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)

2018 INTERIM RESULTS

The board ("Board") of directors ("Directors") of Zhuguang Holdings Group Company Limited ("Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 ("Period Under Review") together with the comparative figures for the corresponding period in 2017 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
RESULTS	**2018**	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue — sales of properties	**1,139,246**	1,100,079
— rental income	**81,782**	67,420
— project management income	**252,572**	258,470
Fair value gains on investment properties, net	**66,277**	37,786
Profit for the period	**4,364**	103,923
(Loss)/profit for the period attributable to owners of the Company	**(53,003)**	93,491

	At 30 June	At 31 December
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Total assets	**25,244,982**	24,152,944
Total liabilities	**20,108,509**	18,970,371
Total equity	**5,136,473**	5,182,573

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2018, the impacts of national policies in the People's Republic of China ("PRC") on the real estate industry in cities across various tiers and the enforcement thereof have become increasingly convergent. During the Period Under Review, the restrictive policies on mortgage and property purchase, with the imposition of restrictive conditions that were becoming more and more sophisticated, have continued to be strictly implemented. Frequent reviews have been carried out jointly by the relevant authorities, in particular the reviews over limitations on property pricing and home purchase eligibility, which have impacted developers' on-site sales management and contracting in cities across various tiers in the country. As a result, purchasers in the real estate market in the PRC have become more prudent. In addition, due to the obvious cash shortage in the capital market, the developers in the PRC have sped up the turnover and recovery of their capital by cutting property prices jointly among themselves.

The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects, primary land development, co-operation with real estate project companies and acquisition of real estate project companies. During the Period Under Review, the Group has entered into an agreement to acquire 100% of the equity interest of Guangzhou Zhuguang Property Company Limited*（廣州珠光置業有限公司）("Guangzhou Zhuguang Property") at the consideration of RMB700 million (equivalent to approximately HK$847 million) (subject to adjustment). Guangzhou Zhuguang Property holds a development project known as "珠江新城御景 (Zhujiang Xincheng Yujing*)" located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a gross floor area ("GFA") of approximately 117,778 square meters ("sqm"). Such acquisition was completed in July 2018.

Property Development and Sales

During the Period Under Review, the Group continued its focus on the first-tier and key second-tier cities in the PRC with potential growth in demand for properties. The Group has achieved contracted sales of approximately HK$1,019,737,000 and contracted GFA of approximately 91,102 sqm during the Period Under Review, representing decreases of approximately 56.1% and 58.2% respectively, compared to those in the corresponding period in 2017. The details of the property sales contracted and the contracted GFA sold during the Period Under Review are set out below:

* *For identification purpose only*

Projects	Contracted sales	Contracted GFA sold
	HK$'000	*(sqm)*
Pearl Xincheng Yujing ("Xincheng Yujing")	113,239	8,748
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	500,688	50,658
Pearl Yunling Lake	90,628	4,956
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	28,845	2,992
Pearl Yijing	89,441	5,089
Project Tian Ying	152,048	15,443
	974,889	87,886
Car Parks	44,848	3,216
	1,019,737	91,102

As at 30 June 2018, the Group owned the following property development projects, the details of which are as follows:

Yujing Scenic Garden — 70% interest

"Yujing Scenic Garden" is located at Provincial Highway G105 ("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. 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 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 754,597 sqm and the project is divided into four phases for development. The aggregate GFA available for sale of Phase I, Phase II and Phase III delivered was approximately 515,039 sqm, of which approximately 88,094 sqm was delivered during the Period Under Review. In respect of Phase IV with a total GFA available for sale of approximately 159,536 sqm, it is currently under development and will be delivered in 2019 and 2020. The street-level commercial podium with a total GFA of approximately 2,416 sqm was leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK$500,688,000 with GFA of approximately 50,658 sqm were recorded with respect to Yujing Scenic Garden.

Tianhu Yujing — 100% interest

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm. The land 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 228,373 sqm. The development is divided into two phases. The total GFA available for sale of Phase I and Phase II is approximately 97,183 sqm and 131,190 sqm respectively.

The aggregate GFA of Phase I delivered was approximately 86,334 sqm, of which approximately 1,400 sqm was delivered during the Period Under Review. The aggregate GFA of Phase II delivered was approximately 35,696 sqm, of which approximately 1,616 sqm was also delivered during the Period Under Review. The remaining GFA available for sale of Phase I and Phase II is expected to be delivered in the second half of 2018. During the Period Under Review, contracted sales of approximately HK$28,845,000 with GFA of approximately 2,992 sqm were recorded with respect to Tianhu Yujing.

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. The project site area is approximately 200,083 sqm and the total GFA is expected to be approximately 127,509 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 43,179 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 84,330 sqm. The sale of Phase I with a total GFA available for sale of approximately 39,042 sqm and Phase II with a total GFA available for sale of approximately 55,822 sqm has been launched in the first and third quarters of 2017 respectively, whilst the hotel will be retained as a long-term asset of the Group.

The aggregate GFA of Phase I delivered was approximately 17,874 sqm, of which approximately 4,439 sqm was delivered during the Period Under Review. The aggregate GFA of Phase II of approximately 4,755 sqm was also delivered during the Period Under Review. The remaining GFA available for sale of Phase I and Phase II is expected to be delivered in the second half of 2018 and 2019. During the Period Under Review, contracted sales of approximately HK$90,628,000 with GFA of approximately 4,956 sqm were recorded with respect to Pearl Yunling Lake.

Xincheng Yujing — 100% interest

"Xincheng Yujing" was acquired by the Group in September 2016. It is located at Zhong Su Shang Wei* (種王上圍), Sunshine Village* (陽光村), Tang Nan Town* (湯南鎮), Fengshun County* (豐順縣), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for its hot spring resources which is a major tourism attraction. The project site area is approximately 280,836 sqm and a total GFA of approximately 384,422 sqm is expected to be developed. The project will be developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project will be divided into three phases. Phase I with a total GFA available for sale of approximately 54,112 sqm has commenced pre-sale during 2017, and is expected to be delivered in the second half of 2018. Phase II and Phase III are currently under development and Phase II has commenced pre-sale during 2017. The ancillary commercial building plus a basement with a total GFA of approximately 7,165 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK$113,239,000 with GFA of approximately 8,748 sqm were recorded with respect to Xincheng Yujing.

Pearl Yijing — 100% interest

"Pearl Yijing" is located at No.168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with total GFA available for sale of approximately 167,808 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. During 2017, a total GFA available for sale of approximately 70,735 sqm under Phase I was delivered, and the remaining part of approximately 9,256 sqm of Phase I will be completed and delivered in the second half of 2018 and 2019. Phase II of the project is currently under development and is expected to be completed in the second half of 2018 and 2019. During the Period Under Review, contracted sales of approximately HK$89,441,000 with GFA of approximately 5,089 sqm were recorded with respect to Pearl Yijing.

Project Tian Ying — 100% interest

"Project Tian Ying" is located in Jiang Pu Street, Conghua, Guangzhou, 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 GFA available for development is approximately 74,213 sqm. The project will be developed into a stylish low-density residential complex with a commercial podium and certain public facilities. During the Period Under Review, contracted sales of approximately HK$152,048,000 with GFA of approximately 15,443 sqm were recorded with respect to Project Tian Ying.

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Zhukong International — 80% interest

"Zhukong International" is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, at the junction of Guangzhou Avenue* (廣州大道) and Huang Pu Da Dao* (黃埔大道), which 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 total GFA (including carpark areas) available for sale and leasing of approximately 109,738 sqm. The aggregate GFA of the office building and carparks sold and delivered were approximately 41,412 sqm and 2,537 sqm respectively from 2014 to 2017, and GFA of approximately 21,871 sqm of this property is still available for sale or leasing. The Group has designated GFA of approximately 43,918 sqm of this property as investment properties held for long-term investment purpose.

Central Park — 100% interest

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and total GFA available for sale of approximately 28,908 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. The aggregate GFA available for sale of the service apartments delivered was approximately 23,631 sqm, of which approximately 778 sqm was delivered during the Period Under Review. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties held for long-term investment purpose.

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. As at 30 June 2018, the project was completed and only certain car parks still remained available for sale. During 2017, car parks with total GFA of approximately 421 sqm were delivered and of approximately 37 sqm were sold which will be delivered in the second half of 2018.

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Land Bank

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for at least 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. During the Period Under Review, the Group has entered into a sale and purchase agreement with Guangdong Zhuguang Group Company Limited* (廣東珠光集團有限公司) ("Guangdong Zhuguang Group") to acquire 100% equity interest of Guangzhou Zhuguang Property, which indirectly owns interests in a development project located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a GFA of approximately 117,778 sqm available for development. Further details of this acquisition are set out in paragraph (c) in the section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in the section headed "OTHER INFORMATION" in this announcement. The Group will continue to explore new opportunities in cities in the PRC in which the Group has already invested, as well as new cities in the PRC with growth potential and the best investment value.

Property Investments

As at 30 June 2018, the Group owned 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 (31 December 2017: 18,184 sqm), "Zhukong International" with GFA of approximately 43,918 sqm (31 December 2017: 43,918 sqm) and certain commercial properties with GFA of approximately 13,194 sqm (31 December 2017: 6,029 sqm) as investment properties. During the Period Under Review, RM Hotel, Zhukong International and the commercial properties were partly leased out with total rental income of approximately HK$81,782,000 generated, representing an increase of approximately 21.3% as compared to that of approximately HK$67,420,000 for the same period last year. 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.

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Project Management Services

During the Period Under Review, the Group provided funding and 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 with these customers and such income enables the Group to broaden its revenue source. The Group recognised project management services income of approximately HK$252,572,000 for the Period Under Review, comparing to that of approximately HK$258,470,000 for the same period last year. The Group will continue to utilise its expertise in project management in order to maintain a steady revenue stream in the future.

OUTLOOK

Looking into the second half of 2018, the global economy will remain unpredictable as the United States has imposed trade sanctions, including the levy of additional tariffs to reduce its trade deficits with other countries. Therefore, the PRC will still be facing various uncertainties with certain downward pressure in relation to its economic developments. With real estate being one of the most important sectors of the Chinese economy, it is expected that the PRC government will continue steadily with its control policies in relation to the real estate market and will build up a long-term operating mechanism in the real estate industry.

In view of the new trends in the real estate industry, the Group will continue to actively participate in urban redevelopment projects and construction projects in featured small towns, acquire qualified land reserves in regions of high value and further develop the Group's business in Guangzhou, Xianghe and other first-tier and key second-tier cities in the PRC. In the second half of 2018, the Group's inventory for sale will still be its completed projects in Guangzhou, and it will continue to step up its efforts in marketing its projects in the Conghua area in Guangzhou, the PRC. Currently, the Group's saleable inventory in the Conghua area is relatively abundant. Therefore, Conghua will become a focused sale area of the Group in the second half of 2018, where the Group will pay close attention to the sales in this market. Capitalising on the opportunities provided by the opening of the light rail in Conghua in the second half of 2018 and the rise in contracted and filed prices of the properties sold in the Conghua area, the Group will devote greater efforts to marketing by way of advertising, developing new channels and group purchase, to make sure that its projects in Conghua are prioritised in terms of promotion so as to continuously maintain strong sales and gain greater market share.

FINANCIAL REVIEW

Revenue

During the Period Under Review, the Group's revenue included revenue from property sales, rental income and project management services income. The total revenue of the Group for the Period Under Review was approximately HK$1,473,600,000 (six months ended 30 June 2017: HK$1,425,969,000), which represented an increase of approximately 3.3% as compared to that for the same period last year. Revenue from sale of properties for the Period Under Review amounted to approximately HK$1,139,246,000 (six months ended 30 June 2017: HK$1,100,079,000). The increase was mainly due to the increase in the average selling price of the properties delivered during the Period Under Review as compared to that of the same period last year. The Group recorded an increase of 21.3% in rental income for the Period Under Review, as compared to that for the same period last year. The rental income increased from approximately HK$67,420,000 for the six months ended 30 June 2017 to approximately HK$81,782,000 for the Period Under Review, mainly due to the additional GFA of investment properties leased out by the Group during the Period Under Review. The income from project management services contributed approximately HK$252,572,000 (six months ended 30 June 2017: HK$258,470,000) to the total revenue of the Group for the Period Under Review, being a new income stream developed by the Group since 2014.

Gross profit and margin

For the Period Under Review, the Group recorded a gross profit of approximately HK$835,858,000 (six months ended 30 June 2017: HK$535,682,000). The increase was mainly due to the average selling price of the properties delivered during the Period Under Review being higher than that of the properties delivered during the same period last year.

Investment and other income

The Group's investment and other income increased to approximately HK$76,938,000 during the Period Under Review (six months ended 30 June 2017: HK$58,459,000), which was mainly due to the increase in interest income received from bank deposits held by the Group during the Period Under Review as compared to that in the corresponding period in 2017.

Fair value gains on investment properties, net

For the Period Under Review, the fair value gains on investment properties, net recorded by the Group amounted to approximately HK$66,277,000 (six months ended 30 June 2017: HK$37,786,000), representing an increase of approximately 75.4% as compared to those of the corresponding period in 2017. The fair value gains on investment properties, net recorded during the Period Under Review were mainly attributable to the continuous rise in the market value of the Group's investment properties in RM Hotel and Zhukong International.

Other losses/gains, net

The Group recorded other losses, net of approximately HK$29,530,000 for the Period Under Review, as compared to other gains, net of approximately HK$35,711,000 recorded in the corresponding period in 2017, which was mainly attributable to the negative effect of the depreciation of the Renminbi ("RMB") against Hong Kong dollar ("HK$") during the Period Under Review.

Administrative expenses and selling and marketing costs

Administrative expenses and selling and marketing costs of the Group increased from approximately HK$88,949,000 for the six months ended 30 June 2017 to approximately HK$118,237,000 for the Period Under Review. The increase was primarily due to the general increase in administrative expenses, including (i) the staff costs due to the increase in the number of employees; and (ii) the provision of professional fees payable for due diligence and refinancing arrangements and settlement in relation to potential projects.

Finance costs, net

Finance costs, net for the Period Under Review were approximately HK$611,069,000 (six months ended 30 June 2017: HK$435,365,000), which were made up of interest expenses incurred during the Period Under Review after deduction of the interest expenses capitalised to development costs. The increase in finance costs, net was mainly due to the senior secured guaranteed notes in the aggregate principal amount of US$50,000,000 issued by the Company at the end of 2017 and an increase in other borrowings of the Group during the Period Under Review.

Income tax expenses

Income tax expenses comprised corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC. CIT of approximately HK$168,965,000 (six months ended 30 June 2017: HK$135,335,000) and LAT of approximately HK$46,908,000 (six months ended 30 June 2017: HK$16,675,000) brought about the Group's total income tax of approximately HK$215,873,000 for the Period Under Review (six months ended 30 June 2017: HK$152,010,000). The increase in total income tax expenses for the Period Under Review was mainly due to (i) the decrease in income generated during the Period Under Review which was not subject to income tax, as compared to that generated in the corresponding period in 2017; (ii) the decrease in tax-deductible expenses incurred during the Period Under Review, as compared to those incurred in the corresponding period in 2017; (iii) the LAT impact on the fair value gains on the Group's investment properties in RM Hotel during the Period Under Review; and (iv) the provision of LAT made in respect of Pearl Yunling Lake for the Period Under Review.

Profit for the period

The Group's profit for the Period Under Review was approximately HK$4,364,000 (six months ended 30 June 2017: HK$103,923,000), which represented a decrease of approximately 95.8% as compared to that for the same period last year. The decrease in profit was mainly attributable to the combined effects of (i) a one-off gain on the acquisition of a subsidiary of the Company made by the Group of approximately HK$112,609,000 in the six months ended 30 June 2017 which was absent in the Period Under Review; (ii) an increase in finance costs incurred by the Group during the Period Under Review as mentioned above; and (iii) an increase in income tax expenses incurred by the Group during the Period Under Review as mentioned above.

Cash position

As at 30 June 2018, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$8,362,205,000 (31 December 2017: HK$4,575,317,000). The cash and cash equivalents of the Group as at the end of the Period Under Review were mainly denominated in RMB, United States Dollar ("US$") and HK$.

Borrowings, charges on group assets and gearing ratio

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

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Bank loans — secured	**1,676,994**	1,261,612
Senior notes — secured	**3,517,689**	3,477,499
Other borrowings — secured	**6,536,865**	6,423,192
	11,731,548	11,162,303

(a) As at 30 June 2018, the Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; and (iii) other borrowings, including trust loans. The senior notes and other borrowings carried fixed interest rates ranging from 8% to 12% (31 December 2017: 8% to 11%) and the bank loans carried fixed interest rates ranging from 6.18% to 9.5% (31 December 2017: 6.18% to 9.5%) and floating interest rates.

(b) As at 30 June 2018, the borrowings (including bank loans, senior notes and other borrowings) of the Group were secured by (i) charges over investment properties of the Group; (ii) charges over land use rights of the Group; (iii) charges over properties under development of the Group; (iv) charges over completed properties held for sale of the Group; (v) charges over the entire issued share capital of certain subsidiaries of the Group; (vi) corporate guarantees executed by the Company, certain subsidiaries, related parties and the controlling shareholder of the Company; (vii) guarantees executed by the Directors, namely Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Zhu Qing Yi) and Mr. Chu Muk Chi (alias Zhu La Yi); (viii) charges over 3,121,112,000 ordinary shares of the Company beneficially owned by the controlling shareholder of the Company; and (ix) charges over the assets provided by Xianghe Zhuguang Property Development Company Limited* (香河珠光房地產開發有限公司).

(c) The gearing ratio of the Group is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, terms deposits with initial terms of over three months and restricted cash) over the total capital of the Group. As at 30 June 2018, the gearing ratio of the Group was 40% (31 December 2017: 56%).

(d) As at 30 June 2018, bank loans of the Group that were outstanding amounted to HK$1,676,994,000 (31 December 2017: HK$1,261,612,000), which comprised (1) a bank loan in the principal amount of US$20 million due in July 2018; (2) a bank loan in the principal amount of US$33 million due in January 2019; (3) a bank loan in the principal amount of HK$11.2 million due in June 2019; (4) a bank loan in the principal amount of RMB61 million repayable by instalments within 1 year with the last instalment due in November 2018; (5) a bank loan in the principal amount of RMB120 million repayable by instalments within 3 years with the last instalment due in July 2020; (6) a bank loan in the principal amount of RMB127 million repayable by instalments within 4 years with the last instalment due in December 2021; and (7) a bank loan in the principal amount of RMB750 million due in July 2020.

(e) As at 30 June 2018, senior notes issued by the Company that were outstanding amounted to HK$3,517,689,000 (31 December 2017: HK$3,477,499,000), which comprised (1) senior notes in the principal amount of US$190 million due in August 2019; (2) senior notes in the principal amount of US$220 million due in September 2019; and (3) senior notes in the principal amount of US$50 million due in December 2019.

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(f) As at 30 June 2018, other borrowings of the Group that were outstanding amounted to HK$6,536,865,000 (31 December 2017: HK$6,423,192,000), which comprised (1) a loan in the principal amount of RMB2,550 million repayable by instalments within 5 years with the last instalment due in December 2022; (2) a loan in the principal amount of RMB551 million due in November 2019; (3) a loan in the principal amount of RMB636 million due in April 2019; (4) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 3 years with the last instalment due in July 2020; (5) a loan in the principal amount of RMB450 million repayable by instalments within 3 years with the last instalment due in January 2021; and (6) a loan in the principal amount of RMB629.6 million repayable by instalments within 2 years with the last instalment due in January 2020.

FINANCIAL GUARANTEE CONTRACTS

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 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**2,708,144**	2,682,760

During the Period Under Review, Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure their repayment obligations. Such guarantees shall 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 the guarantee registration; or (ii) the satisfaction of the mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the 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. The Group's guarantee period starts from the dates of grant of the mortgages. The Directors are of the view that the fair value of the financial guarantees was not significant during the Period Under Review.

FOREIGN EXCHANGE RATE

During the Period Under Review, the Group conducted its business almost exclusively in RMB except that certain transactions were 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 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 has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risks it encounters so as to decide the hedging policy required against the possible foreign exchange risks that may arise.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 281 employees in Hong Kong and the PRC as at 30 June 2018 (31 December 2017: 248). During the Period Under Review, overall staff costs of the Group amounted to approximately HK$30,346,000 (six months ended 30 June 2017: HK$21,810,000). 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 benefit. 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 provides coaching to its employees and encourages them to attend sustainable training and further studies. In-house training has been provided to eligible employees during the Period Under Review, including training on "Development of Niche Town Business Model", training on updates of accounting standards and training on market updates.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**1,473,600**	1,425,969
Cost of sales		**(637,742)**	(890,287)
Gross profit		**835,858**	535,682
Fair value gains on investment properties, net		**66,277**	37,786
Investment and other income	*6*	**76,938**	58,459
Selling and marketing costs		**(19,767)**	(28,212)
Administrative expenses		**(98,470)**	(60,737)
Other (losses)/gains, net		**(29,530)**	35,711
Operating profit		**831,306**	578,689
Finance costs, net	*7*	**(611,069)**	(435,365)
Gain on acquisition of a subsidiary		**—**	112,609
Profit before income tax		**220,237**	255,933
Income tax expenses	*8*	**(215,873)**	(152,010)
Profit for the period		**4,364**	103,923
(Loss)/profit attributable to:			
Owners of the Company		**(53,003)**	93,491
Non-controlling interests		**57,367**	10,432
		4,364	103,923
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period			
(expressed in HK cents per share)			
— Basic and diluted	*9*	**(0.83)**	1.46

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**4,364**	103,923
Other comprehensive (expense)/income		
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences	**(29,047)**	130,436
Total comprehensive (expense)/income for the period	**(24,683)**	234,359
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(76,008)**	214,764
Non-controlling interests	**51,325**	19,595
	(24,683)	234,359

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
ASSETS			
Non-current assets			
Property and equipment		**125,946**	122,023
Intangible assets		**57,367**	59,946
Investment properties		**2,566,400**	2,412,183
Deferred income tax assets		**66,835**	55,655
Financial assets at fair value through profit or loss		**65,247**	14,200
Goodwill		**16,861**	17,010
		2,898,656	2,681,017
Current assets			
Properties under development		**3,483,995**	3,724,321
Completed properties held for sale		**2,191,897**	2,056,131
Trade and other receivables	*11*	**3,954,804**	4,514,301
Prepayments		**4,160,253**	6,423,300
Prepaid income tax		**185,628**	166,582
Financial assets at fair value through profit or loss		**7,544**	11,975
Restricted cash		**237,557**	357,585
Term deposits with initial terms of over three months		**5,215,529**	3,439,190
Cash and cash equivalents		**2,909,119**	778,542
		22,346,326	21,471,927
Total assets		**25,244,982**	24,152,944
EQUITY			
Equity attributable to owners of the Company			
Share capital		**642,441**	642,441
Other reserves		**4,491,858**	4,514,863
Accumulated losses		**(352,176)**	(299,173)
		4,782,123	4,858,131
Non-controlling interests		**354,350**	324,442
Total equity		**5,136,473**	5,182,573

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

	Note	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**10,154,699**	9,585,982
Deferred income tax liabilities		**714,430**	731,243
		10,869,129	10,317,225
Current liabilities			
Borrowings		**1,576,849**	1,576,321
Trade and other payables	*12*	**3,249,013**	2,550,054
Contract liabilities		**2,527,145**	—
Advances from customers		**—**	2,750,836
Current income tax liabilities		**1,854,209**	1,692,453
Finance lease payable		**332**	658
Derivative financial instruments		**30,952**	81,944
Amount due to ultimate holding company		**880**	880
		9,239,380	8,653,146
Total liabilities		**20,108,509**	18,970,371
Total equity and liabilities		**25,244,982**	24,152,944

Notes:

1. GENERAL INFORMATION

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

This interim condensed consolidated financial information for the six months ended 30 June 2018 ("Interim Financial Information") was approved for issue by the Board of Directors (the "Board") of the Company on 30 August 2018.

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

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2017, as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 1 (Amendment)	First Time Adoption of HKFRS
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendment)	Transfers of investment property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The adoption of the new and amended standards does not have significant impact on this Interim Financial Information except for HKFRS 9 and HKFRS 15. Please refer to note 3(c) below.

(b) New standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 16.

3. ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(i) Impact on the financial statements

The Directors of the Group consider that the changes in the Group's accounting policies do not have any material impacts on prior year financial statements.

HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Interim condensed consolidated statement of financial position (extract)	**31 December 2017 As originally presented**	**Impact**		**1 January 2018 Restated**
		HKFRS 9	**HKFRS 15**	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities	—	—	2,750,836	2,750,836
Advances from customers	2,750,836	—	(2,750,836)	—

3. ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

(ii) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of Hong Kong Accounting Standard 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3(c)(iv) below.

The effects of the adoption of HKFRS 9 are as follows:

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost.

The Group's financial assets include cash and cash equivalents, restricted cash, term deposits with initial terms of over three months, financial assets at fair value through profit or loss, and trade and other receivables. There is no reclassification from the adoption of HKFRS 9.

(iii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of property developed and from the provision of funding and project management services

- other financial assets at amortised cost

While cash and cash equivalents, restricted cash and term deposits with initial terms of over three months are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group was required to revise its impairment methodology under HKFRS 9. The Directors of the Group consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

3. **ACCOUNTING POLICIES** *(Continued)*

(c) Changes in accounting policies *(Continued)*

(iv) HKFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

3. ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

(iv) HKFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018 (Continued)

Investments and other financial assets *(Continued)*

Debt instruments (Continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3. **ACCOUNTING POLICIES** *(Continued)*

(c) Changes in accounting policies *(Continued)*

(iv) HKFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018 (Continued)

Investments and other financial assets *(Continued)*

Impairment (Continued)

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(v) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies.

Impact on financial statements

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The Group has assessed that there is an enforceable right to payment from the customers for performance completed to date for only a few properties. Thus, majority of revenue from sale of properties will continue to be recognised at a point in time, when the purchasers obtain the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The Directors of the Group considered that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition. The Group has considered that there is no significant impact of HKFRS 15 as at 1 January 2018 and for the six months ended 30 June 2018, except for the reclassification from the advances from customers to the contract liabilities presented in Note 3(c)(i).

3. ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

(v) HKFRS 15 Revenue from Contracts with Customers (Continued)

Impact on financial statements (Continued)

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component, if significant. For the six months ended 30 June 2018, the Group has assessed and considered that the financing component effect is insignificant.

Presentation of assets and liabilities related to contracts with customers

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Under HKFRS 15, the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, such as sales commissions, are capitalised as contract assets.

Under HKFRS 15, contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced proceeds received from customers.

4. ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 2017, with the exception of changes in estimates that are required in determining the provision for income taxes.

5. 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 consists of sales 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 2018 and 2017 consists of the following:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Sales of properties	**1,139,246**	1,100,079
Rental income	**81,782**	67,420
Project management income	**252,572**	258,470
Total	**1,473,600**	1,425,969

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 2018 are as follows:

	Property development	**Property investment**	**Project management services**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Gross segment revenue	**1,139,246**	**81,782**	**252,572**	**1,473,600**
Segment results	**459,326**	**130,079**	**252,572**	**841,977**
Fair value losses on derivative financial instruments				**(10,671)**
Finance costs, net				**(611,069)**
Profit before income tax				**220,237**
Income tax expenses				**(215,873)**
Profit for the period				**4,364**
Capital expenditure	**6,295**	**—**	**—**	**6,295**
Depreciation	**1,371**	**—**	**—**	**1,371**
Amortisation of intangible assets recognised as expenses	**2,249**	**—**	**—**	**2,249**
Fair value gains on investment properties, net	**—**	**66,277**	**—**	**66,277**

5. SEGMENT INFORMATION *(Continued)*

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
Fair value losses on derivative financial instruments				(16,114)
Finance costs, net				(435,365)
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 intangible assets recognised as expenses	2,190	—	—	2,190
Fair value gains on investment properties, net	—	37,786	—	37,786

Segment assets and liabilities as at 30 June 2018 are as follows:

	Property development	**Property investment**	**Project management services**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**19,389,294**	**2,610,522**	**3,105,540**	**25,105,356**
Other assets				**139,626**
Total assets				**25,244,982**
Segment liabilities	**5,694,266**	**82,772**	**—**	**5,777,038**
Other liabilities				**14,331,471**
Total liabilities				**20,108,509**

5. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities as at 31 December 2017 are as follows:

	Property development	Property investment	Project management services	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	20,045,065	2,463,180	1,562,869	24,071,114
Other assets				81,830
Total assets				24,152,944
Segment liabilities	5,223,413	78,357	—	5,301,770
Other liabilities				13,668,601
Total liabilities				18,970,371

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 interim 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 interim condensed consolidated statement of financial position. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, prepayments for acquisition of equity interests in property development projects, receivables, 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.

6. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income from bank deposits	**53,848**	39,224
Interest income from other receivables	**23,090**	19,235
	76,938	58,459

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expense:		
— Bank and other borrowings	**432,942**	263,712
— Senior notes	**228,599**	203,858
— Finance lease	**9**	21
Less: interest capitalised	**(50,481)**	(32,226)
	611,069	435,365

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax:		
— PRC corporate income tax	**196,397**	143,374
— PRC land appreciation tax	**17,316**	1,583
Deferred income tax:		
— PRC corporate income tax	**(27,432)**	(8,039)
— PRC land appreciation tax	**29,592**	15,092
	215,873	152,010

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 (the "CIT Law"), which is 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.

8. 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 2018 (six months ended 30 June 2017: 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.

9. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2018	2017
(Loss)/profit attributable to owners of the Company (HK$'000)	**(53,003)**	93,491
Weighted average number of ordinary shares in issue (thousand shares)	**6,424,417**	6,424,417
Basic (loss)/earnings per share (HK cents per share)	**(0.83)**	1.46

9. (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted (loss)/earnings per share for the six months ended 30 June 2018 and 2017 has not been presented as the Company's outstanding warrants had no dilutive effect for the six months ended 30 June 2018 and 2017 as the exercise prices of those warrants were higher than the average market price for shares.

10. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil) was proposed by the Board.

11. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**327,200**	403,231
— Related parties *(Note (c), (d) and (e))*	**263,080**	368,875
— Third parties	**64,120**	34,356
Less: provision for impairment of trade receivables	**—**	—
Trade receivables, net	**327,200**	403,231
Other receivables	**3,627,604**	4,111,070
— Related parties *(Note (c) and (d))*	**2,845,087**	3,597,189
— Third parties *(Note (f))*	**782,517**	513,881
	3,954,804	4,514,301

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Not due	**295,715**	396,164
Over due	**31,485**	7,067
	327,200	403,231

11. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

As at 30 June 2018 and 31 December 2017, the ageing analysis of overdue trade receivables based on the payment due date were as follows:

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Within 90 days	**14,304**	4,889
91 days to 180 days	**15,021**	—
181 days to 365 days	—	2,178
Over 365 days	**2,160**	—
	31,485	7,067

As at 30 June 2018, trade receivables of HK$31,485,000 (31 December 2017: HK$7,067,000) were past due but not impaired. The Group considered that these past due trade receivables would be recovered and no provision was made.

(b) As at 30 June 2018 and 31 December 2017, the fair value of trade and other receivables approximated their carrying amounts.

(c) As at 30 June 2018, HK$1,186,100,000 (equivalent to RMB1,000,000,000) of other receivables from related parties (31 December 2017: HK$1,196,300,000) represented funding for project development. Pursuant to a project management service agreement entered in April 2015, the Group agreed to provide funding and management service to a property development project (the "Project Guangzhou") in Guangzhou, the PRC. In return, the Group will be entitled to (i) a fixed percentage of the total funding incurred for the Project Guangzhou; and (ii) a bonus which will be determined with reference to the estimated profit of the Project Guangzhou. Revenue recognised for the period was approximately to HK$103,494,000 and the revenue amount has been subsequently settled.

(d) As at 30 June 2018, HK$1,658,987,000 (equivalent to RMB1,398,691,000) of other receivables from related parties (31 December 2017: HK$1,196,300,000) represented funding for project development. Pursuant to a project management service agreement entered in December 2017, the Group agreed to provide funding and management service to a property development project (the "Project Beijing") in Beijing, the PRC. In return, the Group will be entitled to (i) a fixed percentage of the total funding incurred for the Project Beijing; and (ii) a bonus which will be determined with reference to the estimated profit of the Project Beijing. Revenue recognised for the period was approximately to HK$140,696,000 and the revenue amount has been subsequently settled.

(e) As at 30 June 2018, HK$8,584,000 of trade receivables from related parties (31 December 2017: Nil) raised from project management service. Pursuant to a project management service agreement entered in December 2017, the Group agreed to provide management service to a property development project (the "Project Qingyuan") in Qingyuan, the PRC. In return, the Group will be entitled to a fixed percentage of the total sales of the Project Qingyuan. Revenue recognised for the period was approximately to HK$8,382,000.

11. TRADE AND OTHER RECEIVABLES *(Continued)*

(f) Other receivables from third parties mainly consist of advances to third parties.

(g) Except for those disclosed in Note (a), no material trade and other receivables were impaired or past due as at 30 June 2018 and 31 December 2017.

(h) 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.

12. TRADE AND OTHER PAYABLES

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Trade payables	**1,431,276**	1,601,388
Amounts due to related parties	**777,802**	105,780
Provisions for claims and administrative penalties	**—**	23,036
Other payables and accruals	**707,142**	517,192
Other taxes payables	**332,793**	302,658
	3,249,013	2,550,054

As at 30 June 2018 and 31 December 2017, the ageing analysis of trade payables based on the payment due date were as follows:

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Within one year	**1,055,812**	1,414,459
Over one year	**375,464**	186,929
	1,431,276	1,601,388

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

OTHER INFORMATION

INTERIM DIVIDEND

No interim dividend in respect of the six months ended 30 June 2018 was proposed by the Board (six months ended 30 June 2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period Under Review, the Group entered into the following contracts:

(a) 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 ("Xianghe Purchaser"), Tong Dexin* (佟德新) and Tong Demin* (佟德珉), as vendors (collectively, the "Xianghe 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 Target"), entered into an equity transfer agreement ("Equity Transfer Agreement"), which was amended and supplemented by (i) the supplemental agreement dated 29 December 2017 entered into among the Xianghe Purchaser, the Xianghe Vendors and the Xianghe Target; and (ii) the further supplemental agreement dated 9 March 2018 entered into among the Xianghe Purchaser, Langfang Xianghe Haojie Trading Company Limited* (廊坊香河豪捷貿易有限公司) ("Langfang Xianghe"), an indirect wholly-owned subsidiary of the Company, the Xianghe Vendors, the Xianghe Target and Guangdong Zhuguang Group (collectively, the "Further Supplemental Agreements"), in relation to the purchase and sale of the entire equity interest in the Xianghe Target at the aggregate consideration of RMB1,700,000,000 (equivalent to approximately HK$2,105,960,000) ("Xianghe Acquisition").

    On 29 June 2018, a transfer agreement was entered into between the Xianghe Purchaser, Langfang Xianghe, the Xianghe Vendors, the Xianghe Target, Guangdong Zhuguang Group and Xianghe Runfa Property Development Company Limited* (香河潤發房地產開發有限公司) ("Xianghe Runfa"), to agree, among other things that, (i) the Xianghe Purchaser and Langfang Xianghe shall transfer all their rights and obligations under the Equity Transfer Agreement and the Further Supplemental Agreements (collectively, the "Original Agreements") to Xianghe Runfa for the consideration of RMB400,000,000 (being an amount equivalent to the deposit paid by the Xianghe Purchaser to the Xianghe Vendors pursuant to the Equity Transfer Agreement) ("Xianghe Transfer"); and (ii) following the Xianghe Transfer, the Xianghe Purchaser and Langfang Xianghe shall cease to have any rights and shall be discharged from all of their obligations and liabilities under the Original Agreements.

    Further details of the Xianghe Acquisition and the Xianghe Transfer 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, 29 August 2017, 29 December 2017, 31 January 2018, 12 March 2018 and 29 June 2018.

* *For identification purpose only*

(b) 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 ("South Trend"), Quan Xing Holdings Limited (荃興控股有限公司), as vendor ("Quan Xing"), and Cheung Fong Wing, as guarantor ("All Flourish Guarantor"), entered into a sale and purchase agreement ("All Flourish SPA"), which was amended and supplemented by the supplemental agreements (collectively, the "All Flourish Supplemental Agreements") dated 28 March 2018 and 2 August 2018 entered into among South Trend, Quan Xing and the All Flourish Guarantor, 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) (subject to adjustment) ("All Flourish Acquisition"). A special general meeting will be convened and held for the shareholders of the Company ("Shareholders") to consider and, if thought fit, approve the All Flourish SPA (as amended and supplemented by the All Flourish Supplemental Agreements) 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 announcements of the Company dated 23 June 2017, 27 October 2017, 14 February 2018, 28 March 2018, 29 June 2018 and 2 August 2018.

(c) On 24 June 2018, Guangzhou Yude Investment Company Limited* (廣州御德投資有限公司) ("Guangzhou Yude"), a wholly-owned subsidiary of the Company, as purchaser, and Guangdong Zhuguang Group, as vendor, entered into an agreement ("GD Zhuguang SP Agreement") in relation to the acquisition ("GD Zhuguang Acquisition") of 100% of the equity interest ("Sale Interest") of Guangzhou Zhuguang Property. Pursuant to the GD Zhuguang SP Agreement, Guangzhou Yude has conditionally agreed to purchase, and Guangdong Zhuguang Group has conditionally agreed to sell, the Sale Interest at the consideration of RMB700 million (equivalent to approximately HK$847 million) (subject to adjustment).

Guangzhou Zhuguang Property holds 100% of the equity interests of Guangzhou Shunji Industry Company Limited* (廣州舜吉實業有限公司) ("Guangzhou Shunji"), and Guangzhou Shunji holds interests in a development project known as "Zhujiang Xincheng Yujing* (珠江新城御景)" ("Development"), which is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC.

** For identification purpose only*

The Development which comprises a composite development (residential/commercial) of 13 blocks of residential and commercial buildings, with ancillary facilities and car parks thereon, constructed or to be constructed on three parcels of land with a total site area of approximately 60,237 sqm and GFA of approximately 433,015 sqm, is scheduled to be completed in about December 2020. Out of the GFA of approximately 117,778 sqm of the Development that will belong to Guangzhou Shunji upon completion of the GD Zhuguang Acquisition, GFA of approximately 48,043 sqm is attributable to the commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises developed on one of the three pieces of land of the Development, and GFA of approximately 69,735 sqm is attributable to a commercial complex which comprises shopping malls and office premises to be developed on another piece of land of the Development.

The GD Zhuguang Acquisition was completed in July 2018, upon which Guangzhou Zhuguang Property became an indirect wholly-owned subsidiary of the Company. For details of the GD Zhuguang Acquisition, please refer to the Company's announcement dated 24 June 2018.

(d) On 29 June 2018, the Company, as purchaser, entered into a sale and purchase agreement ("SG Sale and Purchase Agreement A") with CGNPC International Limited (中廣核國際有限公司), as vendor ("Vendor A"), pursuant to which the Company (or any of its subsidiary) conditionally agreed to acquire, and Vendor A conditionally agreed to sell, the legal and beneficial interests in 364,140,000 ordinary shares ("Sale Shares A") in the issued share capital of Silver Grant International Industries Limited (銀建國際實業有限公司) ("Target Company"), representing approximately 15.80% of the total issued share capital of the Target Company held by Vendor A as at 29 June 2018, for a consideration of HK$1,121,551,200 ("SG Acquisition A").

On 29 June 2018, the Company, as purchaser, entered into a sale and purchase agreement ("SG Sale and Purchase Agreement B", together with SG Sale and Purchase Agreement A, collectively the "SG Sale and Purchase Agreements") with Silver Grant Group Limited (銀建集團有限公司), as vendor ("Vendor B"), and Gao Jianmin* (高建民), as guarantor for Vendor B ("Vendor B Guarantor"), pursuant to which the Company (or any of its subsidiary) conditionally agreed to acquire, and Vendor B conditionally agreed to sell, the legal and beneficial interests in 291,220,022 ordinary shares ("Sale Shares B") in the issued share capital of the Target Company, representing approximately 12.64% of the total issued share capital of the Target Company held by Vendor B as at 29 June 2018, for a consideration of HK$896,957,668 ("SG Acquisition B", together with SG Acquisition A, collectively the "SG Acquisitions").

The Target Company is a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (stock code: 171). The Target Company and its subsidiaries are principally engaged in investment holding, property leasing and production and trading of petrochemical products and provision of sub-contracting service.

** For identification purpose only*

Completion of the SG Acquisitions which is subject to the satisfaction of certain conditions precedent, shall take place within 90 days from the date of the SG Sale and Purchase Agreements, or such earlier date to be agreed by the parties thereto in writing. Details of the SG Acquisitions are set out in the announcements of the Company dated 29 June 2018 and 31 July 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has 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 Period Under Review, other than Code Provisions A.1.8 and E.1.2 of the CG Code as specified with considered reasons below.

Under Code Provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Directors did not have such insurance cover during the Period Under Review as the Company has been negotiating and reviewing proposed insurance plans, with an aim to securing an insurance plan appropriate for the Directors at reasonable costs. However, the Company has made arrangements for insurance cover to take effect in August 2018 for the Directors.

Code Provision E.1.2 of the CG Code requires that the chairman of the Board ("Chairman") should attend the annual general meeting of the Company ("AGM"). Mr. Chu Hing Tsung, the Chairman, did not attend the AGM held on 30 May 2018 due to his prior engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Code") as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors, who confirmed that they 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 2018, which is of the opinion that such financial information complies 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 2018 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 2018

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

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