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)

2019 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 2019 ("Period Under Review") together with the comparative figures for the corresponding period in 2018 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
RESULTS	**2019**	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue by operating segment:		
— property development	**1,606,812**	1,139,246
— property investment	**86,864**	81,782
— project management services	**509,022**	252,572
Fair value gain on investment properties, net	**14,515**	66,277
Profit for the period	**347,802**	4,364
Profit/(loss) for the period attributable to equity holders of the parent	**358,124**	(53,003)

	At 30 June	At 31 December
	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Total assets	**36,269,856**	35,808,435
Total liabilities	**29,041,891**	28,960,128
Total equity	**7,227,965**	6,848,307

** Chinese name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2019, faced with the growing economic downward pressure, the central government of the People's Republic of China ("PRC") pledged to maintain supportive policies toward private businesses, with tax cuts to ease the tax burdens for the private sector, incentives to boost innovation and stimulus to shore up confidence and stabilise the economy in the PRC. During the first half of 2019, the Group has strengthened its sales efforts for its projects under development and therefore achieved a steady sales volume in its contracted sales.

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$1,520,884,000 and contracted gross floor area ("GFA") of approximately 100,654 square meters ("sqm") during the Period Under Review, representing increases of approximately 49.1% and 10.5% respectively, compared to those in the corresponding period in 2018. The details of the property sales contracted and the contracted GFA sold during the Period Under Review are set out below:

Projects	**Contracted sales** *(HK$'000)*	**Contracted GFA sold** *(sqm)*
Pearl Xincheng Yujing ("Xincheng Yujing")	146,593	15,289
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	569,258	34,218
Pearl Yunling Lake	155,937	8,969
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	14,503	1,183
Pearl Yijing	286,964	19,110
Project Tian Ying	198,480	14,049
Hua Cheng Yujing Garden	26,804	272
Yujing Yayuan	63,203	3,864
	1,461,742	96,954
Car Parks	59,142	3,700
	1,520,884	100,654

As at 30 June 2019, the Group owned the following property development projects, the details of which are as follows:

Yujing Scenic Garden — 100% 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 is being developed into a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 758,044 sqm, which comprises four phases of development. District II of Phase IV with a total GFA available for sale of approximately 85,935 sqm is still under construction and will be delivered in 2020. Apart from the properties developed for sale under Phases I to IV, Yujing Scenic Garden also comprises a two-storey commercial building with a total GFA of approximately 3,307 sqm, which is held by the Group for investment purposes.

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$569,258,000 with GFA of approximately 34,218 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 of this project is located adjacent to Yujing Scenic Garden, and the Group has developed this land together with Yujing Scenic Garden to expand the Group's development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 186,895 sqm. The development is divided into two phases. The total GFA available for sale under Phase I and Phase II is approximately 97,183 sqm and 89,712 sqm respectively.

The aggregate GFA delivered under Phase I was approximately 91,334 sqm, of which approximately 1,130 sqm was delivered during the Period Under Review. The aggregate GFA delivered under Phase II was approximately 42,095 sqm, of which approximately 1,573 sqm was also delivered during the Period Under Review. The remaining GFA available for sale under Phase I and Phase II is expected to be delivered in the second half of 2019. During the Period Under Review, contracted sales of approximately HK$14,503,000 with GFA of approximately 1,183 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 125,908 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 41,913 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,995 sqm. Phase I with a total GFA available for sale of approximately 39,046 sqm and Phase II with a total GFA available for sale of approximately 56,084 sqm were launched for sale in the first and third quarters of the financial year ended 31 December 2017 ("FY2017") respectively, whilst the hotel will be retained as a long-term asset of the Group.

The aggregate GFA delivered under Phase I was approximately 18,867 sqm, of which approximately 784 sqm was delivered during the Period Under Review. The aggregate GFA delivered under Phase II was approximately 5,085 sqm. The remaining GFA available for sale under Phase I and Phase II is expected to be delivered in the second half of 2019. During the Period Under Review, contracted sales of approximately HK$155,937,000 with GFA of approximately 8,969 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 384,041 sqm is expected to be developed. The project is being developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project is divided into three phases. Phase I with a total GFA available for sale of approximately 56,797 sqm commenced pre-sale during FY2017 with delivery commencing in the financial year ended 31 December 2018 ("FY2018"). Phase II commenced pre-sale in FY2017. The villas under Phase II were completed with delivery commencing in the first half of 2019. During the Period Under Review, an aggregate GFA of approximately 28,492 sqm was delivered under Phase II. The remaining high-rise apartment buildings under Phase II are expected to be completed and to commence delivery in the second half of 2019. Phase III is currently under development and is expected to be completed in 2020 to 2021. The ancillary commercial building plus a basement with a total GFA of approximately 10,084 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK$146,593,000 with GFA of approximately 15,289 sqm were recorded with respect to Xincheng Yujing.

** English name is translated for identification purpose only*

Pearl Yijing — 100% interest

"Pearl Yijing" is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 63,044 sqm and a total GFA available for sale of approximately 165,058 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. A total GFA available for sale of approximately 80,143 sqm under Phase I was delivered, and the remaining part of Phase I with a total GFA available for sale of approximately 2,049 sqm is expected to be completed in the second half of 2019. A total GFA available for sale of approximately 72,028 sqm under Phase II was delivered, of which approximately 46,367 sqm was delivered during the Period Under Review, and the remaining part of Phase II with a total GFA available for sale of approximately 910 sqm is currently under development and is expected to be completed in the second half of 2019. During the Period Under Review, contracted sales of approximately HK$286,964,000 with GFA of approximately 19,110 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. The project is currently under development and is expected to be completed in the second half of 2019. During the Period Under Review, contracted sales of approximately HK$198,480,000 with GFA of approximately 14,049 sqm were recorded with respect to Project Tian Ying.

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 a site area of approximately 10,449 sqm and a total GFA (including carpark areas) available for sale and leasing of approximately 109,738 sqm. The aggregate GFA of the office building and carparks sold during the period from 2014 to the end of the Period Under Review was approximately 62,686 sqm, and GFA of approximately 3,134 sqm of this property is still available for sale or leasing. The Group has designated GFA of approximately 43,918 sqm of this property as investment properties held for long-term investment purpose.

** English name is translated for identification purpose only*

Central Park — 100% interest

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC with a site area of approximately 3,430 sqm, and a 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. 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 2019, the project was completed and only certain car parks still remained available for sale.

Hua Cheng Yujing Garden — 100% interest

"Hua Cheng Yujing Garden" was acquired by the Group in FY2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm, and the total GFA available for development that belongs to the Group is approximately 109,113 sqm. Out of the GFA of approximately 109,113 sqm, a GFA of approximately 48,044 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 61,069 sqm is attributable to a commercial complex which comprises shopping malls and office premises. During the Period Under Review, contracted sales of approximately HK$26,804,000 with GFA of approximately 272 sqm were recorded with respect to Hua Cheng Yujing Garden.

Meizhou Chaotang Project — 100% interest

"Meizhou Chaotang Project" is located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, the PRC. The site area and the GFA available for development under Phase I of the project are approximately 46,793 sqm and approximately 97,617 sqm, respectively. Phase I of the project will be developed into a number of villas of different types in addition to a hotel. Pre-sale of the villas is expected to commence in the second half of 2019.

Yujing Yayuan — 50% interest

"Yujing Yayuan" is located at Guoji, Fuyong, Nanqu, Zhongshan City, the PRC. The site area and the GFA available for development of this project are approximately 15,745 sqm and approximately 50,471 sqm, respectively. This project which will be developed into five blocks of modern residential buildings, a street-level commercial podium and an underground car park, has commenced pre-sale in March 2019. During the Period Under Review, contracted sales of approximately HK$63,203,000 with GFA of approximately 3,864 sqm were recorded with respect to Yujing Yayuan.

Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. During the Period Under Review, the Group did not acquire any additional land but certain potential projects were under negotiation. 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 2019, the Group owned (1) 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 2018: 18,184 sqm); (2) "Zhukong International" with GFA of approximately 43,918 sqm (31 December 2018: 43,918 sqm); (3) certain floors of the commercial complex in Hua Cheng Yujing Garden with GFA of approximately 32,051 sqm (31 December 2018: 30,604 sqm); and (4) certain commercial properties with GFA of approximately 18,114 sqm (31 December 2018: 14,310 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$86,864,000 generated, representing an increase of approximately 6.2% as compared to that of approximately HK$81,782,000 for the same period in 2018. 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.

Project Management Services

During the Period Under Review, the Group provided funding and project management services to its customers for property development projects and urban redevelopment projects. 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 income source. The Group recorded project management services segment results of approximately HK$898,505,000 for the Period Under Review, comparing to that of approximately HK$252,572,000 for the same period in 2018. The Group will continue to utilise its expertise in project management in order to maintain a steady income stream in the future.

EVENTS AFTER THE PERIOD UNDER REVIEW

As the Company may need further time to fulfil its payment obligations under the first tranche ("2016 First Tranche Notes") of the senior secured guaranteed notes issued in 2016 ("2016 Senior Notes") which was originally due on 3 August 2019, on 2 August 2019, the Company, Blooming Rose Enterprises Corp. ("Blooming Rose"), Heroic Day Limited ("Heroic Day") and CCB International Overseas Limited (together with Blooming Rose and Heroic Day, collectively constituting the investors holding at least 85% of the 2016 Senior Notes), Rong De Investments Limited (融德投資有限公司) ("Rong De", the controlling shareholder of the Company), Mr. Liao Tengjia, Mr. Chu Hing Tsung, Mr. Chu Muk Chi, Top Perfect Development Limited (泰恒發展有限公司) ("Top Perfect"), Ever Crown Corporation Limited (冠恒興業有限公司) ("Ever Crown"), East Orient Investment Limited (達東投資有限公司) ("East Orient"), Fully Wise Investment Limited (惠豐投資有限公司) ("Fully Wise"), Polyhero International Limited (寶豪國際有限公司) ("Polyhero"), Top Asset Development Limited (通利發展有限公司) ("Top Asset"), Vanco Investment Limited (雅豪投資有限公司) ("Vanco"), Ai De Investments Limited (靄德投資有限公司) ("Ai De"), Profaith International Holdings Limited (盈信國際控股有限公司) ("Profaith"), South Trend Holdings Limited (南興控股有限公司) ("South Trend"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("Cheng Chang"), Zhuguang Group Limited (珠光集團有限公司) ("ZG Group"), Gains Wide Holdings Limited (利博控股有限公司) ("Gains Wide"), Talent Wide Holdings Limited (智博控股有限公司) ("Talent Wide"), Capital Fame Investments Limited (嘉鋒投資有限公司) ("Capital Fame"), Speedy Full Limited (速溢有限公司) ("Speedy Full") and Diamond Crown Limited (毅冠有限公司) ("Diamond Crown"), entered into an amendment deed to amend and supplement the terms and conditions attached to the certificates of the 2016 Senior Notes, to the effect that with effect from 3 August 2019, (i) the maturity date of the 2016 First Tranche Notes has been extended from 3 August 2019 to 22 September 2019, so that the entire 2016 Senior Notes issued (consisting of two tranches in aggregate) will mature on 22 September 2019; and (ii) the Company may effect the voluntary redemption of the 2016 Senior Notes in full on giving three business days' notice (instead of giving not less than three months' notice) to the investors of the 2016 Senior Notes. Save as disclosed above, all the terms and conditions of the 2016 Senior Notes remain unchanged and shall continue to be in full force and effect.

As at the date of this announcement, the Company was in negotiation with certain potential independent third party investors in relation to the possible issue of notes by the Company ("Possible Issue"). However, the Company has not entered into any definitive and/or legally binding agreements or contracts in respect of the Possible Issue. The Company will make further announcement(s) in compliance with the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") as and when legally binding agreement(s) in relation to the Possible Issue is/are entered into.

OUTLOOK

Looking into the second half of 2019, with the ongoing China-United States trade tensions and continuance of the US monetary policy normalisation process, investor sentiment appears to have deteriorated. As a result, the PRC will be facing an increasingly hostile international environment and the immediate economic threat posed by the China-United States trade war has caused negative impacts on the industries of both nations and the global trade. The uncertainty in the direction of the control policies to be released by the central government of China will lead to increasingly fierce industry competition. With the real estate industry being one of the most important sectors of the Chinese economy, it is expected that the PRC government will continue to steadily implement its control policies in relation to the property market and will establish a long-term operation mechanism for the real estate industry.

In view of the above external factors that affect the real estate industry, the Group will continue to actively participate in urban renewal projects and construction projects in featured small towns, acquire quality land reserves in regions with high values, further focus on its business in first-tier cities and the Guangdong-Hong Kong-Macao Greater Bay Area and expand its businesses in satellite cities of first-tier cities and key second-tier cities in the PRC. In the second half of 2019, the Group's inventory for sale will still be its completed projects in Guangzhou, and the Group will continue to step up its efforts to market its projects in the Conghua area in Guangzhou. As at the date of this announcement, the Group's saleable inventory in the Conghua area is relatively abundant. As a result, Conghua will still be a focused sales area of the Group in the second half of 2019, where the Group will continue to pay close attention to the sales in this market.

In terms of land acquisition, the Group will continue to implement its strategy under which it will focus on urban renewal projects to support its medium-term to long-term development, while relying on additional light-asset projects to meet its short-term needs. As the Group will acquire land resources mainly through urban renewal projects in the future, it will leverage on the competitive edge and strengths of the Company to boost its urban renewal operations. In addition, the Group will maintain its development at an appropriate scale and focus on delivering high-quality projects to raise its brand awareness and reputation.

FINANCIAL REVIEW

Revenue

During the Period Under Review, the Group's revenue by operating segment included revenue from property development, property investment and project management services. The total revenue of the Group for the Period Under Review was approximately HK$2,202,698,000 (six months ended 30 June 2018: HK$1,473,600,000), which represented an increase of approximately 49.5% as compared to that for the same period in 2018. Revenue from property development for the Period Under Review amounted to approximately HK$1,606,812,000 (six months ended 30 June 2018: HK$1,139,246,000). 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 in 2018. The Group recorded an increase of 6.2% in rental income for the Period Under Review, as compared to that for the same period in 2018. The rental income increased from approximately HK$81,782,000 for the six months ended 30 June 2018 to approximately HK$86,864,000 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 segment contributed approximately HK$509,022,000 (six months ended 30 June 2018: HK$252,572,000) to the total revenue of the Group for the Period Under Review. As a result of the change in accounting policy and the adoption of HKFRS 9 in FY2018 ("Change in Accounting Policy"), the trade and other receivables in connection with certain project management services agreements were reclassified as financial assets at fair value through profit or loss. The income of the relevant project management services agreements was accounted for as change in fair value of financial assets at fair value through profit or loss during the Period Under Review.

Gross profit and margin

For the Period Under Review, the Group recorded a gross profit of approximately HK$1,072,427,000 (six months ended 30 June 2018: HK$835,858,000). The increase was mainly due to the net effect of (1) recognition of finance component of income from urban redevelopment projects; (2) the decrease in the gross profit margin of sales of properties during the Period Under Review, as compared to that during the corresponding period in 2018; and (3) the Change in Accounting Policy, resulting in the income from certain project management services agreements being recognised as change in fair value of financial assets at fair value through profit or loss during the Period Under Review, as opposed to the same being recognised as revenue during the corresponding period in 2018.

Fair value gain on investment properties, net

For the Period Under Review, the fair value gain on investment properties, net, recorded by the Group amounted to approximately HK$14,515,000 (six months ended 30 June 2018: HK$66,277,000), representing a decrease of approximately 78.1% as compared to that of the corresponding period in 2018. The decrease in fair value gain on investment properties, net was mainly due to the property market, after being buoyant in preceding periods, showing signs of moderation and the depreciation of the Renminbi ("RMB") against the Hong Kong dollar ("HK$") during the Period Under Review.

Other income and gains

Other income and gains of the Group increased to approximately HK$216,555,000 during the Period Under Review (six months ended 30 June 2018: HK$76,938,000). The increase was primarily due to the increase in interest income earned during the Period Under Review as compared to that in the corresponding period in 2018.

Administrative expenses and selling and marketing costs

Administrative expenses and selling and marketing costs of the Group increased from approximately HK$118,237,000 for the six months ended 30 June 2018 to approximately HK$132,006,000 for the Period Under Review. The increase was primarily due to the increase in the selling and marketing costs incurred to boost the contracted sales during the Period Under Review.

Other expenses

Other expenses of the Group increased from approximately HK$29,530,000 for the six months ended 30 June 2018 to approximately HK$135,377,000 for the Period Under Review. The increase was mainly attributable to the increase in foreign exchange loss as a result of the depreciation of the RMB against the HK$ during the Period Under Review as compared to that in the corresponding period in 2018 and the impairment loss of other receivables and deposits following the expected credit loss assessment carried out.

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

Due to the Change in Accounting Policy in FY2018, trade and other receivables in connection with certain project management service agreements under which the Group agreed to provide funding and management services in relation to property development projects, were reclassified to financial assets at fair value through profit or loss, resulting in the income of certain project management services agreements of approximately HK$389,483,000 being recognised as change in fair value of financial assets at fair value through profit or loss during the Period Under Review (six months ended 30 June 2018: Nil).

Share of profit of an associate

Share of profit of an associate was approximately HK$13,692,000 during the Period Under Review (six months ended 30 June 2018: Nil), which represented the Group's share of the profit from its associate, Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) ("Silver Grant") (formerly known as Silver Grant International Industries Limited (銀建國際實業有限公司)), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code: 0171. Silver Grant and its subsidiaries are principally engaged in property investment, property leasing, other investments and production and trading of petrochemical products. The Group completed the acquisitions of approximately 29.56% interest of the issued share capital of Silver Grant on 31 October 2018 and Silver Grant has become an associate of the Group since then.

Finance costs

Finance costs for the Period Under Review were approximately HK$752,904,000 (six months ended 30 June 2018: HK$611,069,000), 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 was mainly due to the increase in bank and other borrowings of the Group during the Period Under Review as compared to those for the same period in 2018.

Income tax expense

Income tax expense comprised corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC and deferred tax. CIT of approximately HK$140,558,000 (six months ended 30 June 2018: HK$196,397,000), LAT of approximately HK$116,235,000 (six months ended 30 June 2018: HK$17,316,000) and deferred tax of approximately HK$81,790,000 (six months ended 30 June 2018: HK$2,160,000) accounted for the Group's total income tax of approximately HK$338,583,000 for the Period Under Review (six months ended 30 June 2018: HK$215,873,000). The increase in total income tax expense for the Period Under Review was mainly due to the net effect of (i) the increase in tax-deductible expenses incurred during the Period Under Review, as compared to those incurred in the corresponding period in 2018; (ii) the increase in the provision of deferred tax made for the Period Under Review, as compared to that for the corresponding period in 2018; and (iii) 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 2018.

Profit for the period

The Group's profit for the Period Under Review was approximately HK$347,802,000 (six months ended 30 June 2018: HK$4,364,000), which represented a significant increase of approximately 7,869.8% as compared to that for the same period in 2018. The increase in profit was mainly attributable to (i) the increase in the revenue earned during the Period Under Review to approximately HK$2,202,698,000 (six months ended 30 June 2018: HK$1,473,600,000); (ii) the recognition of the income from certain project management services agreements of approximately HK$389,483,000 as change in fair value of financial assets at fair value through profit or loss during the Period Under Review, as opposed to the same being recognised as revenue during in the six months ended 30 June 2018; and (iii) the share of profit of an associate recognised during the Period Under Review, which was absent in the six months ended 30 June 2018, which were partially offset by (1) the increase in finance costs due to the increase in bank and other borrowings of the Group during the Period Under Review to approximately HK$752,904,000 (six months ended 30 June 2018: HK$611,069,000); (2) the increase in the income tax expense incurred by the Group during the Period Under Review to approximately HK$338,583,000 (six months ended 30 June 2018: HK$215,873,000).

Treasury and funding policies

The Group has adopted a prudent approach with respect to its treasury and funding policies. The Group's financial and fundraising activities are subject to effective centralised management and supervision, with an emphasis on risk management and transactions that are directly related to the business of the Group.

Cash position

As at 30 June 2019, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$4,628,433,000 (31 December 2018: HK$6,993,085,000). The cash and cash equivalents of the Group were mainly denominated in RMB, United States dollar ("US$") and HK$.

Borrowings, charges on group assets and gearing ratio

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Bank loans — secured	**4,540,681**	5,661,378
Bank loans — unsecured and guaranteed	**566,715**	—
Senior notes — secured	**3,586,005**	3,551,193
Other borrowings — secured	**10,193,476**	9,712,584
Other borrowings — unsecured and guaranteed	**220,000**	220,000
	19,106,877	19,145,155

(a) As at 30 June 2019, the Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; and (iii) other borrowings, including trust loans, a margin loan and a term loan facility. The senior notes and other borrowings carried fixed interest rates ranging from 7.51% to 12.4% (31 December 2018: 7.51% to 12.4%). Approximately 93.6% of the bank loans carried fixed interest rates ranging from 5.27% to 11.5% (31 December 2018: 5.27% to 11.0%) while the remaining 6.4% of the bank loans carried floating interest rates.

(b) The gearing ratio of the Group is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, term deposits with initial terms of over three months and restricted cash) over the total capital (total equity plus net debt) of the Group. As at 30 June 2019, the gearing ratio of the Group was 67% (31 December 2018: 64%).

(c) As at 30 June 2019, the Group had outstanding secured bank loans of approximately HK$4,540.7 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's properties under development; (iii) the Group's completed properties held for sale; (iv) the Group's term deposits; and (v) the entire equity interest of the Company's subsidiaries, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*) (formerly known as 廣州珠光置業有限公司 (Guangzhou Zhuguang Real Estate Company Limited*)) and 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*). The secured bank loans comprised (1) a revolving bank loan in the principal amount of HK$325.3 million with the final maturity date falling due in December 2019; (2) a bank loan in the principal amount of RMB120 million repayable by instalments within 3 years with the last instalment due in July 2020; (3) a bank loan in the principal amount of RMB127 million repayable by instalments within 3 years with the last instalment due in December 2020; (4) a bank loan in the principal amount of RMB750 million due in July 2020; (5) a bank loan in the principal amount of RMB1,010 million due in August 2019; (6) a bank loan in the principal amount of RMB750 million due in September 2019; (7) a bank loan in the principal amount of RMB340 million repayable by instalments within 25 months with the last instalment due in September 2019; (8) a bank loan in the principal amount of RMB800 million repayable by instalments within 2 years with the last instalment due in March 2020; (9) a bank loan in the principal amount of RMB50 million due in June 2020; and (10) a bank loan in the principal amount of RMB300 million repayable by instalments within 3 years with the last instalment due in November 2021.

(d) As at 30 June 2019, the Group had an outstanding unsecured and guaranteed bank loan of approximately HK$566.7 million, which was guaranteed by (i) the corporate guarantees executed by the Company, Guangdong Zhuguang Group Company Limited ("Guangdong Zhuguang Group") and one of the subsidiaries of Guangdong Zhuguang Group; and (ii) the personal guarantees executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed bank loan had a principal amount of RMB600 million repayable by instalments within 4 years with the last instalment due in October 2021.

** English name is translated for identification purpose only*

(e) As at 30 June 2019, the Group had outstanding 2016 Senior Notes in the aggregate principal amount of US$410 million (equivalent to approximately HK$3,201.1 million), consisting of two tranches of notes in the respective principal amounts of US$190 million (equivalent to approximately HK$1,492,400,000) and US$220 million (equivalent to approximately HK$1,708,700,000) both due on 22 September 2019, which are secured and guaranteed by (i) 3,051,112,000 ordinary shares of the Company ("Shares") owned by Rong De; (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De, Capital Fame, Cheng Chang, Diamond Crown, East Orient, Ever Crown, Fully Wise, Gains Wide, Polyhero, Profaith, Speedy Full, Talent Wide, Top Asset, Top Perfect and Vanco; (iii) the corporate guarantees executed by Rong De, South Trend, ZG Group, Ai De, Capital Fame, Cheng Chang, Diamond Crown, East Orient, Ever Crown, Fully Wise, Gains Wide, Polyhero, Profaith, Speedy Full, Talent Wide, Top Asset, Top Perfect and Vanco; and (iv) the personal guarantees executed by the executive Directors, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

(f) As at 30 June 2019, the Group had outstanding senior secured guaranteed notes issued in 2017 ("2017 Senior Notes") in the principal amount of US$50 million (equivalent to approximately HK$384.9 million) due on 12 December 2019. The first tranche of the 2017 Senior Notes in the principal amount of US$50 million is secured and guaranteed by (i) 100,000,000 Shares owned by Rong De; (ii) the 100% equity interest of the Company's subsidiaries, namely, Victory Global Investments Limited (榮浩投資有限公司) ("Victory Global"), China Honest International Investments Limited (創豪國際投資有限公司) ("China Honest") and Graceful Link Limited (愉興有限公司); (iii) the corporate guarantees executed by Rong De, South Trend, Victory Global and China Honest; and (iv) the personal guarantees executed by the executive Directors, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi. As at 30 June 2019 and up to the date of this announcement, the second tranche of the 2017 Senior Notes had not been issued.

(g) As at 30 June 2019, the Group had outstanding secured other borrowings of approximately HK$10,193.5 million, which were secured and guaranteed by (i) the Group's properties for sale under development and completed properties held for sale; (ii) the Group's assets under construction under property and equipment and land use rights classified under intangible assets; (iii) the Group's investment properties; (iv) the entire equity interest of the Company's subsidiaries, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*) and 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*) (formerly known as 廣州御盈房地產有限公司 (Guangzhou Yu Ying Property Company Limited*)); (v) certain equity interest of the Company's subsidiary, 廣州御宏投資有限公司 (Guangzhou Yu Hong Investment Company Limited*); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vii) the personal guarantees executed by the executive Directors, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (viii) 480,000,000 Shares owned by Rong De; and (ix)

** English name is translated for identification purpose only*

681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings 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 2021; (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 RMB629.6 million repayable by instalments within 3 years with the last instalment due in January 2020; (6) a loan in the principal amount of RMB1,200 million due in July 2021; (7) a loan in the principal amount of RMB450 million repayable by instalments within 3 years with the last instalment due in January 2021; (8) a loan in the principal amount of RMB1,200 million due in July 2021; (9) loans in the principal amounts of HK$490 million and HK$500 million due in October 2019; and (10) a loan in the principal amount of RMB600 million due in January 2024.

(h) As at 30 June 2019, the Group had outstanding unsecured and guaranteed other borrowings of HK$220 million, which were guaranteed by the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed other borrowings comprised (1) a loan in the principal amount of HK$20 million due in September 2019; and (2) a loan in the principal amount of HK$200 million due in November 2019.

Issue of subscription shares

On 26 November 2018, the Company entered into a subscription agreement with Rong De (the controlling shareholder of the Company), pursuant to which the Company has conditionally agreed to allot and issue, and Rong De has conditionally agreed to subscribe for, 770,000,000 new Shares ("Subscription Shares", each a "Subscription Share") at the price ("Subscription Price") of HK$1.30 per Subscription Share ("Subscription"). The Subscription Price represents: (i) a discount of approximately 6.5% over the closing price of HK$1.39 per Share as quoted on the Stock Exchange on 23 November 2018 ("Last Trading Day"); (ii) a discount of approximately 7.8% over the average closing price of HK$1.41 per Share for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 9.1% over the average closing price of HK$1.43 per Share for the last 10 consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 60.5% over the audited net asset value per Share of the Company of approximately HK$0.81 as at 31 December 2017. Completion of the Subscription took place on 2 January 2019, upon which 770,000,000 Shares have been successfully subscribed by Rong De at the Subscription Price of HK$1.30 per Subscription Share. The total net proceeds of approximately HK$1,000.5 million received by the Company from the Subscription were used by the Group for repaying its bank and other borrowings.

CONTINGENT LIABILITIES

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

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**3,512,943**	3,313,578

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

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

Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

FOREIGN EXCHANGE RATE

During the Period Under Review, the Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against 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 on the hedging policy required against the possible foreign exchange risks that may arise.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 344 employees in Hong Kong and the PRC as at 30 June 2019 (31 December 2018: 332). During the Period Under Review, the level of the Group's overall staff cost was approximately HK$51,654,000 (six months ended 30 June 2018: HK$30,346,000). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group encourages sustainable training of its employees through coaching and further studies. In-house training has been provided to eligible employees during the Period Under Review, including training on updates of accounting standards and training on market updates.

During the Period Under Review, the Group 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 has maintained a good relationship with its employees. Most members of the senior management have been working for the Group for many years.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**2,202,698**	1,473,600
Cost of sales		**(1,130,271)**	(637,742)
Gross profit		**1,072,427**	835,858
Fair value gain on investment properties, net		**14,515**	66,277
Other income and gains	*5*	**216,555**	76,938
Selling and marketing expenses		**(32,880)**	(19,767)
Administrative expenses		**(99,126)**	(98,470)
Other expenses		**(135,377)**	(29,530)
Change in fair value of financial assets at fair value through profit or loss		**389,483**	—
Share of profit of an associate		**13,692**	—
PROFIT FROM OPERATIONS		**1,439,289**	831,306
Finance costs	*6*	**(752,904)**	(611,069)
PROFIT BEFORE TAX	*7*	**686,385**	220,237
Income tax expense	*8*	**(338,583)**	(215,873)
PROFIT FOR THE PERIOD		**347,802**	4,364
Attributable to:			
Equity holders of the parent		**358,124**	(53,003)
Non-controlling interests		**(10,322)**	57,367
		347,802	4,364
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	*10*	**4.65**	(0.83)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**347,802**	4,364
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**39,799**	(29,047)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(7,943)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**31,856**	(29,047)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**379,658**	(24,683)
Attributable to:		
Equity holders of the parent	**390,231**	(76,008)
Non-controlling interests	**(10,573)**	51,325
	379,658	(24,683)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 (Unaudited) *HK$'000***	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property and equipment		**286,313**	227,288
Investment properties		**4,181,821**	4,010,984
Intangible assets		**767**	54,425
Goodwill		**211,381**	212,218
Investments in a joint venture		**2,739**	2,739
Investments in an associate		**2,085,959**	2,080,210
Financial assets at fair value through profit or loss		**3,250,134**	3,260,545
Deferred tax assets		**72,812**	66,088
Total non-current assets		**10,091,926**	9,914,497
CURRENT ASSETS			
Properties under development		**3,586,960**	4,165,756
Completed properties held for sale		**3,404,811**	3,405,772
Trade and other receivables	*11*	**1,899,749**	1,495,739
Prepayments, deposits and other assets		**10,335,675**	7,571,489
Prepaid income tax		**186,220**	202,567
Financial assets at fair value through profit or loss		**2,136,082**	2,059,530
Restricted cash		**524,893**	822,606
Term deposits with initial terms of over three months		**3,300,756**	5,625,869
Cash and cash equivalents		**802,784**	544,610
Total current assets		**26,177,930**	25,893,938
CURRENT LIABILITIES			
Contract liabilities		**2,593,043**	2,845,669
Trade and other payables	*12*	**3,845,697**	3,682,758
Interest-bearing bank and other borrowings		**9,620,239**	9,485,319
Amount due to the ultimate holding company		**24,030**	24,030
Current income tax payables		**2,065,009**	1,919,124
Derivative financial instruments		**1**	17,964
Total current liabilities		**18,148,019**	17,974,864
NET CURRENT ASSETS		**8,029,911**	7,919,074
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,121,837**	17,833,571

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**9,486,638**	9,659,836
Deferred tax liabilities	**1,407,234**	1,325,428
Total non-current liabilities	**10,893,872**	10,985,264
Net assets	**7,227,965**	6,848,307
EQUITY		
Equity attributable to equity holders of the parent		
Share capital	**719,442**	642,441
Perpetual capital securities	**832,416**	800,000
Reserves	**5,560,877**	4,279,063
Subscription monies received	**—**	1,001,000
	7,112,735	6,722,504
Non-controlling interests	**115,230**	125,803
Total equity	**7,227,965**	6,848,307

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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

During the period, the Company's principal activity was investment holding and the Company and its subsidiaries (collectively the "Group") were principally engaged in property development, property investment, property management and other property development related services in the mainland of the People's Republic of China (the "PRC" or the "Mainland China").

In the opinion of the Company's directors (the "Directors"), the ultimate holding company of the Company is Rong De Investment Limited ("Rong De"), which is incorporated in the British Virgin Islands ("BVI").

2. BASIS OF PRESENTATION

As at 30 June 2019, the Group had cash and cash equivalents and terms deposits (with initial terms of over three months) with an aggregate carrying amount of approximately HK$4,104 million, the majority of which are kept by the Group's subsidiaries in the Mainland China. As at the same date, the Group had outstanding interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$9,620 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of approximately HK$5,110 million and onshore borrowings in the Mainland China of approximately HK$4,510 million. In addition, the Group failed to comply with a financial covenant in respect of the senior notes with an aggregate carrying amount of HK$3,586 million as at 30 June 2019, which may become repayable on demand.

On 2 August 2019, the Company, Rong De, Mr. Liao Tengjia, Mr. Chu Hing Tsung, Mr. Chu Muk Chi and the investors holding at least 85% of the 2016 Senior Notes entered into an amendment deed to amend and supplement the terms and conditions attached to the certificates of the 2016 Senior Notes, to extend the maturity date of the first tranche of the 2016 Senior Notes with a principal amount of approximately HK$1,492 million ("2016 First Tranche Notes") from 3 August 2019 to 22 September 2019, so that the entire 2016 Senior Notes issued (consisting of two tranches in aggregate) will mature on 22 September 2019.

In preparing the condensed consolidated interim financial information for the six months ended 30 June 2019 (the "interim financial information"), the Directors have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2019, the Group had interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$9,620 million which are due to be repaid within one year from the end of the reporting period, including the aforesaid senior notes with an aggregate carrying amount of approximately HK$3,586 million which may become repayable on demand. Furthermore, the Group had contracted capital and other commitments of approximately HK$5,580 million.

2. BASIS OF PRESENTATION *(Continued)*

Nevertheless, the interim financial information was prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 30 June 2019, after taking into consideration the following:

(i) the available credit facilities of the Group;
(ii) the extension of maturity date of the 2016 First Tranche Notes of the Group;
(iii) the refinancing plan for the senior notes and bank and other loans of the Group; and
(iv) the estimated cash flows of the Group for the next twelve months from the end of the reporting period, in particular, with (a) the consideration of the upcoming plan for sales of its completed properties held for sale and pre-sale of its properties under development; and (b) the Group's plan to obtain alternative funding including offshore loans under cross-border guarantee arrangements.

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

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the following new and revised Hong Kong Financial Reporting Standards (the "HKFRSs", which include all HKFRSs, HKASs and Interpretations issued by the HKICPA), that have been adopted by the Group for the first time in 2019 for the current period's interim financial information:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim financial information. The nature and impact of the new and revised HKFRSs are described below:

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee - Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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

As a lessee — Leases previously classified as operating leases *(Continued)*

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to include the right-of-use assets in property and equipment as appropriate. This includes the lease assets recognised previously of HK$52,211,000 that were reclassified from intangible assets.

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application

Accordingly, the Group recognised property and equipment of HK$52,211,000 and derecognised intangible assets of HK$52,211,000 as at 1 January 2019.

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development" and "completed properties held for sale". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

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

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets (land use rights), which was included in property and equipment, and the movement during the period is as follows:

	Land use rights
	HK$'000
As at 1 January 2019	52,211
Depreciation charge	(875)
Exchange realignment	(143)
As at 30 June 2019	**51,193**

The Group recognised rental expenses from short-term leases of HK$3,472,000 for the six months ended 30 June 2019.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation; and

(c) the project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects.

The Group's revenue from external customers from each operating segment is also set out in note 5 to the interim financial information.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that the change in fair value of derivative financial instruments, share of profit of an associate, finance costs and income tax expenses are excluded from such measurement.

Segment assets exclude investments in a joint venture and an associate, deferred tax assets and unlisted investments classified as financial assets at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, current income tax payables, deferred tax liabilities and derivative financial instruments as these liabilities are managed on a group basis.

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

For the six months ended 30 June 2019

(Unaudited)	**Property development** *HK$'000*	**Property investment** *HK$'000*	**Project management services** *HK$'000*	**Total** *HK$'000*
Segment revenue: *(note 5)*				
Sales to external customers	**1,606,812**	**86,864**	**509,022**	**2,202,698**
Segment results	**428,055**	**81,114**	**898,505**	**1,407,674**
Reconciliation:				
Fair value gain on derivative financial instruments, net				**17,923**
Share of profit of an associate				**13,692**
Finance costs				**(752,904)**
Profit before tax				**686,385**
Income tax expense				**(338,583)**
Profit for the period				**347,802**

For the six months ended 30 June 2018

(Unaudited)	Property development *HK$'000*	Property investment *HK$'000*	Project management services *HK$'000*	Total *HK$'000*
Segment revenue: *(note 5)*				
Sales to external customers	1,139,246	81,782	252,572	1,473,600
Segment results	459,326	130,079	252,572	841,977
Reconciliation:				
Fair value loss on derivative financial instruments, net				(10,671)
Finance costs				(611,069)
Profit before tax				220,237
Income tax expense				(215,873)
Profit for the period				4,364

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

30 June 2019
(Unaudited)

	Property development *HK$'000*	Property investment *HK$'000*	Project management services *HK$'000*	Total *HK$'000*
Segment assets	**17,614,317**	**4,236,733**	**12,187,530**	**34,038,580**
Reconciliation:				
Corporate and other unallocated assets				**2,231,276**
Total assets				**36,269,856**
Segment liabilities	**6,364,196**	**98,574**	**—**	**6,462,770**
Reconciliation:				
Corporate and other unallocated liabilities				**22,579,121**
Total liabilities				**29,041,891**

31 December 2018
(Audited)

	Property development *HK$'000*	Property investment *HK$'000*	Project management services *HK$'000*	Total *HK$'000*
Segment assets	24,286,387	4,043,754	5,259,216	33,589,357
Reconciliation:				
Corporate and other unallocated assets				2,219,078
Total assets				35,808,435
Segment liabilities	6,458,379	94,078	—	6,552,457
Reconciliation:				
Corporate and other unallocated liabilities				22,407,671
Total liabilities				28,960,128

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the segment assets of the Group are located in Mainland China. Accordingly, in the opinion of the Directors, the presentation of geographical information would provide no additional useful information to the users of this interim financial information.

Information about a major customer

For the six months ended 30 June 2019, revenue of approximately HK$509,022,000 (six months ended 30 June 2018: HK$140,695,000) was derived from a single related party customer which are attributable to the project management services segment (note 5).

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of properties	**1,606,812**	1,139,246
Project management services	**—**	252,572
Revenue from other sources		
Rental income from investment properties	**86,864**	81,782
Finance component of income from urban redevelopment projects	**509,022**	—
	2,202,698	1,473,600

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**198,632**	76,938
Fair value gain on derivative financial instruments	**17,923**	—
	216,555	76,938

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings and senior notes	**1,056,408**	661,550
Less: interest capitalised	**(303,504)**	(50,481)
	752,904	611,069

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of properties sold	**1,130,271**	635,702
Depreciation	**2,131**	1,371
Amortisation	**735**	2,249
Fair value (gain)/loss on derivative financial instruments, net	**(17,923)**	10,671
Foreign exchange differences, net	**78,468**	18,859
Employee benefit expense (including directors' remuneration)	**51,654**	30,346
Impairment of financial assets	**45,666**	—
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**671**	811

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2019 and 2018. Taxes on profits assessable in the Mainland China have been calculated at the rates of tax prevailing in the cities in which the majority of the Group's subsidiaries operate.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current:		
— PRC corporate income tax	**140,558**	196,397
— PRC land appreciation tax	**116,235**	17,316
	256,793	213,713
Deferred	**81,790**	2,160
Total tax charge for the period	**338,583**	215,873

9. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil) was proposed by the board of directors of the Company.

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 7,190,163,103 (six months ended 30 June 2018: 6,424,417,247) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2019 and 2018 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity holders of the parent *(HK$'000)*	**358,124**	(53,003)
Distribution related to perpetual capital securities *(HK$'000)*	**(24,000)**	—
Profit/(loss) used in the basic and diluted earnings per share calculations *(HK$'000)*	**334,124**	(53,003)
Weighted average number of ordinary shares in issue during the period *(thousand shares)*	**7,190,163**	6,424,417

11. TRADE AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade receivables		
Related parties	**9,146**	9,182
Third parties	**95,411**	38,263
	104,557	47,445
Other receivables		
Related parties	**50,736**	160,781
Third parties	**1,778,583**	1,307,963
	1,829,319	1,468,744
Impairment allowance	**(34,127)**	(20,450)
	1,899,749	1,495,739

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Current to 180 days	**89,149**	27,118
181 to 365 days	**15,408**	14,311
Over 365 days	**—**	6,016
	104,557	47,445

12. TRADE AND OTHER PAYABLES

	Notes	**30 June 2019 (Unaudited)** *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade payables	*(a)*	**2,138,746**	2,421,382
Amounts due to related parties	*(b)*	**869,712**	390,686
Other payables and accruals	*(c)*	**419,451**	541,340
Other taxes payables	*(c)*	**417,788**	329,350
		3,845,697	3,682,758

Notes:

(a) An ageing analysis of the trade payables as at the end of the reporting period, based on the due date, is as follows:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 1 year	**2,138,746**	2,387,649
Over 1 year	—	33,733
	2,138,746	2,421,382

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

(b) The amounts due to related companies are unsecured, interest-free and repayable on demand.

(c) Other payables and accruals and other taxes payables are non-interest-bearing and are expected to be settled within one year.

OTHER INFORMATION

INTERIM DIVIDEND

No interim dividend in respect of the six months ended 30 June 2019 was proposed by the Board (six months ended 30 June 2018: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

On 23 June 2017, South Trend, a wholly-owned subsidiary of the Company, as purchaser, 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 dated 28 March 2018, 2 August 2018 and 28 December 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"). As completion of the All Flourish Acquisition is conditional upon and subject to the satisfaction of certain conditions precedent (unless having been otherwise waived) on or before 30 June 2019 (or such later date as South Trend and Quan Xing may agree in writing) and such conditions precedent have not been fulfilled by 30 June 2019, the All Florish SPA lapsed on 30 June 2019. 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, 2 August 2018, 31 October 2018, 28 December 2018 and 1 July 2019.

The Company did not enter into any agreements in relation to material acquisitions or disposals during the Period Under Review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules during the Period Under Review, other than Code Provision E.1.2 of the CG Code as specified with considered reasons below.

Code Provision E.1.2 of the CG Code requires that the chairman of the Board ("Chairman") should attend the annual general meeting of the Company ("AGM"). Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Chairman, did not attend the AGM held on 12 June 2019 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 2019 and this announcement, which is of the opinion that they comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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

The interim report for the six months ended 30 June 2019 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 of the Company ("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 2019

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 (www.hkexnews.hk).