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)

2020 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 2020 ("Period Under Review") together with the comparative figures for the corresponding period in 2019 as follows:

FINANCIAL HIGHLIGHTS

RESULTS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenue by operating segment:		
— Property development	**240,023**	1,606,812
— Property investment	**83,894**	86,864
— Project management services	**1,015,498**	509,022
Fair value (loss)/gain on investment properties, net	**(49,830)**	14,515
Profit for the period	**117,357**	347,802
Profit for the period attributable to equity holders of the parent	**121,474**	358,124

	At 30 June 2020	At 31 December 2019
	HK$'000	*HK$'000*
Total assets	**39,284,235**	35,843,685
Total liabilities	**31,690,359**	28,279,591
Total equity	**7,593,876**	7,564,094

* *Chinese name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Subsequent to the disturbance caused by the trade talk between China and the United States in 2019, the global economy was further hit hard by the outbreak of the Coronavirus Disease 2019 ("COVID-19") in early January 2020. Most of the countries implemented precautionary measures against COVID-19 such as strengthening their border control, social distancing, home quarantine, etc which brought global business activities to a standstill. Investors hesitated to purchase properties in China, pending the progress of the epidemic. During the first half of 2020, the unstable market sentiment inevitably caused a negative impact on the Group's performance, in terms of both contracted sales and number of properties delivered.

Property Development and Sales

During the Period Under Review, the Group continued its focus on the first-tier and key second-tier cities in the People's Republic of China ("PRC") with potential growth in demand for properties. The Group has achieved contracted sales of approximately HK$520,126,000 and contracted gross floor area ("GFA") of approximately 48,721 square meters ("sqm") during the Period Under Review, representing decreases of approximately 65.8% and 51.6% respectively, compared to those in the corresponding period in 2019. 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")	115,867	15,381
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	198,662	14,423
Pearl Yunling Lake	34,177	2,832
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	1,261	141
Pearl Yijing	76,264	8,779
Project Tian Ying	23,787	2,154
Yujing Yayuan	57,753	3,986
	507,771	47,696
Car Parks	12,355	1,025
	520,126	48,721

As at 30 June 2020, 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 758,403 sqm, which comprises four phases of development. District II of Phase IV with a total GFA available for sale of approximately 94,444 sqm is still under construction and will be delivered in the second half of 2020. Apart from the properties developed for sale under Phases I to IV, Yujing Scenic Garden also comprises properties with a total GFA of approximately 3,652 sqm, which are held by the Group for investment purposes.

Properties with a total GFA of approximately 2,761 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK$198,662,000 with GFA of approximately 14,423 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 92,774 sqm, of which approximately 733 sqm was delivered during the Period Under Review. The aggregate GFA delivered under Phase II was approximately 44,347 sqm, of which approximately 869 sqm was also delivered during the Period Under Review. During the Period Under Review, contracted sales of approximately HK$1,261,000 with GFA of approximately 141 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 126,827 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 42,884 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,943 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 has been retained as a long-term asset of the Group.

The aggregate GFA delivered under Phase I was approximately 20,654 sqm, of which approximately 421 sqm was delivered during the Period Under Review. The aggregate GFA delivered under Phase II was approximately 13,926 sqm, of which approximately 3,238 sqm was 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 2020. During the Period Under Review, contracted sales of approximately HK$34,177,000 with GFA of approximately 2,832 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 354,476 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 57,312 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 which was completed with delivery commencing in the financial year ended 31 December 2019 ("FY2019"). During the Period Under Review, an aggregate GFA of approximately 380 sqm was delivered under Phase I and an aggregate GFA of approximately 718 sqm was delivered under Phase II. 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$115,867,000 with GFA of approximately 15,381 sqm were recorded with respect to Xincheng Yujing.

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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 164,628 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 73,009 sqm under Phase I was delivered, and the remaining part of Phase I with a total GFA available for sale of approximately 1,025 sqm is expected to be completed in the second half of 2020. A total GFA available for sale of approximately 67,899 sqm under Phase II was delivered. A total GFA of approximately 6,378 sqm under Phase I and Phase II was delivered during the Period Under Review. During the Period Under Review, contracted sales of approximately HK$76,264,000 with GFA of approximately 8,779 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 total GFA available for sale is approximately 59,679 sqm. The project will be developed into a stylish low-density residential complex with a commercial podium and certain public facilities. The project was completed in FY2019. The aggregate GFA delivered was approximately 26,641 sqm, of which a total GFA of approximately 1,386 sqm was delivered during the Period Under Review. During the Period Under Review, contracted sales of approximately HK$23,787,000 with GFA of approximately 2,154 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 FY2019 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.

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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 2020, the project was completed and all GFA available for sale was delivered.

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 108,497 sqm. Out of the GFA of approximately 108,497 sqm, a GFA of approximately 48,138 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 60,359 sqm is attributable to a commercial complex which comprises car parks, shopping malls and office premises.

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 55,248 sqm, respectively. Phase I of the project will be developed into a number of different types of villas in addition to a hotel. Pre-sale of ten blocks of villas with a GFA of approximately 2,936 sqm has commenced in the fourth quarter of 2019. The Group has designated the hotel with GFA of approximately 7,389 sqm as an investment property held for long-term investment purpose.

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$57,753,000 with GFA of approximately 3,986 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 2020, 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 2019: 18,184 sqm); (2) "Zhukong International" with GFA of approximately 43,918 sqm (31 December 2019: 43,918 sqm); (3) certain floors of a commercial complex in Hua Cheng Yujing Garden with GFA of approximately 32,051 sqm (31 December 2019: 32,051 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, the PRC, with GFA of approximately 7,389 sqm (31 December 2019: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 18,459 sqm (31 December 2019: 18,459 sqm) as investment properties. During the Period Under Review, RM Hotel, Zhukong International and the commercial properties were partially leased out with total rental income of approximately HK$83,894,000 generated, representing a decrease of approximately 3.4% as compared to that of approximately HK$86,864,000 for the same period in 2019. 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$901,273,000 for the Period Under Review, comparing to those of approximately HK$898,505,000 for the same period in 2019. The increase in the revenue generated from this business segment was mainly attributable to the increase in the number of property development projects and urban redevelopment projects entered into by the Group during the Period Under Review. The Group will continue to utilise its expertise in project management in order to maintain a steady income stream in the future.

OUTLOOK

Looking into the second half of 2020, as the instability and volatility of the global economy and the COVID-19 pandemic persist, the Group's businesses may be adversely affected. To cope with the uncertainties, the Group will cautiously review and adjust its business strategies from time to time. 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 the first-tier cities in the PRC and the Guangdong-Hong Kong-Macao Greater Bay Area. In the second half of 2020, 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 2020, 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 the Company's competitive edge and strengths 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$1,339,415,000 (six months ended 30 June 2019: HK$2,202,698,000), which represented a decrease of approximately 39.2% as compared to that for the same period in 2019.

Revenue from property development for the Period Under Review amounted to approximately HK$240,023,000 (six months ended 30 June 2019: HK$1,606,812,000). The decrease was mainly due to the decrease in the number of properties delivered during the Period Under Review as compared to that during the same period in 2019 as a result of the outbreak of COVID-19.

The Group recorded a decrease of 3.4% in rental income for the Period Under Review, as compared to that for the same period in 2019. The rental income decreased from approximately HK$86,864,000 for the six months ended 30 June 2019 to approximately HK$83,894,000 for the Period Under Review, mainly due to the expiry of certain leasing agreements for investment properties entered into by the Group during the Period Under Review.

The income from project management services segment contributed approximately HK$1,015,498,000 (six months ended 30 June 2019: HK$509,022,000) to the total revenue of the Group for the Period Under Review. The increase was mainly due to the increase in the number of property development projects and urban redevelopment projects entered into by the Group during the Period Under Review.

Gross profit and margin

For the Period Under Review, the Group recorded a gross profit of approximately HK$1,184,116,000 (six months ended 30 June 2019: HK$1,072,427,000). The increase was mainly due to the net effect of (1) the decrease in the revenue from property development during the Period Under Review, as compared to that during the corresponding period in 2019; and (2) the increase in finance component of income from urban redevelopment projects during the Period Under Review as compared to that during the corresponding period in 2019.

Fair value loss on investment properties, net

For the Period Under Review, the Group recorded a fair value loss on investment properties, net of approximately HK$49,830,000 as compared with a fair value gain on investment properties, net of approximately HK$14,515,000 during the same period in 2019. The fair value loss on investment properties, net was mainly due to the outbreak of COVID-19 which adversely affected the property market in the PRC and the depreciation of the Renminbi ("RMB") against the Hong Kong dollar ("HK$") during the Period Under Review.

Other income and gains

Other income and gains of the Group decreased to approximately HK$148,632,000 during the Period Under Review (six months ended 30 June 2019: HK$216,555,000). The decrease was primarily due to the decrease in interest income earned during the Period Under Review as compared to that during the corresponding period in 2019.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group increased from approximately HK$132,006,000 for the six months ended 30 June 2019 to approximately HK$161,947,000 for the Period Under Review. The increase was mainly due to the net effect of (1) the decrease in the selling and marketing expenses incurred because of the outbreak of COVID-19 which adversely affected the property market in the PRC; (2) the increase in administrative expenses including (i) the professional fees payable for due diligence and refinancing arrangements in relation to potential urban redevelopment projects during the Period Under Review; and (ii) the staff costs due to the increase in the average number of employees of the Group during the Period Under Review as compared to those during the corresponding period in 2019.

Other expenses

Other expenses of the Group increased from approximately HK$135,377,000 for the six months ended 30 June 2019 to approximately HK$235,493,000 for the Period Under Review. The increase was mainly attributable to (1) the increase in foreign exchange loss as a result of the depreciation of the RMB against the HK$ during the Period Under Review as compared to that in the corresponding period in 2019; and (2) the increase in impairment loss of other receivables and deposits following the assessment of expected credit loss during the Period Under Review as compared to that during the corresponding period in 2019.

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

Change in fair value of financial assets at fair value through profit or loss of the Group decreased from approximately HK$389,483,000 for the six months ended 30 June 2019 to approximately HK$140,753,000 for the Period Under Review. The decrease was mainly due to the decrease in the number of property development projects under management during the Period Under Review as compared to that during the corresponding period in 2019 and the decrease in the change in fair value of certain project management services agreements for the Period Under Review under which the Group agreed to provide funding and management services in relation to property development projects.

Share of loss of an associate

For the Period Under Review, the Group recorded a share of loss of an associate of approximately HK$44,680,000 (six months ended 30 June 2019: share of profit of HK$13,692,000), which represented the Group's share of the loss from its associate, Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) ("Silver Grant"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code: 0171. Silver Grant and its subsidiaries are principally engaged in property leasing and investments. The Group 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.

Share of profit of a joint venture

Share of profit of a joint venture was approximately HK$20,264,000 during the Period Under Review (six months ended 30 June 2019: Nil), which represented the Group's share of the profit from its joint venture, 廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co. Ltd.*) ("Guangzhou Project Company"), which holds interests in a property development project ("AEC Project") known as "Zhuguang Financial Town One* (珠光金融城壹號)" with a total GFA for development of approximately 360,655 sqm, which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC. In March 2020, the Group completed the acquisition ("All Flourish Acquisition") of the entire issued share capital of All Flourish Investments Limited (通興投資有限公司) ("All Flourish"), which indirectly holds 51% of the equity interests in Guangzhou Project Company. After completion of the All Flourish Acquisition, the financial results of the Guangzhou Project Company have not been consolidated into those of the Group under the applicable accounting standards but have been equity accounted for as a joint venture.

Finance costs

Finance costs for the Period Under Review were approximately HK$804,444,000 (six months ended 30 June 2019: HK$752,904,000), 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 the costs of borrowings of the Group during the Period Under Review as compared to those for the same period in 2019.

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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$93,968,000 (six months ended 30 June 2019: HK$140,558,000), LAT of approximately HK$10,078,000 (six months ended 30 June 2019: HK$116,235,000) and deferred tax credit of approximately HK$24,032,000 (six months ended 30 June 2019: deferred tax expense of HK$81,790,000) accounted for the Group's total income tax of approximately HK$80,014,000 for the Period Under Review (six months ended 30 June 2019: HK$338,583,000). The decrease in total income tax expense for the Period Under Review was mainly due to (i) the decrease in the provision of deferred tax made for the Period Under Review, as compared to that for the corresponding period in 2019; and (ii) the decrease in income generated during the Period Under Review which was subject to income tax, as compared to that generated in the corresponding period in 2019.

Profit for the period

The Group's profit for the Period Under Review was approximately HK$117,357,000 (six months ended 30 June 2019: HK$347,802,000), which represented a decrease of approximately 66.3% as compared to that for the same period in 2019. The decrease in profit was mainly attributable to (i) the decrease in total revenue of the Group for the Period Under Review, mainly due to the outbreak of COVID-19 which adversely affected the property market in the PRC and correspondingly led to a substantial decrease in the amounts of the properties delivered during the Period Under Review as compared to those of the properties delivered during the same period in 2019; (ii) the fair value loss on the Group's investment properties, net of approximately HK$49,830,000 for the Period Under Review as compared with the fair value gain on the Group's investment properties, net of approximately HK$14,515,000 for the same period in 2019; (iii) the decrease in the change in fair value of financial assets at fair value through profit or loss recorded during the Period Under Review to approximately HK$140,753,000 (six months ended 30 June 2019: HK$389,483,000); and (iv) the share of loss of an associate of approximately HK$44,680,000 during the Period Under Review as compared with a share of profit of an associate of approximately HK$13,692,000 during the same period in 2019, which were partially offset by the decrease in the income tax expense incurred by the Group during the Period Under Review to HK$80,014,000 (six months ended 30 June 2019: HK$338,583,000).

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 2020, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$2,625,329,000 (31 December 2019: HK$3,889,815,000). The cash and cash equivalents of the Group were mainly denominated in RMB, United States dollar ("US$") and HK$.

Borrowings, charges on group assets and gearing ratio

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

	30 June 2020 *HK$'000*	31 December 2019 *HK$'000*
Bank loans — secured	**4,454,346**	4,659,742
Bank loans — unsecured and guaranteed	**468,782**	478,264
Senior notes — secured	**3,071,404**	3,381,035
Other borrowings — secured	**11,031,809**	9,446,734
Other borrowings — unsecured and guaranteed	**225,000**	220,000
Lease liabilities	**17,118**	20,242
	19,268,459	18,206,017

(a) As at 30 June 2020, the Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans and a margin loan; and (iv) lease liabilities. Out of these borrowings, approximately HK$1,210,225,000 (31 December 2019: HK$1,270,973,000), approximately HK$14,727,697,000 (31 December 2019: HK$13,467,953,000) and approximately HK$3,330,537,000 (31 December 2019: HK$3,467,091,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 3% to 12% (31 December 2019: 3% to 12%). Approximately 97.07% (31 December 2019: 97.40%) of the bank loans carried fixed interest rates ranging from 2.35% to 14.25% (31 December 2019: 2.97% to 14.25%) while the remaining 2.93% (31 December 2019: 2.60%) 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 2020, the gearing ratio of the Group was 69% (31 December 2019: 65%).

(c) As at 30 June 2020, the Group had outstanding secured bank loans of approximately HK$4,454.3 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's properties under development and completed properties held for sale; (iii) the Group's term deposits; (iv) the entire equity interest of the Company's subsidiaries, namely, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*) and 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*); (v) the entire equity interest of a subsidiary of Guangdong Zhuguang Group Company Limited ("Guangdong Zhuguang Group"); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; and (vii) the personal guarantees executed by the executive Directors, namely Mr. Chu Hing Tsung and Mr. Liao Tengjia. The secured bank loans comprised (1) a bank loan in the principal amount of RMB120 million repayable by instalments within 3 years with the last instalment due in July 2020; (2) a bank loan in the principal amount of US$11.05 million due in November 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 US$11.11 million due in March 2021; (5) a bank loan in the principal amount of HK$3.17 million due in May 2021; (6) a revolving bank loan in the principal amount of HK$53.58 million with the final maturity date falling due in June 2021; (7) a bank loan in the principal amount of RMB50 million due in June 2021; (8) a bank loan in the principal amount of US$11.28 million due in June 2021; (9) a bank loan in the principal amount of RMB5 million due in August 2021; (10) a bank loan in the principal amount of RMB2,500 million due in August 2021; (11) bank loans in the principal amount of HK$198.56 million due in September 2021; (12) a bank loan in the principal amount of HK$349 million due in October 2021; (13) a bank loan in the principal amount of RMB300 million repayable by instalments within 3 years with the last instalment due in November 2021; (14) a bank loan in the principal amount of RMB750 million due in January 2022; and (15) a bank loan in the principal amount of RMB1 million due in November 2022.

(d) As at 30 June 2020, the Group had an outstanding unsecured and guaranteed bank loan of approximately HK$468.8 million, which was guaranteed by (i) the corporate guarantees executed by the Company, Guangdong Zhuguang Group and a subsidiary of Guangdong Zhuguang Group; and (ii) the personal guarantee 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 2020, the Group had outstanding senior secured guaranteed notes issued in 2019 in the aggregate principal amount of US$410 million (equivalent to approximately HK$3,071.4 million), due on 21 September 2022, which were secured and guaranteed by (i) 3,361,112,000 ordinary shares of the Company ("Shares") owned by Rong De Investments Limited ("Rong De") (a controlling shareholder ("Shareholder") of the Company (within the meaning of the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange)); (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) ("Ai De"), All Flourish, Capital Fame Investments Limited (嘉鋒投資有限公司) ("Capital Fame"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("Cheng Chang"), East Orient Investment Limited (達東投資有限公司) ("East Orient"), Ever Crown Corporation Limited (冠恒興業有限公司) ("Ever Crown"), Fresh International Limited (豐順國際有限公司) ("Fresh International"), Fully Wise Investment Limited (惠豐投資有限公司) ("Fully Wise"), Pacific Win Investments Limited (保鋒投資有限公司) ("Pacific Win"), Polyhero International Limited (寶豪國際有限公司) ("Polyhero International"), Profaith International Holdings Limited (盈信國際控股有限公司) ("Profaith International"), Talent Wide Holdings Limited (智博控股有限公司) ("Talent Wide"), Top Asset Development Limited (通利發展有限公司) ("Top Asset"), Top Perfect Development Limited (泰恒發展有限公司) ("Top Perfect"), Vanco Investment Limited (雅豪投資有限公司) ("Vanco Investment") and World Sharp Investments Limited (華聲投資有限公司) ("World Sharp"); (iii) the corporate guarantees executed by Rong De, Zhuguang Group Limited (珠光集團有限公司) ("Zhuguang Group"), South Trend Holdings Limited (南興控股有限公司) ("South Trend"), Ai De, All Flourish, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fully Wise, Pacific Win, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, Vanco Investment, Fresh International and World Sharp; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

(f) As at 30 June 2020, the Group had outstanding secured other borrowings of approximately HK$11,031.8 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's assets under construction under property and equipment; (iii) the Group's investment properties; (iv) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣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

* *English name is translated for identification purpose only*

(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*); (v) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vi) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (vii) 425,000,000 Shares owned by Rong De; and (viii) 681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings comprised (1) a margin loan in the principal amount of HK$360 million due in October 2020; (2) a loan in the principal amount of RMB629.6 million repayable by instalments within 4 years with the last instalment due in December 2020; (3) a loan in the principal amount of RMB450 million repayable by instalments within 3 years with the last instalment due in January 2021; (4) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 4 years with the last instalment due in June 2021; (5) a loan in the principal amount of RMB1,200 million due in July 2021; (6) a loan in the principal amount of RMB1,200 million due in July 2021; (7) loans in the principal amount of RMB165.5 million repayable by instalments within 2 years with the last instalment due in November 2021; (8) a loan in the principal amount of RMB58.5 million repayable by instalments within 2 years with the last instalment due in November 2021; (9) a loan in the principal amount of RMB2,500 million due in May 2022; (10) a loan in the principal amount of RMB2,550 million due in December 2022; (11) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; and (12) a loan in the principal amount of RMB636 million due in April 2026.

(g) As at 30 June 2020, the Group had outstanding unsecured and guaranteed other borrowings of HK$225 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$25 million due in July 2020; and (2) a loan in the principal amount of HK$200 million due in September 2020.

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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 2020 *HK$'000*	31 December 2019 *HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**3,545,706**	3,671,035

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

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 2020 (31 December 2019: Nil).

FOREIGN EXCHANGE RATE

During the Period Under Review, the Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During the Period Under Review, the Group did not adopt any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 429 employees in Hong Kong and the PRC as at 30 June 2020 (31 December 2019: 476). During the Period Under Review, the level of the Group's overall staff cost was approximately HK$86,123,000 (six months ended 30 June 2019: HK$51,654,000). 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 by its employees through coaching and further studies. In-house training was provided to eligible employees during the Period Under Review, including training on updates of accounting standards and training on market updates.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**1,339,415**	2,202,698
Cost of sales		**(155,299)**	(1,130,271)
Gross profit		**1,184,116**	1,072,427
Fair value (loss)/gain on investment properties, net		**(49,830)**	14,515
Other income and gains	*5*	**148,632**	216,555
Selling and marketing expenses		**(9,623)**	(32,880)
Administrative expenses		**(152,324)**	(99,126)
Other expenses		**(235,493)**	(135,377)
Change in fair value of financial assets at fair value through profit or loss		**140,753**	389,483
Share of (loss)/profit of an associate		**(44,680)**	13,692
Share of profit of a joint venture		**20,264**	—
PROFIT FROM OPERATIONS		**1,001,815**	1,439,289
Finance costs	*6*	**(804,444)**	(752,904)
PROFIT BEFORE TAX	*7*	**197,371**	686,385
Income tax expense	*8*	**(80,014)**	(338,583)
PROFIT FOR THE PERIOD		**117,357**	347,802
Attributable to:			
Equity holders of the parent		**121,474**	358,124
Non-controlling interests		**(4,117)**	(10,322)
		117,357	347,802
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	*10*	**1.35**	4.65

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**117,357**	347,802
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(89,225)**	39,799
Share of other comprehensive loss of an associate	**(23,540)**	—
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(112,765)**	39,799
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(4,364)**	(7,943)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(117,129)**	31,856
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**228**	379,658
Attributable to:		
Equity holders of the parent	**20,499**	390,231
Non-controlling interests	**(20,271)**	(10,573)
	228	379,658

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 (Unaudited)** *HK$'000*	31 December 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property and equipment		**338,764**	348,513
Investment properties		**4,569,419**	4,709,808
Intangible assets		**10,150**	11,583
Goodwill		**203,548**	207,571
Investments in joint ventures		**1,684,066**	2,739
Investments in an associate		**2,110,201**	2,182,785
Prepayments, deposits and other assets		**11,801,308**	7,884,171
Financial assets at fair value through profit or loss		**2,946,497**	1,654,097
Deferred tax assets		**97,458**	82,736
Total non-current assets		**23,761,411**	17,084,003
CURRENT ASSETS			
Properties under development		**1,920,373**	1,704,873
Completed properties held for sale		**4,792,732**	5,011,693
Trade and other receivables	*11*	**652,127**	1,581,007
Prepayments, deposits and other assets		**1,759,103**	4,086,657
Prepaid income tax		**206,836**	200,644
Financial assets at fair value through profit or loss		**795,442**	2,284,993
Restricted cash		**1,106,584**	994,217
Term deposits with initial terms of over three months		**1,360,339**	2,541,890
Cash and cash equivalents		**158,406**	353,708
		12,751,942	18,759,682
Assets of a disposal group classified as held for sale		**2,770,882**	—
Total current assets		**15,522,824**	18,759,682
CURRENT LIABILITIES			
Contract liabilities		**2,983,162**	2,573,047
Trade and other payables	*12*	**5,351,627**	3,392,904
Interest-bearing bank and other borrowings		**4,005,301**	4,037,192
Amount due to the ultimate holding company		**344,288**	351,550
Current income tax payables		**2,189,956**	2,125,764
Derivative financial instruments		**30,962**	40,134
Total current liabilities		**14,905,296**	12,520,591
NET CURRENT ASSETS		**617,528**	6,239,091
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,378,939**	23,323,094

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	**30 June 2020 (Unaudited) *HK$'000***	31 December 2019 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables	*12*	**24,290**	33,239
Interest-bearing bank and other borrowings		**15,263,158**	14,168,825
Deferred tax liabilities		**1,497,615**	1,556,936
Total non-current liabilities		**16,785,063**	15,759,000
Net assets		**7,593,876**	7,564,094
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		**719,442**	719,442
Perpetual capital securities		**880,416**	856,416
Reserves		**5,952,045**	5,889,716
Amount recognised in other comprehensive income and accumulated in equity relating to a disposal group classified as held for sale		**(65,830)**	—
		7,486,073	7,465,574
Non-controlling interests		**107,803**	98,520
Total equity		**7,593,876**	7,564,094

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 been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 1996.

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

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

2. BASIS OF PRESENTATION

As at 30 June 2020, the Group had cash and cash equivalents and term deposits (with initial terms of over three months) with an aggregate carrying amount of approximately HK$1,519 million, the majority of which are kept by the Group's subsidiaries in 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$4,005 million which are due to be repaid within one year from the end of the reporting period, comprising offshore borrowings of approximately HK$1,185 million and onshore borrowings in Mainland China of approximately HK$2,820 million.

In preparing 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 2020, the Group had interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$4,005 million which are due to be repaid within one year from the end of the reporting period. Furthermore, the Group had capital and other commitments contracted but not provided for in the interim financial information of approximately HK$673 million.

Nevertheless, the interim financial information has been 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 2020, after taking into consideration the following:

(i) the available credit facilities of the Group; and

(ii) 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 realisation of assets, 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 for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

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 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (the "HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

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

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group.

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

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

(c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users. The amendments did not have any impact on the Group's interim financial information.

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 (loss)/profit of an associate, share of profit of a joint venture, finance costs and income tax expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures 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 (other than lease liabilities), 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 2020

(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	**240,023**	**83,894**	**1,015,498**	**1,339,415**
Segment results	**94,133**	**21,846**	**901,273**	**1,017,252**
Reconciliation:				
Fair value gain on derivative financial instruments, net				**8,979**
Share of loss of an associate				**(44,680)**
Share of profit of a joint venture				**20,264**
Finance costs				**(804,444)**
Profit before tax				**197,371**
Income tax expense				**(80,014)**
Profit for the period				**117,357**

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

30 June 2020
(Unaudited)

	Property development *HK$'000*	**Property investment** *HK$'000*	**Project management services** *HK$'000*	**Total** *HK$'000*
Segment assets	**11,670,253**	**4,823,180**	**18,804,523**	**35,297,956**
Reconciliation:				
Corporate and other unallocated assets				**3,986,279**
Total assets				**39,284,235**
Segment liabilities	**8,508,300**	**212,185**	**—**	**8,720,485**
Reconciliation:				
Corporate and other unallocated liabilities				**22,969,874**
Total liabilities				**31,690,359**

31 December 2019
(Audited)

	Property development *HK$'000*	Property investment *HK$'000*	Project management services *HK$'000*	Total *HK$'000*
Segment assets	13,990,336	4,763,946	14,752,633	33,506,915
Reconciliation:				
Corporate and other unallocated assets				2,336,770
Total assets				35,843,685
Segment liabilities	6,182,561	188,421	—	6,370,982
Reconciliation:				
Corporate and other unallocated liabilities				21,908,609
Total liabilities				28,279,591

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.

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of properties	**240,023**	1,606,812
Revenue from other sources		
Rental income from investment property operating leases:		
— fixed lease payments	**83,894**	86,864
Finance component of income from urban redevelopment projects	**1,015,498**	509,022
	1,339,415	2,202,698

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**89,311**	198,632
Management service income	**50,342**	—
Fair value gain on derivative financial instruments	**8,979**	17,923
	148,632	216,555

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings and senior notes	**954,287**	1,056,408
Less: interest capitalised	**(149,843)**	(303,504)
	804,444	752,904

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of properties sold	**155,299**	1,130,271
Depreciation of property and equipment	**2,503**	2,131
Depreciation of right-of-use assets	**3,403**	—
Amortisation	**1,218**	735
Fair value gain on derivative financial instruments, net	**(8,979)**	(17,923)
Foreign exchange differences, net	**136,396**	78,468
Minimum lease payments under operating leases	**—**	4,050
Lease payments not included in the measurement of lease liabilities	**4,740**	—
Employee benefit expense (including directors' remuneration)	**86,123**	51,654
Impairment of financial assets	**95,865**	45,666
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**649**	671

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 2020 and 2019. 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current:		
PRC corporate income tax	**93,968**	140,558
PRC land appreciation tax	**10,078**	116,235
	104,046	256,793
Deferred	**(24,032)**	81,790
Total tax charge for the period	**80,014**	338,583

9. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil) was proposed by the board of directors of the Company.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted for the distribution related to perpetual capital securities, and the weighted average number of ordinary shares of 7,194,417,247 (six months ended 30 June 2019: 7,190,163,103) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the impact of the warrants had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the parent *(HK$'000)*	**121,474**	358,124
Distribution related to perpetual capital securities *(HK$'000)*	**(24,000)**	(24,000)
Profit used in the basic and diluted earnings per share calculations *(HK$'000)*	**97,474**	334,124
Weighted average number of ordinary shares in issue during the period *(thousand shares)*	**7,194,417**	7,190,163

11. TRADE AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) ***HK$'000***	31 December 2019 (Audited) *HK$'000*
Trade receivables		
Related parties	**—**	8,981
Third parties	**101,256**	53,228
	101,256	62,209
Other receivables		
Related parties	**40,937**	978,258
Third parties	**514,067**	565,170
	555,004	1,543,428
	656,260	1,605,637
Impairment allowance	**(4,133)**	(24,630)
	652,127	1,581,007

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 2020 (Unaudited) ***HK$'000***	31 December 2019 (Audited) *HK$'000*
Current to 180 days	**69,467**	38,617
181 to 365 days	**19,871**	9,642
Over 365 days	**11,918**	13,950
	101,256	62,209

12. TRADE AND OTHER PAYABLES

	Notes	**30 June 2020 (Unaudited) *HK$'000***	31 December 2019 (Audited) *HK$'000*
Trade payables	*(a)*	**2,008,128**	2,107,060
Amounts due to related parties	*(b)*	**119,013**	205,800
Deposits received, other payables and accruals	*(c)*	**2,731,814**	629,580
Other taxes payables	*(c)*	**516,962**	483,703
		5,375,917	3,426,143
Portion classified as current liabilities		**(5,351,627)**	(3,392,904)
Non-current portion		**24,290**	33,239

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 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Within 1 year	**1,981,947**	2,077,350
Over 1 year	**26,181**	29,710
	2,008,128	2,107,060

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 2020 was proposed by the Board (six months ended 30 June 2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

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

(a) On 18 December 2019, South Trend, as purchaser, Quan Xing Holdings Limited (荃興控股有限公司), as vendor, and Mr. Cheung Fong Wing, as guarantor, entered into a sale and purchase agreement to acquire 100% of the issued share capital of All Flourish at the consideration of RMB1,050 million (equivalent to approximately HK$1,165.7 million).

All Flourish holds 100% of the equity interests of Pacific Win and Pacific Win in turn holds 51% of the equity interests of Guangzhou Project Company, which holds interests in the AEC Project.

The AEC Project involves the development of three parcels of land with a total site area of approximately 63,637 sqm, which are being developed into buildings for office, apartment and commercial uses. The total GFA for sale and development of the AEC Project are approximately 352,496 sqm and 360,655 sqm, respectively, and the AEC Project comprises five phases of development. Phase I which covers four blocks of apartment buildings (including a retail portion) with a total GFA available for sale of approximately 33,081 sqm is under construction as at the date of this announcement and is scheduled to be completed in November 2020. Phase II to Phase V with a total GFA available for sale of approximately 319,415 sqm is scheduled to be completed in March 2024.

The All Flourish Acquisition was completed in March 2020, upon which All Flourish and Pacific Win have become indirect wholly-owned subsidiaries of the Company. While the financial results of All Flourish and Pacific Win have been consolidated into the Group's financial statements after completion of the All Flourish Acquisition, the financial results of the Guangzhou Project Company have not been consolidated into those of the Group under the applicable accounting standards but have been equity accounted for as a joint venture.

Further details of the All Flourish Acquisition are set out in the announcement of the Company dated 18 December 2019.

b) On 22 April 2020, (i) United Talent Investments Limited, a wholly-owned subsidiary of the Company, as the vendor ("United Talent"); (ii) Guangzhou Yuhong Investment Company Limited* (廣州御宏投資有限公司), a non-wholly owned subsidiary of the Company, as the target company ("Target Company"); (iii) the Company; (iv) Skyleap Investments Limited, a wholly-owned subsidiary of the Company; and (v) Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership)* (廣州博浩企業管理合伙企業(有限合伙)), an independent third party of the Company, as the purchaser ("Purchaser"), entered into a co-development agreement ("Co-development Agreement"), pursuant to which United Talent has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, (i) the entire equity interest in the Target Company ("Sale Equity Interest") at the consideration of RMB1,500 million (equivalent to approximately HK$1,665 million); and (ii) the net amount advanced by way of loan by United Talent and/or the subsidiaries of the Company to, among others, the Target Company at completion of the Disposal (as defined below) ("Sale Loan") at the consideration equal to the face value of the Sale Loan ("Disposal"). The Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The Co-Development Agreement and the transactions contemplated thereunder (including the Disposal) were approved by the Shareholders at the special general meeting of the Company held on 17 July 2020 ("SGM"). Further details of the Disposal and the SGM are set out in the announcements of the Company dated 22 April 2020 and 17 July 2020 and the circular of the Company dated 24 June 2020.

   As at the date of the Co-development Agreement, the Sale Equity Interest represented the entire equity interest of the Target Company, which was held as to 90% by United Talent and 10% by Guangzhou Rongcheng Investment Development Company Limited* (廣州融晟投資發展有限公司) ("Guangzhou Rongcheng"). As one of the conditions precedent to the completion of the Disposal, United Talent shall complete the acquisition of the 10% equity interest of the Target Company held by Guangzhou Rongcheng ("RC Sale Equity Interest") on or before a date falling 12 months from the date of the Co-Development Agreement (or such later date as the parties to the Co-Development Agreement (other than the Target Company) may agree in writing).

   On 19 June 2020, Guangzhou Rongcheng and United Talent entered into an agreement pursuant to which Guangzhou Rongcheng has agreed to sell, and the United Talent has agreed to acquire, the RC Sale Equity Interest at nil consideration ("RC Sale Equity Interest Acquisition"). Completion of the RC Sale Equity Interest Acquisition took place on 9 July 2020. Further details of the RC Sale Equity Interest Acquisition are set out in the announcement and the circular of the Company dated 19 June 2020 and 24 June 2020, respectively.

** English name is translated for identification purpose only*

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries 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 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 15 June 2020 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 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 2020 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 2020 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, 28 August 2020

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).