,436** | (133,585) |
| **Total comprehensive income/(loss) for the period** | **234,359** | (283,420) |
| **Total comprehensive income/(loss) attributable to:** | | |
| Owners of the Company | **214,764** | (286,897) |
| Non-controlling interests | **19,595** | 3,477 |
| | **234,359** | (283,420) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **30 June 2017 (Unaudited) *HK$'000*** | 31 December 2016 (audited) *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | | **54,449** | 51,126 |
| Investment properties | | **1,642,029** | 2,165,788 |
| Intangible assets | | **60,223** | 60,842 |
| Deferred income tax assets | | **32,261** | 31,302 |
| Goodwill | | **16,367** | 15,868 |
| Financial assets at fair value through profit or loss | | **36,743** | 35,651 |
| | | **1,842,072** | 2,360,577 |
| **Current assets** | | | |
| Properties under development | | **3,384,903** | 2,805,689 |
| Completed properties held for sale | | **2,123,354** | 2,335,188 |
| Trade and other receivables | *10* | **3,173,803** | 1,743,034 |
| Prepayments | | **6,487,028** | 4,404,180 |
| Prepaid income tax | | **171,939** | 98,640 |
| Restricted cash | | **340,735** | 453,873 |
| Term deposits with initial terms of over three months | | **2,854,845** | 3,460,105 |
| Cash and cash equivalents | | **1,315,980** | 1,085,661 |
| | | **19,852,587** | 16,386,370 |
| Assets held for sale | *11* | **630,277** | — |
| | | **20,482,864** | 16,386,370 |
| **Total assets** | | **22,324,936** | 18,746,947 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **642,441** | 642,441 |
| Other reserves | | **4,424,694** | 4,303,421 |
| Accumulated losses | | **(380,083)** | (473,574) |
| | | **4,687,052** | 4,472,288 |
| **Non-controlling interests** | | **353,398** | 333,803 |
| **Total equity** | | **5,040,450** | 4,806,091 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

| | Note | 30 June 2017 (Unaudited) HK$'000 | 31 December 2016 (audited) HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **7,916,860** | 7,083,675 |
| Deferred income tax liabilities | | **738,702** | 600,408 |
| Finance lease payable | | **332** | 658 |
| | | **8,655,894** | 7,684,741 |
| **Current liabilities** | | | |
| Borrowings | | **950,316** | 700,711 |
| Trade and other payables | *12* | **3,076,634** | 1,749,072 |
| Amount due to the ultimate holding company | | **880** | 880 |
| Advances from customers | | **2,792,198** | 2,161,198 |
| Current income tax liabilities | | **1,669,606** | 1,522,132 |
| Finance lease payable | | **647** | 711 |
| Derivative financial instruments | | **138,311** | 121,411 |
| | | **8,628,592** | 6,256,115 |
| **Total liabilities** | | **17,284,486** | 13,940,856 |
| **Total equity and liabilities** | | **22,324,936** | 18,746,947 |

*Notes:*

## 1. GENERAL INFORMATION

Zhuguang Holdings Group Company Limited ("Company") was incorporated in Bermuda on 22 August 1996 as an exempted company with limited liability and was registered under Part XI of the predecessor Companies Ordinance (Cap. 32) of Hong Kong as in force from time to time before 3 March 2014. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's principal activity is investment holding. The Company and is subsidiaries (together, the "Group") are principally engaged in property development, property investment, project management, and other property development related services in the People's Republic of China (the "PRC").

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

This condensed consolidated interim financial information for the six months ended 30 June 2017 ("Interim Financial Information") was approved for issue by the board of directors ("Board") of the Company on 30 August 2017.

This Interim Financial Information is presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

The Interim Financial Information has not been audited.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2016, as described in those annual consolidated financial statements, except as described below.

(a) Amended standards and interpretations adopted by the Group

| | |
|---|---|
| HKAS 7 (Amendment) | Disclosure initiative |
| HKAS 12 (Amendment) | Recognition of deferred tax assets for unrealised losses |
| HKFRS 12 (Amendment) | Disclosure of interest in other entities |

The adoption of the above amended standards and interpretations did not have any material impact on the Interim Financial Information except for disclosure.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(Continued)*

(b) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 9 | Financial instruments | 1 January 2018 |
| Amendments to HKFRS 4 | Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts" | 1 January 2018 |
| Amendment to HKFRS 1 | First time adoption of HKFRS | 1 January 2018 |
| Amendment to HKAS 28 | Investments in associates and joint ventures | 1 January 2018 |
| HK (IFRIC) 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |
| Amendment to HKAS 10 and 28 | Sale or contribution of assets between an investor and its associate or joint venture | Deferred |

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

(c) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. **ESTIMATES**

The preparation of the Interim Financial Information requires management of the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 4. SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers ("CODM") of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into three business segments: property development, property investment and project management services.

Revenue consist of sale of properties, rental income of investment properties, income of project management services and other property development related services. Revenue for the six months ended 30 June 2017 and 2016 consist of the following:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Sales of properties | **1,100,079** | 273,603 |
| Rental income | **67,420** | 45,409 |
| Project management income | **258,470** | 93,547 |
| Decoration income | **—** | 21,803 |
| Total | **1,425,969** | 434,362 |

Segment results represent the profit earned by each segment without net change in fair value of derivative financial liabilities, finance costs and income tax expenses. The segment results and other segment items for the six months ended 30 June 2017 are as follows:

| | **Property development** | **Property investment** | **Project management services** | **Group** |
|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Gross segment revenue | **1,100,079** | **67,420** | **258,470** | **1,425,969** |
| Segment results | **248,064** | **88,269** | **258,470** | **594,803** |
| Finance costs, net | | | | **(435,365)** |
| Fair value loss on derivative financial instruments | | | | **(16,114)** |
| Gain on acquisition of a subsidiary | | | | **112,609** |
| Profit before income tax | | | | **255,933** |
| Income tax expenses | | | | **(152,010)** |
| Profit for the period | | | | **103,923** |
| Capital expenditure | **3,948** | **—** | **—** | **3,948** |
| Depreciation | **1,829** | **—** | **—** | **1,829** |
| Amortisation of land use rights recognised as expenses | **2,190** | **—** | **—** | **2,190** |
| Fair value gains on investment properties, net | **—** | **37,786** | **—** | **37,786** |

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

The segment results and other segment items for the six months ended 30 June 2016 are as follows:

| | Property development *HK$'000* | Property investment *HK$'000* | Project management services *HK$'000* | Group *HK$'000* |
|---|---|---|---|---|
| Gross segment revenue | 388,953 | 45,409 | — | 434,362 |
| Segment results | 162,601 | 260,054 | — | 422,655 |
| Finance costs, net | | | | (327,184) |
| Profit before income tax | | | | 95,471 |
| Income tax expenses | | | | (245,306) |
| Loss for the period | | | | (149,835) |
| Capital expenditure | 20,061 | — | — | 20,061 |
| Depreciation | 1,838 | — | — | 1,838 |
| Amortisation of land use rights recognised as expenses | 2,431 | — | — | 2,431 |
| Fair value gains on investment properties, net | — | 230,520 | — | 230,520 |

Segment assets and liabilities as at 30 June 2017 are as follows:

| | **Property development** ***HK$'000*** | **Property investment** ***HK$'000*** | **Project management services** ***HK$'000*** | **Group** ***HK$'000*** |
|---|---|---|---|---|
| Segment assets | **17,658,825** | **2,404,582** | **1,562,248** | **21,625,655** |
| Other assets | | | | **699,281** |
| Total assets | | | | **22,324,936** |
| Segment liabilities | **5,799,062** | **70,650** | **—** | **5,869,712** |
| Other liabilities | | | | **11,414,774** |
| Total liabilities | | | | **17,284,486** |

## 4. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities as at 31 December 2016 are as follows:

| | Property development | Property investment | Project management services | Group |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | 14,849,841 | 2,347,847 | 1,482,306 | 18,679,994 |
| Other assets | | | | 66,953 |
| Total assets | | | | 18,746,947 |
| Segment liabilities | 3,847,163 | 63,987 | — | 3,911,150 |
| Other liabilities | | | | 10,029,706 |
| Total liabilities | | | | 13,940,856 |

There are no differences from the last annual consolidated financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

There are no sales between segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed consolidated statement of profit or loss.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segments.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, prepayment for acquisition of equity interest in property development projects, receivables and term deposits and cash and cash equivalents.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation, borrowings, finance lease payable and derivative financial liabilities.

Capital expenditure comprises additions to property and equipment and intangible assets.

## 5. INVESTMENT AND OTHER INCOME

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Interest income from bank deposits | **39,224** | 42,990 |
| Interest income from other receivables | **19,235** | 33,330 |
| | **58,459** | 76,320 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Interest expenses: | | |
| — Bank and other borrowings | **263,712** | 258,105 |
| — Senior notes | **203,858** | 251,045 |
| — Finance lease | **21** | 36 |
| Less: interest capitalised | **(32,226)** | (182,002) |
| | **435,365** | 327,184 |

## 7. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Current income tax: | | |
| — PRC corporate income tax | **143,374** | 53,173 |
| — PRC land appreciation tax | **1,583** | 9,981 |
| Deferred income tax: | | |
| — PRC corporate income tax | **(8,039)** | 95,643 |
| — PRC land appreciation tax | **15,092** | 86,509 |
| | **152,010** | 245,306 |

**PRC corporate income tax**

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China ("CIT Law"), which became effective from 1 January 2008. Under the CIT Law, the corporate income tax rate applicable to the group entities located in Mainland China is 25%.

According to the CIT Law and Implementation Rules, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

## 7. INCOME TAX EXPENSES *(Continued)*

**PRC land appreciation tax ("LAT")**

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain subsidiaries which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

**Hong Kong profits tax**

No provision for Hong Kong profits tax has been made in the Interim Financial Information as the Group did not have assessable profit in Hong Kong for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

**Overseas income tax**

The Company was incorporated in the Bermuda as an exempted company with limited liability and is exempted from Bermuda income tax. The Company's direct subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

## 8. EARNINGS/(LOSS) PER SHARE

### (a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Group.

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Profit/(loss) attributable to owners of the Company (HK$'000) | **93,491** | (159,165) |
| Weighted average number of ordinary shares in issue (thousand shares) | **6,424,417** | 4,818,313 |
| Basic earnings/(loss) per share (HK cents per share) | **1.46** | (3.30) |

## 8. EARNINGS/(LOSS) PER SHARE *(Continued)*

### (b) Diluted

Diluted earnings/(loss) per share for the six months ended 30 June 2017 and 2016 has not been presented as the Company's outstanding warrants had no dilutive effect for the six months ended 30 June 2017 and 2016 since the exercise prices of those warrants were higher than the average market price for the shares of the Company.

## 9. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2017 was proposed by the Board (six months ended 30 June 2016: Nil).

## 10. TRADE AND OTHER RECEIVABLES

| | **30 June 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Trade receivables *(a)* | **497,644** | 199,118 |
| — Related parties | **455,487** | 167,690 |
| — Third parties | **42,157** | 31,428 |
| Less: provision for impairment of trade receivables | **—** | — |
| Trade receivables, net | **497,644** | 199,118 |
| Other receivables | **2,676,159** | 1,543,916 |
| — Related parties *(c)* | **2,227,291** | 1,118,251 |
| — Third parties *(d)* | **448,868** | 425,665 |
| | **3,173,803** | 1,743,034 |

(a) The majority of the Group's revenue are derived from sales of properties, project management services and rental income. The remaining amounts had credit terms set out in the related sales and purchase agreements and rental contracts.

| | **30 June 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Not due | **497,644** | 189,524 |
| Overdue | **—** | 9,594 |
| | **497,644** | 199,118 |

## 10. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

As at 30 June 2017 and 31 December 2016, the ageing analysis of overdue trade receivables of the Group based on the payment due dates were as follows:

| | **30 June 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Within 90 days | — | 9,005 |
| 91 days to 180 days | — | 442 |
| 181 days to 365 days | — | 147 |
| | — | 9,594 |

As at 30 June 2017, no trade receivables were past due (31 December 2016: HK$9,594,000).

(b) As at 30 June 2017 and 31 December 2016, the fair value of trade and other receivables approximated their carrying amounts.

(c) HK$1,152,180,000 of other receivable from related parties (31 December 2016: HK$1,117,930,000) consisted of funding for project development. Pursuant to a project management service agreement in April 2015, the Group agreed to provide funding (RMB1 billion) and management service to a property development project ("the Project") in the PRC. In return, the Group would be entitled to (i) a fixed percentage of the total funding incurs for the Project; and (ii) a bonus payment which would be determined with reference to the estimated profit of the Project.

(d) Other receivables from third parties mainly consisted of advances to third parties.

(e) Except for those disclosed in Note (a), no material trade and other receivables were impaired or past due as at 30 June 2017 and 31 December 2016.

(f) The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

## 11. ASSETS HELD FOR SALE

On 22 June 2017, the Group has entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in a subsidiary, which through certain subsidiaries, hold various investment properties ("Disposal"). As at 30 June 2017, the Disposal was not yet completed and the relevant assets were classified as assets held for sale in accordance with the relevant accounting standards.

## 12. TRADE AND OTHER PAYABLES

| | **30 June 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Trade payables | **1,168,784** | 1,074,617 |
| Amounts due to related parties | **1,127** | 49,463 |
| Provisions for claims and administrative penalties | **81,835** | 79,403 |
| Other payables and accruals | **1,548,953** | 313,679 |
| Other taxes payables | **275,935** | 231,910 |
| | **3,076,634** | 1,749,072 |

As at 30 June 2017 and 31 December 2016, the ageing analysis of trade payables of the Group based on the payment due dates were as follows:

| | **30 June 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Within one year | **819,477** | 798,324 |
| Over one year | **349,307** | 276,293 |
| | **1,168,784** | 1,074,617 |

Other payables and accruals from third parties mainly comprise deposits from customers and tenants, and accrued professional service fees and operating expenses.

## OTHER INFORMATION

## INTERIM DIVIDEND

No interim dividend in respect of the six months ended 30 June 2017 was proposed by the Board (six months ended 30 June 2016: Nil).

## MATERIAL ACQUISITIONS AND DISPOSALS

During the period under review, the Group entered into the following contracts:

(a) On 3 January 2017, Victory Global Investments Limited ("Victory Global"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with two independent third parties, pursuant to which Victory Global has agreed to acquire 100% equity interest in GZ Zhenchao, at a total consideration of RMB91,879,000 (equivalent to approximately HK$102,714,000) ("GZ Zhenchao Acquisition"). The GZ Zhenchao Acquisition was completed on 18 January 2017, upon which GZ Zhenchao became a wholly-owned subsidiary of the Company. GZ Zhenchao is principally engaged in property development in the PRC.

(b) On 29 March 2017, Xianghe County Yijing Property Development Company Limited* (香河縣逸景房地產開發有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser, Tong Dexin* (佟德新) and Tong Demin* (佟德珉), as vendors, and Xianghe Jingang Real Estate Development Company Limited* (香河金港房地產開發有限公司), as target company ("Xianghe Jingang"), entered into an equity transfer agreement ("Equity Transfer Agreement") in relation to the purchase and sale of the entire equity interest in Xianghe Jingang at the aggregate consideration of RMB1,812,214,000 (equivalent to approximately HK$2,046,533,270) ("Xianghe Acquisition"). A special general meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. Upon completion of the Xianghe Acquisition which is subject to the approval of the Shareholders having been obtained and the satisfaction of the conditions precedent, Xianghe Jingang will become an indirect wholly-owned subsidiary of the Company. Further details of the Xianghe Acquisition are set out in the announcements of the Company dated 29 March 2017, 3 April 2017, 24 April 2017, 11 May 2017, 26 June 2017 and 29 August 2017.

(c) On 22 June 2017, Zhuguang Group Limited, a wholly-owned subsidiary of the Company, as vendor, and an independent third party, as purchaser, entered into a sale and purchase agreement in relation to the sale and purchase of the entire issued share capital of Gains Wide Holdings Limited ("Gains Wide") at the consideration of RMB1,000,000,000 (equivalent to approximately HK$1,135,400,000) ("Gains Wide Disposal"). Gains Wide, through three wholly-owned subsidiaries, held properties situated on 13 floors in the RM Hotel. Upon completion of the Gains Wide Disposal which is subject to the satisfaction of a condition precedent, the Company will cease to have any interest in Gains Wide. Further details of the Gains Wide Disposal are set out in the announcement of the Company dated 22 June 2017.

* *For identification purpose only*

(d) On 23 June 2017, South Trend Holdings Limited (南興控股有限公司), a wholly-owned subsidiary of the Company, as purchaser, Quan Xing Holdings Limited (荃興控股有限公司), as vendor, and Cheung Fong Wing, as guarantor, entered into a sale and purchase agreement ("Sale and Purchase Agreement") in relation to the acquisition of the entire issued share capital of All Flourish Investments Limited (通興投資有限公司) ("All Flourish") at the consideration of RMB3.5 billion (equivalent to approximately HK$3.95 billion) ("All Flourish Acquisition"). A special general meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Upon completion of the All Flourish Acquisition which is subject to the satisfaction of the conditions precedent (including the approval of the Shareholders having been obtained), All Flourish will become an indirect wholly-owned subsidiary of the Company. Further details of the All Flourish Acquisition are set out in the announcement of the Company dated 23 June 2017.

## PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") during the six months ended 30 June 2017, other than code provisions A.1.8 and E.1.2 of the CG Code.

Under code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal actions against its Directors. Such insurance cover has not yet been arranged for the Directors during the period under review as the Company is still negotiating and reviewing proposed insurance plans as at the date of this announcement, with an aim to securing an insurance plan appropriate for the Directors at reasonable costs. The Company understands the importance of arranging insurance cover for its Directors and will make the required arrangements as soon as practicable.

Code provision E.1.2 of the CG Code requires that the chairman of the Board should attend the annual general meeting ("AGM"). Mr. Chu, the chairman of the Board, did not attend the AGM held on 20 June 2017 due to his prior engagement.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors ("Model Code") as contained in Appendix 10 to the Listing Rules as its own code of conduct. Special enquiry has been made to all Directors, and all Directors have confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 June 2017.

* *For identification purpose only*

## AUDIT COMMITTEE

The audit committee of the Board ("Audit Committee") comprises three independent non-executive Directors. The Audit Committee has reviewed with 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 condensed consolidated financial statements for the six months ended 30 June 2017, which is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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

The interim report for the six months ended 30 June 2017 of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhuguang.com.hk, and will be despatched to the Shareholders in due course.

## APPRECIATION

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

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

Hong Kong, 30 August 2017

*As at the date of this announcement, the Board comprises Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Chairman), Mr. Liu Jie (Chief Executive Officer), Mr. Liao Tengjia (Deputy Chairman), Mr. Huang Jiajue (Deputy Chairman), Mr. Chu Muk Chi (alias Mr. Zhu La Yi) and Ms. Ye Lixia as executive Directors, and Mr. Leung Wo Ping JP, Mr. Wong Chi Keung and Dr. Feng Ke as independent non-executive Directors.*

*This announcement is published on the website of the Company (www.zhuguang.com.hk) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).*