



**珠光控股**  
ZHUGUANG HOLDINGS

Interim Report **2016**

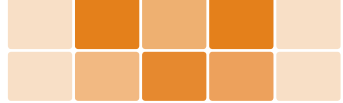


**ZHUGUANG HOLDINGS  
GROUP COMPANY LIMITED**

(incorporated in Bermuda with limited liability)

STOCK CODE : 1176

*\* For identification purposes only*



# CONTENTS

	<i>Pages</i>
Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Condensed Consolidated Statement of Profit or Loss	17
Condensed Consolidated Statement of Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Interim Statement of Cash Flows	23
Notes to the Condensed Consolidated Interim Financial Information	25
Other Information	88



## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

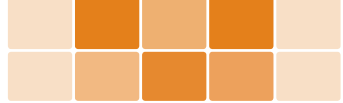
Room 5702-5703, 57th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

### COMPANY SECRETARY

Mr. Ng Hoi Leung Leo

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda



## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Abacus Limited  
Level 22 Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **AUDITOR**

PricewaterhouseCooper  
22nd Floor  
Prince's Building  
Central  
Hong Kong

## **LEGAL ADVISORS ON HONG KONG LAW**

Leung & Lau, Solicitors  
Units 7208-10, 72nd Floor  
The Center  
99 Queen's Road Central  
Central  
Hong Kong

## **LEGAL ADVISORS ON BERMUDA LAW**

Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place Central  
Hong Kong

## **PRINCIPAL BANKERS**

Industrial and Commercial Bank of China  
(Asia) Limited  
Agricultural Bank of China Hong Kong  
Branch  
China Construction Bank (Asia) Corporation  
Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China Limited

## **WEBSITE**

[www.zhuguang.com.hk](http://www.zhuguang.com.hk)

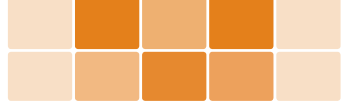
## **STOCK CODE**

1176

The Board of Directors (“Board”) of Zhuguang Holdings Group Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 together with the comparative figures as follows:

## FINANCIAL HIGHLIGHTS

RESULTS	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue — sales of properties	273,603	1,235,745
— rental income	45,409	26,832
— decoration and project management income	115,350	—
Fair value gains on investment properties, net	230,520	36,985
Loss for the period	(149,835)	(201,911)
	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Total assets	17,750,613	17,428,582
Total liabilities	13,867,823	13,262,372
Total equity	3,882,790	4,166,210



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2016, the macro economy slightly recovered from the bottom, the demand and transactions in real estate industry remain steady increase because of the Government introducing a series of policies including loosening credit policies, reducing the down payments of property prices. During the first half of 2016, the Group strengthened its sales efforts for its projects under developments and achieved a steady sales in contract sales. The Group also expanded its project management services business to increase its income source.

#### Property Development and Sales

During the period, the Group achieved contracted sales amounted to approximately HK\$1,392,782,000 for the first half of 2016, and contracted gross floor area (“GFA”) approximately 143,925 square meters (“sqm”). The details are as follows:

Projects	Contracted sales	GFA Sold
	HK\$'000	(sqm)
Pearl Tianhu Yujing Garden (“ <b>Tianhu Yujing</b> ”)	146,674	19,771
Zhuguang Yujing Scenic Garden (“ <b>Yujing Scenic Garden</b> ”)	457,831	52,926
Central Park	15,914	313
Pearl Yijing	666,276	68,284
	1,286,695	141,294
Car Parks	106,087	2,631
	1,392,782	143,925



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

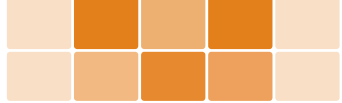
#### Property Development and Sales *(continued)*

##### **Nansha Scenic** 100% interest

“Nansha Scenic” is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC, which is the central business district in Nansha. The project was completed and only certain car parks are available for sale. During the period, approximately 118 sqm car park area was delivered.

##### **Zhukong International** 80% interest

“Zhukong International” is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, which is at the junction of Guangzhou Avenue and Huang Pu Da Dao. It is developed into 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 aggregate GFA was approximately 133,297 sqm. The building was completed and already delivered in previous years approximately to 41,412 sqm, approximately 2,537 sqm car park area was delivered during the period. Approximately 37,456 sqm out of the total GFA was designated as investment properties, the accumulated GFA leased was 26,096 sqm of which 8,109 sqm was leased during the period. The remaining 11,360 sqm will be leased in future to earn rental income.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### Property Development and Sales *(continued)*

##### **Central Park** 100% interest

“Central Park” is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and is entitled to total GFA of approximately 34,852 sqm, which was developed into a 30-storey building including service apartments, a street-level commercial podium and a 4-storey underground car park. Approximately 21,658 sqm and 434 sqm was delivered in 2015 and the first half of 2016 respectively, the remaining service apartments will be delivered soon. All the street-level commercial podium with approximately 1,318 sqm was leased out during the period.

##### **Yujing Scenic Garden** 70% interest

“Yujing Scenic Garden” is located at Provincial Highway G105 line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. The project is a 20-minute drive from the downtown Conghua and a 10-minute drive from Wenquan Town, Conghua. The project site area is approximately 294,684 sqm and will be developed into a commercial and residential complex, comprising residential and commercial buildings, service apartments and car parks. According to the latest design, the total GFA is expected to be approximately 886,270 sqm. The proposed development will be divided into four phases. Phase I and part of the Phase II already delivered 222,960 sqm in total in 2015 and 20,009 sqm in the first half of 2016, the remaining part of Phase I and Phase II will be delivered soon. Phase III and IV with total GFA of approximately 432,853 sqm is expected to be completed in 2017 and 2018.





## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

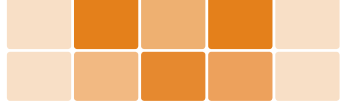
#### Property Development and Sales *(continued)*

##### **Tianhu Yujing** 100% interest

“Tianhu Yujing” is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm. The land is located adjacent to Yujing Scenic Garden, and the Group considered developing the land together with Yujing Scenic Garden to expand the Group’s development and presence in Conghua. The project will be developed into 5 blocks of 32-storey modern residential buildings with total GFA of approximately 240,296 sqm. The development is divided into two phases. Phase I was expected to be delivered in 2016. Phase II was launched for per-sale in the second quarter of 2016.

##### **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 of Guangzhou. The project site area is approximately 200,083 sqm, of which approximately 139,182 sqm will be developed and the remaining area will be reserved for public facilities. According to the latest design, the project will be developed into an integrated tourism project by selling the land use rights. The total GFA is expected to be approximately 124,521 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 43,004 sqm and Phase II comprising 28 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 81,517 sqm. The villas and apartment buildings will be sold upon completion, whilst the hotel will be retained as a long-term investment asset.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### Property Development and Sales *(continued)*

##### **Pearl Yijing** 100% interest

“Pearl Yijing” is located at No.168 Xinkai Street, Xianghe County, Hebei Province, the PRC. The project will be developed into several residential buildings with total GFA of approximately 193,629 sqm. The pre-sale was commenced in the 1st quarter of 2016 and expected to be delivered in 2017.

#### **Land Bank**

The Group’s strategy is to maintain a portfolio of land bank which is sufficient to support the Group’s own development pipeline for at least three years. During the period, the Group did not acquire any additional land except for a few potential projects under negotiation. The Group continues to explore new opportunities in cities the Group already invested in and explore into new cities in the PRC with growth potential and best investment value.

#### **Property Investments**

The Group owns certain floors of Royal Mediterranean Hotel (“Hotel”) located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, as a leased property with GFA of approximately 18,184 sqm, and approximately of 37,456 sqm in total of Zhukong International was designated as investment properties, the accumulated GFA leased was 26,096 sqm of which 8,109 sqm was leased during the period. Together with certain commercial properties, Zhukong International and the Hotel will be kept for medium to long term investment purpose.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

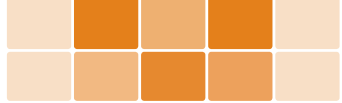
#### Project Management Services

The Group project management services business commenced in 2014. During the period, the Group successfully engaged in several new projects management services which increase the income source of the Group. The Group will continue to utilise its expertise in project management in order to develop a steady income stream in the future.

#### Business Prospect

Looking forward to the second half of 2016, it is expect that Government policies will remain stable and unchanged, the loose monetary policies and liquidity will maintain in the second half of 2016. It is expected the prices of the property will be increased in the future, the Group will continue to expand in Guangzhou and explore growth opportunities in other first tier cities such as Shenzhen and Beijing. Meanwhile, the Group will speed up turnover of development projects and actively implement strategies to clean up inventory, secure sufficient supply of projects to steadily increase the contract sales, proactively participate in urban renewal and renovation projects.

The Group will pay attention to the fast changing market environment and risks, increase its cashflow by broadening its financing channels, lowering its financing costs, optimising its debt structure and strengthening the overall financial capability for providing liquidity to the Group's continuous business growth.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW

#### Revenue

The Group's revenue represented the sale of properties, rental income, decoration and project management income. The revenue of the Group was approximately HK\$434,362,000 (six months ended 30 June 2015: HK\$1,262,577,000). The decrease was mainly due to the amounts of properties delivered were substantially fewer than the same period in 2015. During the period, total areas delivered were approximately 23,098 sqm (six months ended 30 June 2015: 74,120 sqm). Rental income recorded an increase of 69% to approximately HK\$45,409,000 (six months ended 30 June 2015: HK\$26,832,000), the increase is primarily due to additional areas of the Zhukong International were leased out during the period. During the period, the Group recognised project management income amounting to HK\$93,547,000 primarily from providing several projects management services to other developers.

#### Investment and other income

Current period investment and other income decreased to approximately HK\$76,320,000 (six months ended 30 June 2015: HK\$84,020,000) mainly due to the decrease in interest income received from bank deposits approximately to HK\$42,990,000 (six months ended 30 June 2015: HK\$53,245,000) comparing to the corresponding period of last year.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### **Fair value gains on investment properties**

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

The Group's investment properties are appraised by independent property valuers. Any appreciation or depreciation in the Group's investment property is recognised as fair value gains or loss in the Group's consolidated statement of profit or loss. Fair value gains on investment properties for the first half of 2016 increased to approximately HK\$230,520,000 from approximately HK\$36,985,000 for the same period in 2015, mainly due to additional areas of Zhukong International as well as the street-level commercial podium of Central Park were leased out during the period, and certain commercial properties were designated as investment properties for the purpose of leasing.

#### **Selling and marketing expenses**

Selling and marketing expenses for the current period were approximately HK\$15,859,000 (six months ended 30 June 2015: HK\$7,593,000) due to the increase in promotion expenses to boost the sales in our projects.

#### **Administrative expenses**

Administrative expenses of the Group increased to approximately HK\$70,573,000 (six months ended 30 June 2015: HK\$46,761,000 with other tax HK\$5,433,000) due to i) increase in the property management fee; ii) increase in staff costs because of one-off bonus to celebrate the 20th anniversary of the Group; and iii) the general increase in administrative expenses including provision of professional fee for potential projects due diligence and refinancing arrangement and settlement.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### Finance costs

Finance costs for the current period were approximately HK\$327,184,000 (six months ended 30 June 2015: HK\$520,816,000 with other bank charges HK\$26,885,000), which were made up of interest expenses incurred in the period after deduction of the amount capitalised to development costs.

#### Income tax expenses

Income tax expenses comprises of corporate income tax in the PRC (“CIT”), land appreciation tax (“LAT”) and the deferred tax arising from appreciation from revaluation of investment properties. The increase in income tax expenses due to i) decrease in CIT and LAT approximately to HK\$53,173,000 (six months ended 30 June 2015: HK\$142,455,000) and HK\$9,981,000 (six months ended 30 June 2015: HK\$47,206,000) respectively because of fewer properties delivered as compared to same period in last year; and ii) offset by the increase in deferred tax due to appreciation from revaluation of investment properties during the period.

#### Cash position

As at 30 June 2016, the Group’s cash and cash equivalents (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK\$6,702,859,000 (31 December 2015: HK\$5,848,861,000).



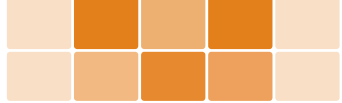
## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### Borrowings, charges on group assets and gearing ratio

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

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Bank loans — secured	<b>1,105,204</b>	1,443,118
Senior Notes — secured	<b>2,979,052</b>	2,914,608
Other borrowings — secured	<b>3,879,017</b>	3,652,517
Other borrowings — unsecured	<b>156,924</b>	158,118
	<b>8,120,197</b>	8,168,361



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

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

- (a) The borrowings (including secured bank loans, secured senior notes and secured other borrowings) were secured by (i) investment properties; (ii) land use rights grouped under intangible assets; (iii) properties under development and completed properties held for sale; (iv) pledged bank deposits; (v) equity interests of certain subsidiaries of the Group and ex-subsidiary of the Group; (vi) assignment of all rental income from certain investment properties; (vii) corporate guarantee by an independent third party, related companies, controlling shareholder and by the ex-subsidiary of the Group; (viii) guarantees executed by the Company's directors Mr. Chu Hing Tsung (alias Zhu Qing Yi), Mr. Liao Tengjia, Mr. Chu Muk Chi (alias Zhu La Yi) and a director of company subsidiary; (ix) ordinary shares of the Company beneficially owned by controlling shareholder; and (x) charge over the assets of a related company.
- (b) The gearing ratio is measured by the net borrowings (total interest-bearing borrowings net of cash and cash equivalents, restricted cash and term deposits with initial terms of over three months) over the equity attributable to owners of the Company. As at 30 June 2016, the gearing ratio was 40% (31 December 2015: 61%).





## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FOREIGN EXCHANGE RATE

The Group conducts its business almost exclusively in Renminbi (“RMB”) except that certain borrowings are 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. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC Government. The Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy to manage the possible foreign exchange risk that may arise.

### STAFF AND REMUNERATION POLICIES

The Group had approximately 167 employees in Hong Kong and the PRC as at 30 June 2016 (31 December 2015: 148). They are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Director’s remuneration was determined based on the qualification, experience, duties, responsibilities, the Company’s remuneration policy and the prevailing market conditions.

The Group has not experienced any significant problems with its employee or to its operations due to labour discipline nor has it experience any difficulty in the recruitment and retention of experienced staffs. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June	
		2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Revenue	5	434,362	1,262,577
Cost of sales	24	(251,554)	(900,357)
<b>Gross profit</b>		<b>182,808</b>	362,220
Fair value gains on investment properties, net	7	230,520	36,985
Investment and other income	23	76,320	84,020
Selling and marketing costs	24	(15,859)	(7,593)
Administrative expenses	24	(70,573)	(46,761)
Other gain, net		19,439	4,377
<b>Operating profit</b>		<b>422,655</b>	433,248
Finance costs	25	(327,184)	(520,816)
<b>Profit/(loss) before income tax</b>		<b>95,471</b>	(87,568)
Income tax expenses	26	(245,306)	(114,343)
<b>Loss for the period</b>		<b>(149,835)</b>	(201,911)
<b>Loss attributable to:</b>			
Owners of the Company		(159,165)	(187,670)
Non-controlling interests		9,330	(14,241)
		<b>(149,835)</b>	(201,911)
Loss per share for loss attributable to owners of the Company during the period (expressed in HK cents per share)			
— Basic and diluted	27	<b>3.30 cents</b>	3.89 cents

The notes on pages 25 to 87 form an integral part of this unaudited condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
<b>Loss for the period</b>	<b>(149,835)</b>	(201,911)
<b>Other comprehensive income</b> <i>Items that may be subsequently reclassified to profit or loss:</i>		
Currency translation differences	<b>(133,585)</b>	10,463
<b>Total comprehensive income for the period</b>	<b>(283,420)</b>	(191,448)
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>(286,897)</b>	(177,315)
Non-controlling interests	<b>3,477</b>	(14,133)
	<b>(283,420)</b>	(191,448)

The notes on pages 25 to 87 form an integral part of this unaudited condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	49,601	33,707
Investment properties	7	2,006,560	1,237,878
Intangible assets	6	65,540	67,268
Properties under development	8	—	523,358
Deferred income tax assets	19	33,468	33,422
Goodwill		17,057	17,401
Financial assets at fair value through profit or loss	13	30,866	23,896
		<b>2,203,092</b>	1,936,930
<b>Current assets</b>			
Properties under development	8	3,839,998	2,818,794
Completed properties held for sale	9	1,461,026	2,055,350
Trade and other receivables	10	2,267,768	2,182,306
Prepayments	11	496,989	1,571,350
Prepaid taxes		76,857	60,087
Available-for-sale financial assets	12	702,024	—
Financial assets at fair value through profit or loss	13	—	954,904
Term deposits with initial terms of over three months		967,623	—
Restricted cash	14	434,453	187,747
Cash and cash equivalents	15	5,300,783	5,661,114
		<b>15,547,521</b>	15,491,652
<b>Total assets</b>		<b>17,750,613</b>	17,428,582

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	481,831	481,831
Other reserves	17	3,499,081	3,626,813
Accumulated losses		(457,094)	(297,929)
		<b>3,523,818</b>	3,810,715
Non-controlling interests		<b>358,972</b>	355,495
<b>Total equity</b>		<b>3,882,790</b>	4,166,210
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	18	4,657,738	4,702,108
Deferred income tax liabilities	19	546,708	373,543
Finance lease payable		979	1,369
		<b>5,205,425</b>	5,077,020

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
<b>Current liabilities</b>			
Trade and other payables	21	1,464,207	1,861,460
Consideration payables for property acquisition		—	21,805
Amount due to ultimate holding company	31	880	880
Advances from customers		2,077,339	1,189,098
Current income tax liabilities	22	1,506,487	1,505,145
Finance lease payable		811	833
Borrowings	18	3,462,459	3,466,253
Derivative financial instruments	20	150,215	139,878
		<b>8,662,398</b>	8,185,352
<b>Total liabilities</b>		<b>13,867,823</b>	13,262,372
<b>Total equity and liabilities</b>		<b>17,750,613</b>	17,428,582

The notes on pages 25 to 87 form an integral part of this unaudited condensed consolidated interim financial information.

**Chu Hing Tsung**  
Director

**Ye Lixia**  
Director

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited										
	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Exchange reserve	Contributed surplus	Statutory reserve	Accumulated losses	Total			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
(Note 16)											
<b>Six months ended 30 June 2016</b>											
<b>Balance at 1 January 2016</b>	481,831	3,543,224	(101,922)	(60,561)	239,404	6,668	(297,929)	3,810,715	355,495	4,166,210	
Comprehensive income:											
– (Loss)/profit for the period	–	–	–	–	–	–	(159,165)	(159,165)	9,330	(149,835)	
Other comprehensive loss:											
– Currency translation difference	–	–	–	(127,732)	–	–	–	(127,732)	(5,853)	(133,585)	
Total comprehensive income for the period	–	–	–	(127,732)	–	–	(159,165)	(286,897)	3,477	(283,420)	
<b>Balance at 30 June 2016</b>	481,831	3,543,224	(101,922)	(188,293)	239,404	6,668	(457,094)	3,523,818	358,972	3,882,790	
<b>Six months ended 30 June 2015</b>											
<b>Balance at 1 January 2015</b>	481,831	3,543,224	(101,922)	107,131	239,404	5,611	(888,281)	3,386,998	458,226	3,845,224	
Comprehensive income:											
– Loss for the period	–	–	–	–	–	–	(187,670)	(187,670)	(14,241)	(201,911)	
Other comprehensive income:											
– Currency translation difference	–	–	–	10,355	–	–	–	10,355	108	10,463	
Total comprehensive income for the period	–	–	–	10,355	–	–	(187,670)	(177,315)	(14,133)	(191,448)	
<b>Balance at 30 June 2015</b>	481,831	3,543,224	(101,922)	117,486	239,404	5,611	(1,075,951)	3,209,683	444,093	3,653,776	

The notes on pages 25 to 87 form an integral part of this unaudited condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

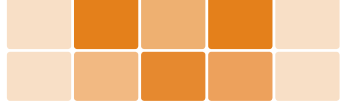
		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
		<b>Unaudited</b>	Unaudited
Note		<b>HK\$'000</b>	HK\$'000
<b>Cash flows from operating activities</b>			
		<b>701,056</b>	832,585
		<b>(27,207)</b>	(37,617)
		<b>(17,468)</b>	(12,465)
		<b>(426,114)</b>	(548,230)
<b>Cash generated from operating activities — net</b>		<b>230,267</b>	234,273
<b>Cash flows from investing activities</b>			
		<b>42,990</b>	266,321
		<b>(18,306)</b>	(3,082)
		<b>(1,755)</b>	—
		<b>(702,024)</b>	—
		<b>(7,442)</b>	—
		<b>954,904</b>	—
		<b>(373,113)</b>	(1,253,012)
		<b>—</b>	355,129
		<b>1,988,360</b>	647,260
		<b>(967,623)</b>	806,374
	31(b)(i)	<b>(1,675,691)</b>	(25,300)
	31(b)(i)	<b>308,930</b>	659,120
<b>Cash (used in)/generated from investing activities — net</b>		<b>(450,770)</b>	1,452,810



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS *(continued)*

		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
		<b>Unaudited</b>	Unaudited
Note		<b>HK\$'000</b>	HK\$'000
<b>Cash flows from financing activities</b>			
		<b>965,999</b>	247,401
		<b>(1,000,502)</b>	(314,534)
		—	775,447
		—	(25,212)
		<b>(321)</b>	—
	31(b)(i)	<b>1,506,521</b>	—
	31(b)(i)	<b>(1,502,377)</b>	—
		<b>(412)</b>	(396)
<b>Cash (used in)/generated from financing activities – net</b>		<b>(31,092)</b>	682,706
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		<b>(251,595)</b>	2,369,789
		<b>5,661,114</b>	2,074,510
		<b>(108,736)</b>	10,487
<b>Cash and cash equivalents at end of the period</b>		<b>5,300,783</b>	4,454,786
	15		

The notes on pages 25 to 87 form an integral part of this unaudited condensed consolidated interim financial information.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Zhuguang Holdings Group Company Limited (the “Company”) was incorporated in Bermuda on 22 August 1996 as an exempted company with limited liability under Part 16 of the Companies Ordinance or Part XI of the Predecessor Ordinance of Hong Kong. The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company’s principal activity is investment holding. The Company and its subsidiaries (together, the “Group”) is principally engaged in property development, property investment, property management, and other property development related services in the People’s Republic of China (the “PRC”).

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

This condensed consolidated interim financial information for the six months ended 30 June 2016 (“Interim Financial Information”) was approved for issue by the Board of Directors (the “Board”) of the Company on 30 August 2016.

This Interim Financial Information is presented in thousands of Hong Kong Dollars (“HK\$’000”), unless otherwise stated. Certain comparative figures have been reclassified to conform with current presentation.

The Interim Financial Information has not been audited.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2015, as described in those annual consolidated financial statements, except as described below.

#### (a) Amended standards and interpretations adopted by the Group

HKFRS 14	Regulatory deferral accounts
Amendment to HKFRS 11	Accounting for acquisitions of interest in joint operation
Amendment to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortization
Amendment to HKAS 16 and 41	Agriculture: bearer plants
HKAS 27	Equity method in separate financial statements
Annual improvements 2014	2012-2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

(a) **Amended standards and interpretations adopted by the Group** *(continued)*

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

(b) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendment to HKAS 10 and 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

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

### 3 ESTIMATES

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's businesses are principally conducted in Hong Kong Dollars ("HK\$") or Renminbi ("RMB"). As at 30 June 2016, major non-HK\$/RMB assets and liabilities mainly comprised borrowings denominated in US Dollars ("USD") totalling HK\$3,048 million (31 December 2015: HK\$2,983 million). The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The Interim Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since year end.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 4 FINANCIAL RISK MANAGEMENT *(continued)*

#### 4.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

## 4 FINANCIAL RISK MANAGEMENT *(continued)*

### 4.2 Liquidity risk *(continued)*

The table below set out the Group's financial liabilities by relevant maturity grouping at each statement of financial position date. Trade and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>At 30 June 2016</b>					
Borrowings (Note (a))	4,012,700	1,891,093	3,293,369	–	9,197,162
Trade and other payables (Note (b))	1,217,104	1,032	13,513	1,576	1,233,225
Finance lease payables	860	670	335	–	1,865
Amount due to ultimate holding company	880	–	–	–	880
Derivative financial instruments – cash outflow	49,949	123,403	–	–	173,352
Financial guarantee contract for a previous owner of the Group's subsidiary (Note 29)	124,317	–	–	–	124,317
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (c))	1,555,340	–	–	–	1,555,340
	<b>6,961,150</b>	<b>2,016,198</b>	<b>3,307,217</b>	<b>1,576</b>	<b>12,286,141</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

## 4 FINANCIAL RISK MANAGEMENT *(continued)*

### 4.2 Liquidity risk *(continued)*

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>At 31 December 2015</b>					
Borrowings (Note (a))	4,263,124	2,821,157	2,601,055	—	9,685,336
Trade and other payables (Note (b))	1,627,729	—	12,849	950	1,641,528
Finance lease payables	898	746	670	—	2,314
Amount due to ultimate holding company	880	—	—	—	880
Derivative financial instruments — cash outflow	49,898	61,639	61,639	—	173,176
Financial guarantee contract for a previous owner of the Group's subsidiary (Note 29)	134,283	—	—	—	134,283
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (c))	1,124,355	—	—	—	1,124,355
	7,201,167	2,883,542	2,676,213	950	12,761,872



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 4 FINANCIAL RISK MANAGEMENT *(continued)*

#### 4.2 Liquidity risk *(continued)*

- (a) Interest on borrowings is calculated on principal of borrowings held as at 30 June 2016 and 31 December 2015, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2016 and 31 December 2015, respectively.
- (b) Amounts exclude salaries payable and other taxes payables.
- (c) 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 (Note 29).

#### 4.3 Fair value estimation

The different levels of fair value estimation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

## 4 FINANCIAL RISK MANAGEMENT *(continued)*

### 4.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2016 and 31 December 2015.

	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 June 2016</b>			
Available-for-sale financial assets (Note 12)	—	702,024	702,024
Financial assets at fair value through profit or loss			
— Investment funds (Note 13)	—	30,866	30,866
	—	732,890	732,890
Financial liabilities:			
Derivative financial instruments (Note 20)	—	150,215	150,215
<b>At 31 December 2015</b>			
Financial assets at fair value through profit or loss			
— Investment funds	—	23,896	23,896
— Financial product	954,904	—	954,904
	954,904	23,896	978,800
Financial liabilities:			
Derivative financial instruments (Note 20)	—	139,878	139,878

There were no transfers between levels during the period.

There were no other changes in valuation techniques during the period.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 4 FINANCIAL RISK MANAGEMENT *(continued)*

#### 4.3 Fair value estimation *(continued)*

##### (a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

##### (b) Financial instruments in level 3

The fair value of financial instruments included in level 3 is disclosed in Note 12 and Note 13.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers (“CODM”) of the Group review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into two business segments: property development and property investment. As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Sales of properties	<b>273,603</b>	1,235,745
Rental income	<b>45,409</b>	26,832
Decoration income	<b>21,803</b>	—
Project management income	<b>93,547</b>	—
Total	<b>434,362</b>	1,262,577

Segment results represent the profit earned by each segment without net change in fair value of derivative financial liabilities, finance costs and income tax expenses. The segment results and other segment items for the six months ended 30 June 2016 are as follows:

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 5 SEGMENT INFORMATION *(continued)*

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 5 SEGMENT INFORMATION *(continued)*

The segment results and other segment items for the six months ended 30 June 2015 are as follows:

	Property development HK\$'000	Property investment HK\$'000	Group HK\$'000
Gross segment revenue	1,235,745	26,832	1,262,577
Segment results	379,573	53,675	433,248
Finance costs, net			(520,816)
Loss before income tax			(87,568)
Income tax expenses			(114,343)
Loss for the period			(201,911)
Capital expenditure	5,582	—	5,582
Depreciation	1,360	—	1,360
Amortisation of land use rights recognised as expenses	2,137	—	2,137
Fair value gains on investment properties, net	—	36,985	36,985

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 5 SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2016 are as follows:

	Property development HK\$'000	Property investment HK\$'000	Group HK\$'000
Segment assets	14,977,695	2,006,560	16,984,255
Other assets			766,358
Total assets			17,750,613
Segment liabilities	13,522,383	345,440	13,867,823
Total liabilities			13,867,823





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 5 SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2015 are as follows:

	Property development HK\$'000	Property investment HK\$'000	Group HK\$'000
Segment assets	15,178,482	1,237,878	16,416,360
Other assets			1,012,222
Total assets			17,428,582
Segment liabilities	12,965,382	296,990	13,262,372
Total liabilities			13,262,372

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 5 SEGMENT INFORMATION *(continued)*

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

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

### 6 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and equipment HK\$'000	Intangible assets HK\$'000
<b>Six months ended 30 June 2016</b>		
Opening net book amounts as at 1 January 2016	33,707	67,268
Additions	18,306	1,755
Depreciation/amortisation charges	(1,838)	(2,431)
Exchange differences	(574)	(1,052)
Closing net book amounts as at 30 June 2016	49,601	65,540



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 6 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS *(continued)*

	Property and equipment HK\$'000	Intangible assets HK\$'000
<b>Six months ended 30 June 2015</b>		
Opening net book amounts as at 1 January 2015	30,715	71,328
Additions	5,582	—
Transfer	(8,692)	—
Depreciation/amortisation charges	(1,360)	(2,137)
Exchange differences	15	14
Closing net book amounts as at 30 June 2015	26,260	69,205

Intangible assets consist of computer softwares and land use rights. Intangible assets related to land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 7 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Opening amount as at 1 January	<b>1,237,878</b>	686,465
Transfer from completed properties held for sale	<b>563,429</b>	218,849
Fair value gains	<b>230,520</b>	36,985
Exchange differences	<b>(25,267)</b>	839
Closing amount as at 30 June	<b>2,006,560</b>	943,138
Total unrealised gains for the period included in profit or loss for assets held at the end of the period	<b>230,520</b>	36,985

Investment properties as at 30 June 2015 and 2016 are held in the PRC on leases of 40 years.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 7 INVESTMENT PROPERTIES *(continued)*

#### (i) Fair value hierarchy

An independent valuation of the Group's certain investment properties was performed by the valuers, Greater China Appraisal Limited and A.G. Wilkinson & Associates (Surveyors) Limited, to determine the fair value of the investment properties as at 30 June 2016. The revaluation gains or losses are included in 'Fair value gains on investment properties, net' in the profit or loss.

As at 30 June 2016, as certain of significant inputs used in the determination of fair value of investment properties are derivate from unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of fair value hierarchy levels during the period.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 7 INVESTMENT PROPERTIES *(continued)*

#### (ii) Valuation processes of the Group

The Group's certain investment properties were valued at 30 June 2016 by the valuers. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

#### (iii) Valuation techniques

Fair values of investment properties are generally derived using the term and reversion method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversion yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversion yields are derived from analysis prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings, within the subject properties and other comparable properties.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 8 PROPERTIES UNDER DEVELOPMENT

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Properties under development expected to be completed:		
— Within one operating cycle, included under current assets	<b>3,839,998</b>	2,818,794
— Beyond one operating cycle, included under non-current assets	—	523,358
	<b>3,839,998</b>	3,342,152
Properties under development include:		
— Construction costs and capitalised expenditures	<b>2,187,338</b>	1,873,932
— Interests capitalised	<b>376,892</b>	198,942
— Land use rights	<b>1,275,768</b>	1,269,278
	<b>3,839,998</b>	3,342,152

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 8 PROPERTIES UNDER DEVELOPMENT *(continued)*

As at 30 June 2016, the properties under development are all located in the PRC and expected to be completed within an operating cycle, most of which are expected to be completed within 12 months.

The capitalisation rate of borrowings for the six months ended 30 June 2016 was 11.83% (six months ended 30 June 2015: 11.89%).

### 9 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

### 10 TRADE AND OTHER RECEIVABLES

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Trade receivables — third parties (Note (a))	<b>122,346</b>	1,062,898
Less: provision for impairment of trade receivables	—	—
Trade receivables, net	<b>122,346</b>	1,062,898
Amounts due from related parties (Note 31 (c))	<b>1,619,298</b>	147,663
Other receivables	<b>526,124</b>	971,745
	<b>2,267,768</b>	2,182,306



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 10 TRADE AND OTHER RECEIVABLES *(continued)*

- (a) The majority of the Group's sales are derived from sales of properties and rental income. The remaining amounts are with credit terms of related sales and purchase agreements and rental contracts.

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Not due	<b>19,324</b>	1,015,700
Over due	<b>103,022</b>	47,198
	<b>122,346</b>	1,062,898

As at 30 June 2016 and 31 December 2015, the ageing analysis of overdue trade receivables of the Group were as follows:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Within 90 days	<b>103,022</b>	47,198

As at 30 June 2016, trade receivables amount to HK\$103,022,000 (31 December 2015: HK\$47,198,000) were past due but not impaired. As the Group normally holds property ownership certificate of the properties before collection of the outstanding balances, the Group consider that the past due trade receivables would be recovered and no provision was made.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 10 TRADE AND OTHER RECEIVABLES *(continued)*

- (b) As at 31 December 2015 and 30 June 2016, the fair value of trade and other receivables approximated their carrying amounts.
- (c) Other receivables from third parties mainly consist of the deposits for projects development and advances to construction contractors.
- (d) Except for those disclosed in Note (a), no material trade and other receivables were impaired or past due as at 31 December 2015 and 30 June 2016.
- (e) The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

### 11 PREPAYMENTS

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Prepaid business taxes and other taxes	<b>78,236</b>	46,119
Prepayments and advances to third parties		
— for acquisition of property development projects/equity interest	<b>269,243</b>	1,422,093
— prepaid construction costs	<b>147,468</b>	98,379
— others	<b>2,042</b>	4,759
	<b>496,989</b>	1,571,350



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Opening amount as at 1 January	—	—
Additions (Note)	702,024	—
Closing amount as at 30 June	702,024	—

Note:

In 2016, the Group invested in a trust product issued by a PRC trust company. The fair value of the unlisted private trust is based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the private trust.

The maximum exposure to credit risk at the reporting date is the carrying value of available-for-sale financial assets. There are no commitment or contingent liabilities relating to the Group's interests in the available-for-sale financial assets.

These financial assets are not past due or impaired as at 30 June 2016.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Non-current portion:		
Opening amount at 1 January	23,896	—
Additions	7,442	—
Exchange differences	(472)	—
Closing amount as at 30 June (Note)	30,866	—
Current portion:		
Opening amount as at 1 January	954,904	—
Disposals	(954,904)	—
Closing amount as at 30 June	—	—

Note:

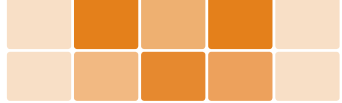
The Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK\$30,866,000 (31 December 2015: HK\$23,896,000). The investment funds are managed with expected return equal to one-year prevailing saving interest rate quoted by the People's Bank of China.

As at 30 June 2016, the fair values of the investment funds were quoted by the fund manager (which also act as the agents for the subscription and return of the investment funds) and there is no substantial changes in this period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 14 RESTRICTED CASH

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Guarantee deposits for construction projects (Note (a))	<b>363,151</b>	110,844
Guarantee deposit for payment of wages (Note (b))	<b>26,926</b>	32,212
Guarantee deposits for bank borrowings (Note (c))	<b>44,376</b>	44,691
	<b>434,453</b>	187,747
Denominated in		
— HK\$	<b>12,785</b>	12,464
— RMB	<b>421,668</b>	175,283
	<b>434,453</b>	187,747



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 14 RESTRICTED CASH *(continued)*

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of pre-sale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.
- (b) The Group is required to place a deposit in a designated bank account solely for settlement of the Group's payable to construction workers. The deposit will only be released after completion of the relevant property development project.
- (c) As at 30 June 2016, the Group has placed cash deposits of approximately HK\$44,376,000 (31 December 2015: HK\$44,691,000) with designated banks as security for bank borrowings.

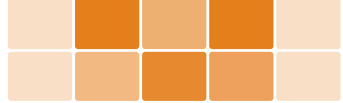
The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 15 CASH AND CASH EQUIVALENTS

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Cash at bank and in hand:		
— Denominated in RMB	<b>5,295,870</b>	5,603,601
— Denominated in HK\$	<b>3,692</b>	17,538
— Denominated in USD	<b>1,221</b>	39,975
	<b>5,300,783</b>	5,661,114

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 16 SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
<b>Authorised:</b>		
At 1 January 2015 and 2016,		
30 June 2015 and 2016	6,000,000,000	
<b>Issued and fully paid:</b>		
At 1 January 2015 and 2016,		
30 June 2015 and 2016	4,818,312,935	481,831



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

## 17 OTHER RESERVES

	Share premium HK\$'000	Merger reserve HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
			(Note (a))			
At 1 January 2016	3,543,224	(101,922)	6,668	239,404	(60,561)	3,626,813
Currency translation differences	—	—	—	—	(127,732)	(127,732)
At 30 June 2016	3,543,224	(101,922)	6,668	239,404	(188,293)	3,499,081
At 1 January 2015	3,543,224	(101,922)	5,611	239,404	107,131	3,793,448
Currency translation differences	—	—	—	—	10,355	10,355
At 30 June 2015	3,543,224	(101,922)	5,611	239,404	117,486	3,803,803

### (a) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to equity owners in form of bonus issue.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 18 BORROWINGS

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Borrowings included in non-current liabilities:		
Senior notes	<b>2,979,052</b>	2,914,608
— senior notes due August 2016 ("2013 Notes") (Note (a)(i))	<b>1,496,535</b>	1,464,750
— senior notes due July 2017 ("2014 Notes (I)") (Note (a)(ii))	<b>747,917</b>	729,832
— senior notes due January and February 2018 ("2014 Notes (II)") (Note (a)(iii))	<b>734,600</b>	720,026
Bank borrowings — secured (Note (b))	<b>810,910</b>	1,076,977
Other borrowings — secured (Note (c))	<b>3,879,017</b>	3,652,517
Other borrowings — unsecured	<b>156,924</b>	158,118
Less: amounts due within one year	<b>(3,168,165)</b>	(3,100,112)
	<b>4,657,738</b>	4,702,108
Borrowings included in current liabilities:		
Bank borrowings — secured (Note (b))	<b>294,294</b>	366,141
Current portion of long-term borrowings	<b>3,168,165</b>	3,100,112
	<b>3,462,459</b>	3,466,253
Total borrowings	<b>8,120,197</b>	8,168,361



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 18 BORROWINGS *(continued)*

#### (a) Senior notes

##### (i) 2013 Notes

On 22 July 2013, the Company issued 3-year secured and guaranteed senior notes with an aggregated nominal value of USD200,000,000 to certain investors. The net proceeds, after deducting the issuance costs, amounted to USD194,658,000 (equivalent to approximately HK\$1,509,784,000). The 2013 Notes is denominated in USD, due on 4 August 2016, and with an interest rate at 12.5% per annum.

The 2013 Notes are accounted for as a financial liabilities, initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Pursuant to the terms and conditions of the issuance of the 2013 Notes and the supplemental amendments dated 14 July 2014, nil-paid warrants (the “2013 Warrants”) representing a total aggregate amount of exercise moneys of USD40,000,000 (the exchange rate to be used for the purchase of HK\$ with USD shall be HK\$7.8 per USD1.0) were granted by the Company to the 2013 Notes’ investors to subscribe for 137,499,449 ordinary shares of the Company at an initial exercise price of HK\$2.2691 per share, which is subject to certain anti-dilutive adjustments. The 2013 Warrants are exercisable at any time up to 36 months from the issue date of such warrant.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 18 BORROWINGS *(continued)*

(a) **Senior notes** *(continued)*

(i) **2013 Notes** *(continued)*

The 2013 Warrants granted the holders right to purchase or convert certain portion of 2013 Notes into the ordinary shares of the Company, at the exercise price. In addition, with effect from 14 July 2014, any warrant holder may, at any time during the redemption period, require the Company to redeem in whole or in part of the 2013 Warrants in cash. Accordingly, the nature of the 2013 Warrants are accounted for as derivative financial liabilities, initially recognised at fair value and subsequently measured at fair value through profit or loss.

(ii) **2014 Notes (I)**

On 17 June 2014 and 18 July 2014 respectively, the Company issued 3-year secured and guaranteed senior notes, with an aggregated nominal value of USD40,000,000 and USD60,000,000 respectively. The net proceeds, after deducting the issuance costs, amounted to USD94,901,000 (equivalent to approximately HK\$735,534,000). The 2014 Notes (I) are denominated in USD, due on 16 and 17 July 2017, and with an interest rate at 11.8% per annum.

The 2014 Notes (I) are accounted for as a financial liabilities, initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 18 BORROWINGS *(continued)*

(a) **Senior notes** *(continued)*

(ii) **2014 Notes (I)** *(continued)*

Concurrent with the issuance of the 2014 Notes (I), nil-paid warrants (the “2014 Warrants (I)”) representing a total amount of exercise moneys of USD20,000,000 (the exchange rate to be used for the purchase of HK\$ with USD shall be HK\$7.8 per USD1.0) were granted by the Company to these investors to subscribe for 131,213,726 ordinary shares of the Company at an initial exercise price of HK\$2.3778 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. The 2014 Warrants (I) are exercisable at any time up to 36 months from the issue date of such warrant.

The term and condition of the 2014 Warrants (I) are similar as the 2013 Warrants, which are accounted for as derivative financial liabilities, initially recognised at fair value and subsequently measured at fair value through profit or loss.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 18 BORROWINGS *(continued)*

(a) **Senior notes** *(continued)*

(iii) **2014 Notes (II)**

On 8 January 2015 and 13 February 2015 respectively, the Company issued 3 year senior notes, with an aggregated nominal value of USD65,000,000 and USD35,000,000 respectively. The net proceeds, after deducting the issuance costs, amounted to USD96,460,000 (equivalent to approximately HK\$747,956,000). The 2014 Notes (II) are denominated in USD, due on 7 January 2018 and 12 February 2018, and with an interest rate at 11.8% per annum.

Concurrent with the issuance of the 2014 Notes (II), nil-paid warrants (the “2014 Warrants (II)”) representing a total amount of exercise moneys of USD20,000,000 (the exchange rate to be used for the purchase of HK\$ with USD shall be HK\$7.8 per USD1.0) were granted by the Company to these investors to subscribe for 131,213,726 ordinary shares of the Company at an initial exercise price of HK\$2.3778 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. The 2014 Warrants (II) are exercisable at any time up to 36 months from the issue date of such warrant.

The term and condition of the 2014 Warrants (II) are similar as the 2013 Warrants and 2014 Warrants (I), which are accounted for as derivative financial liabilities, initially recognised at fair value and subsequently measured at fair value through profit or loss.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 18 BORROWINGS *(continued)*

(b) **Bank borrowings**    **secured**

The bank borrowings included secured liabilities, which were secured by certain of the Group's construction in progress, investment properties, properties under development, completed properties held for sale and cash in bank.

(c) **Other borrowings**    **secured**

Certain subsidiaries in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), pursuant to which the Trustees raised trust funds and injected the funds to the subsidiaries. The funds bear interest at fixed rates, have fixed repayment terms, and are secured by certain properties under development, land use rights, investment properties of the subsidiaries or the shares of other subsidiaries and an independent third party.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 18 BORROWINGS *(continued)*

- (d) Movements of senior notes, bank borrowings and other borrowings are analysed as follows:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Opening amounts as at 1 January	8,168,361	8,826,128
Additions of borrowings	965,999	997,636
Repayments of borrowings	(1,000,502)	(314,534)
Amortisation of issuance costs	82,686	15,692
Credit to exchange reserves	(99,053)	(4,380)
Foreign exchange losses, net	2,706	2,813
Closing amounts as at 30 June	8,120,197	9,523,355



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 19 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net movements of deferred taxation are as follows:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Balance as at 1 January	340,121	1,790,232
Charged/(credited) to income tax expenses (Note 26)	182,152	(75,318)
Exchange differences	(9,033)	82
Balance as at 30 June	513,240	1,714,996
	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Deferred income tax assets	(33,468)	(33,422)
Deferred income tax liabilities	546,708	373,543
	513,240	340,121



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 20 DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2016 and 31 December 2015, the Group had the following derivative financial instruments:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
2013 Warrants	<b>49,236</b>	45,497
2014 Warrants I	<b>52,606</b>	48,273
2014 Warrants II	<b>48,373</b>	46,108
	<b>150,215</b>	139,878

The above warrants were measured at their fair values on 30 June 2016 and 31 December 2015. The fair values (categorised as level 3 measurement under HKFRS 13) of the warrants were based on a valuation, using trinomial tree method, carried out by independent qualified professional valuers and approved by the directors. The significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 21 TRADE AND OTHER PAYABLES

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Trade payables	<b>924,864</b>	1,266,311
Amounts due to related parties (Note 31(c))	<b>54,906</b>	51,850
Provisions for contingent charges	<b>174,084</b>	221,152
Other payables and accruals	<b>94,112</b>	113,948
Other taxes payable	<b>216,241</b>	208,199
	<b>1,464,207</b>	1,861,460

As at 30 June 2016 and 31 December 2015, the ageing analysis of trade payables of the Group were as follows:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Within one year	<b>676,320</b>	1,165,730
Over one year	<b>248,544</b>	100,581
	<b>924,864</b>	1,266,311

Other payables and accruals from third parties mainly comprise deposits of customers and operating expenses.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 22 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Income tax payables		
— PRC corporate income tax	<b>853,649</b>	846,118
— PRC land appreciation tax	<b>652,838</b>	659,027
	<b>1,506,487</b>	1,505,145

### 23 INVESTMENT AND OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2016 HK\$'000</b>	2015 HK\$'000
Interest income from bank deposits	<b>42,990</b>	53,245
Interest income from other receivables	<b>33,330</b>	30,775
	<b>76,320</b>	84,020

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 24 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Cost of properties sold (excluding staff costs)	<b>250,952</b>	894,698
Staff costs (including directors' emoluments)	<b>29,317</b>	24,935
Promotion expenses	<b>9,302</b>	5,384
Depreciation (Note 6)	<b>1,838</b>	1,360
Amortisation (Note 6)	<b>2,431</b>	2,137
Property management fee	<b>11,034</b>	1,316
Property rental fee	<b>3,520</b>	4,961
Legal and other consulting fees	<b>5,276</b>	3,520
Other taxation	<b>6,526</b>	5,448
Entertainment expenses	<b>6,019</b>	5,407
Office expenses	<b>2,575</b>	1,594
Others	<b>9,196</b>	3,951
	<b>337,986</b>	954,711

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 25 FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2015</b> <b>HK\$'000</b> <b>(unaudited)</b>
Interest expenses:		
— Bank and other borrowings	<b>509,186</b>	564,390
Less: interest capitalised	<b>(182,002)</b>	(70,459)
	<b>327,184</b>	493,931
Other bank charges	—	26,885
	<b>327,184</b>	520,816

### 26 INCOME TAX EXPENSES

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2015</b> <b>HK\$'000</b> <b>(unaudited)</b>
Current income tax:		
— PRC corporate income tax	<b>53,173</b>	142,455
— PRC land appreciation tax	<b>9,981</b>	47,206
Deferred income tax:		
— PRC corporate income tax	<b>95,643</b>	(73,221)
— PRC land appreciation tax	<b>86,509</b>	(2,097)
	<b>245,306</b>	114,343



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

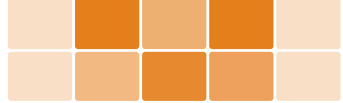
### 26 INCOME TAX EXPENSES *(continued)*

#### PRC corporate income tax

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 26 INCOME TAX EXPENSES *(continued)*

#### PRC land appreciation tax (“LAT”)

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

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

#### Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Interim Financial Information as the Group did not have assessable profit in Hong Kong for the six months period ended 30 June 2016 (six months ended 30 June 2015: Nil).





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 27 LOSS PER SHARE

(a) **Basic**

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Group and held for the Share Award Scheme.

	Six months ended 30 June	
	2016	2015
Loss attributable to owners of the Company (HK\$'000)	159,165	187,670
Weighted average number of ordinary shares in issue (thousand shares)	4,818,313	4,818,313
Basic loss per share (HK cents per share)	3.30	3.89

(b) **Diluted**

Diluted loss per share for the six months ended 30 June 2015 and 2016 has not been presented as the Company's outstanding warrants had no dilutive effect for the six months ended 30 June 2015 and 2016 as the exercise prices of those warrants were higher than the average market price for shares.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 28 DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2016 was proposed by the Board (six months ended 30 June 2015: Nil).

### 29 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note(a))	<b>1,555,340</b>	1,124,355
Financial guarantee contract for a previous owner of the Group's subsidiary (Note(b))	<b>124,317</b>	134,283
	<b>1,679,657</b>	1,258,638

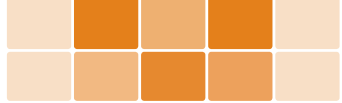


## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 29 FINANCIAL GUARANTEE CONTRACTS *(continued)*

- (a) 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) 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. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantees is not significant.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 29 FINANCIAL GUARANTEE CONTRACTS *(continued)*

- (b) As at 30 June 2016, the Group provided guarantee and pledged certain of its properties under development with carrying amount of approximately HK\$410,146,000 (31 December 2015: HK\$302,682,000) to a financial institution regarding a loan and the interest thereon totalling RMB106,250,000 (equivalent to approximately HK\$124,317,000) (31 December 2015: RMB112,500,000 (equivalent to approximately HK\$134,283,000)) granted to a previous owner of the Group's subsidiary acquired in 2014, Xianghe Yijing Property Development Company Limited ("Xianghe Yijing"). The guarantee and the charged assets will be released, in accordance with the terms of the guarantee contract, up to a maximum of two years after the full repayment of the loan and interest thereon.

As at 30 June 2016, the directors do not consider it probable that a claim will be made against the Group under the above guarantee. The directors believe that all the outstanding amounts will be settled by the previous owner of Xianghe Yijing. In addition, the Group also owed approximately HK\$118,169,000 (31 December 2015: HK\$119,363,000) to the previous owner of Xianghe Yijing as at 30 June 2016, which included in the other borrowings. The directors indicated that, in the event of default payment by the previous owner of Xianghe Yijing, the Group would then withhold the repayment of its loan due to previous owner of Xianghe Yijing. The fair value of the guarantee at date of inception is not material and is not recognised in the Interim Financial Information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 30 COMMITMENTS

#### (a) Commitments for property development expenditures

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Contracted but not provided for		
– Property development activities	<b>925,973</b>	1,006,388
– Acquisition of property and equipment	<b>1,865</b>	3,629
	<b>927,838</b>	1,010,017

#### (b) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
– Not later than one year	<b>2,981</b>	6,215
– Later than one year and not later than five years	<b>103</b>	103
– Over five years	<b>36</b>	49
	<b>3,120</b>	6,367



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 31 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Rong De Investments Limited ("Rong De")	Ultimate holding company of the Company (incorporated in the British Virgin Islands)
Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)	Major shareholder of Rong De, the Company's chairman of the Board and executive director
Mr. Liao Tengjia	Major shareholder of Rong De, the Company's executive director and chief executive officer
Mr. Huang Jiajue	The Company's deputy chairman of the Board and executive director
Guangdong Zhuguang Group Company Limited ("GD Zhuguang Group")	Mr. Liao Tengjia has significant influence in this company
Guangzhou Zhuguang Investment Company Limited ("GZ Zhuguang Investment")	Mr. Liao Tengjia has significant influence in this company
Guangzhou Conghua Zhuguang Investment Company Limited ("GZ Conghua Zhuguang Investment")	Mr. Liao Tengjia has significant influence in this company
Guangzhou Zhuguang Property Development Company Limited ("GZ Zhuguang Property")	Mr. Liao Tengjia has significant influence in this company



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 31 RELATED PARTY TRANSACTIONS *(continued)*

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

Name	Relationship
Guangzhou Zhujiang Bay Property Company Limited ("GZ Zhujiang Bay Property")	Mr. Liao Tengjia has significant influence in this company
Shenzhen Zhuguang Property Company Limited ("SZ Zhuguang Property")	Mr. Liao Tengjia has significant influence in this company
Sanya Zhuguang Investment Company Limited ("Sanya Zhuguang Investment")	Mr. Liao Tengjia has significant influence in this company
Guangzhou Zhuguang Zhiye Company Limited ("GZ Zhuguang Zhiye")	Mr. Liao Tengjia has significant influence in this company

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 31 RELATED PARTY TRANSACTIONS *(continued)*

#### (b) Transactions with related parties

- (i) During the six months ended 30 June 2016 and 2015, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Purchase of properties:</b>		
Mr. Chu Hing Tsung	214,098	981,234
<b>Prepayment for decoration services:</b>		
Mr. Chu Hing Tsung	20,081	—
<b>Sales of properties:</b>		
Mr. Huang Jiajue	257	9,504
<b>Interest income:</b>		
GD Zhuguang Group	—	11,033
Sanya Zhuguang Investment	—	7,367
	—	18,400
<b>Project management service income:</b>		
GZ Zhuguang Investment	86,821	—
GZ Conghua Zhuguang Investment	4,484	—
GZ Zhuguang Property	2,242	—
	93,547	—



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 31 RELATED PARTY TRANSACTIONS *(continued)*

#### (b) Transactions with related parties *(continued)*

##### (i) *(continued)*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
<b>Cash advances to related parties:</b>		
GZ Zhuguang Property	(59,409)	—
GD Zhuguang Group	(341)	—
GZ Conghua Zhuguang Investment	(118,819)	—
GZ Zhuguang Investment	(1,188,192)	(25,300)
SZ Zhuguang Property	(308,930)	—
	<b>(1,675,691)</b>	(25,300)
<b>Repayments from related parties:</b>		
SZ Zhuguang Property	308,930	—
Sanya Zhuguang Investment	—	253,528
GZ Zhuguang Investment	—	25,300
GD Zhuguang Group	—	380,292
	<b>308,930</b>	659,120

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 31 RELATED PARTY TRANSACTIONS *(continued)*

#### (b) Transactions with related parties *(continued)*

##### (i) *(continued)*

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Cash advances from related parties:</b>		
GD Zhuguang Group	1,506,521	—
<b>Repayments to related parties:</b>		
GD Zhuguang Group	(1,499,149)	—
GZ Zhujiang Bay Property	(1,503)	—
GZ Zhuguang Property	(1,725)	—
	(1,502,377)	—

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

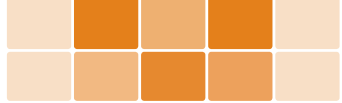
## 31 RELATED PARTY TRANSACTIONS *(continued)*

### (b) Transactions with related parties *(continued)*

The above transactions were carried out at mutually agreed terms.

- (ii) Certain related parties have provided pledges and guarantees for the Group's bank borrowings of HK\$617,609,000 at 30 June 2016 (31 December 2015: HK\$971,623,000).
- (iii) Certain related parties have provided pledges and guarantees for the Group's senior notes and warrants of HK\$1,496,535,000 and HK\$49,236,000 at 30 June 2016 (31 December 2015: HK\$1,464,750,000 and HK\$45,497,000).
- (iv) As at 30 June 2016 and 31 December 2015, the Group had the following material balances with related parties through an authorised agent:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
GZ Zhuguang Zhiye	<b>252,860</b>	252,860
GD Zhuguang Group	—	147,663
	<b>252,860</b>	400,523



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 31 RELATED PARTY TRANSACTIONS *(continued)*

#### (b) Transactions with related parties *(continued)*

##### (iv) *(continued)*

The above amounts were prepaid by the Group through an authorised agent for the proposed acquisition of property development project/equity interest held by GZ Zhuguang Zhiye and GD Zhuguang Group respectively.

In relation to the proposed acquisition, GD Zhuguang Group and one of its equity owners have undertaken to the Group to guarantee the due performance by GZ Zhuguang Zhiye with respect to its obligations under certain memorandum of understanding and/or agreement entered into with the authorised agent.

Up to the date of this condensed consolidated interim financial information, no definitive agreement has been entered into by the Group.

- (v) During the period ended 30 June 2016, the Group's principal place of business in the PRC was provided by GD Zhuguang Group for which no charge was made.
- (vi) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 31 RELATED PARTY TRANSACTIONS *(continued)*

#### (c) Balances with related parties

As at 30 June 2016 and 31 December 2015, the Group had the following material balances with related parties:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
<b>Amounts due from related parties included in other receivables (Note (ii)):</b>		
GZ Zhuguang Property	60,842	—
GD Zhuguang Group	336	—
GZ Conghua Zhuguang Investment	121,684	—
GZ Zhuguang Investment	1,271,917	—
Mr. Chu Hing Tsung (Note(i))	164,519	147,663
	<b>1,619,298</b>	147,663
<b>Amounts due to related parties included in other payables:</b>		
GD Zhuguang Group	54,906	48,607
GZ Zhujiang Bay Property	—	1,510
GZ Zhuguang Property	—	1,733
	<b>54,906</b>	51,850

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 31 RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties *(continued)*

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
<b>Amounts due to ultimate holding company:</b>		
Rong De	880	880
<b>Amounts due to related party included in advances from customers (Note (iv)):</b>		
Mr. Huang Jiajue	2,340	256



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 31 RELATED PARTY TRANSACTIONS *(continued)*

(c) **Balances with related parties** *(continued)*

- (i) Amounts due from Mr. Chu Hing Tsung represent prepayments for decoration service, which are unsecured, interest-free and to be settled according to contract terms.
- (ii) Except for the amounts due from Mr. Chu Hing Tsung in Note (i), other amounts due from related parties included in other receivables were mainly derived from construction and management services, which are unsecured and to be settled according to mutually agreed terms.
- (iii) Amounts due to related parties included in other payables and amounts due to ultimate holding company are unsecured, interest-free and repayable on demand, which are cash advances in nature.
- (iv) Amounts due to Mr. Huang Jiajue included in advances from customers were from sales of properties, which are unsecured, interest-free and to be settled according to contract terms.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

### 32 EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Pursuant to a note purchase agreement dated 3 August 2016 (the “Note Purchase Agreement”), the Company has conditionally agreed to issue to certain investors (the “2016 Investors”) in three tranches, secured and guaranteed senior notes in an aggregate principal amount of up to US\$500,000,000 (the “2016 Notes”). The 2016 Notes, which will mature on 36 months after the issue date, are interest-bearing at 11% per annum and interests are payable in each three-month period in arrears. As part and parcel of the issue of the 2016 Notes, warrants (the “2016 Warrants”) representing a total amount of exercise moneys of US\$75,000,000 would be issued by the Company to the 2016 Investors at nil consideration. The 2016 Warrants would entitle the holder thereof to subscribe for up to 292,573,143 ordinary shares of the Company (the “Warrant Shares”) at an initial exercise price of HK\$1.9995 per Warrant Share, which are subject to certain adjustment events. The 2016 Warrants are exercisable at any time up to 36 months from the issue date of the 2016 Warrants, subject to certain accelerated events.

Pursuant to the Note Purchase Agreement, the Company issued the first tranche of the 2016 Notes in an aggregate principal amount of US\$190,000,000 to certain 2016 Investors (the “First Tranche 2016 Investors”) on 4 August 2016. The 2016 Warrants representing an aggregate amount of the exercise moneys of US\$28,500,000 will be issued by the Company to the First Tranche 2016 Investors.

The allotment and issue of the Warrant Shares will be subject to approval of the shareholders of the Company at a special general meeting to be convened and held.





## OTHER INFORMATION

### INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2016, as far as the Directors were aware, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as follows:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (Note 13)	Number of underlying Shares	Approximate percentage of interest (Note 13)
Rong De (Note 1)	Beneficial owner	3,130,820,533 (L) 104,000,000 (S)	64.98% 2.15%	— —	— —
中國華融資產管理股份有限公司(廣東省)分公司(“中國華融”) (Note 1)	Security interest	923,000,000 (L)	19.16%	—	—

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (Note 13)	Number of underlying Shares	Approximate percentage of interest (Note 13)
Agricultural Bank of China Limited ("ABCL") (Note 2)	Interest of a controlled corporation	2,495,600,000 (L)	51.79%	53,428,348 (L)	1.11%
		15,600,000 (S)	0.32%	20,624,917 (S)	0.43%
Ministry of Finance of the People's Republic of China ("MOF") (Note 2)	Interest of a controlled corporation	2,495,600,000 (L)	51.79%	53,428,348 (L)	1.11%
		15,600,000 (S)	0.32%	20,624,917 (S)	0.43%
Central Huijin Investment Limited ("Central Huijin") (Notes 2, 3, 4)	Interest of a controlled corporation	15,600,000 (L)	0.32%	128,599,556 (L)	2.67%
		15,600,000 (S)	0.32%	82,674,753 (S)	1.72%
	Security interest	2,568,580,000 (L)	53.31%	—	—
	Other	20,800,000 (L) 20,800,000 (S)	0.43% 0.43%	— —	— —
China Construction Bank Corporation ("CCB") (Note 3)	Security interest	1,368,580,000 (L)	28.40%	—	—
	Interest of a controlled corporation	—	—	47,671,318 (L)	0.99%
		—	—	34,549,946 (S)	0.72%
Other	20,800,000 (L) 20,800,000 (S)	0.43% 0.43%	— —	— —	

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (Note 13)	Number of underlying Shares	Approximate percentage of interest (Note 13)
Industrial and Commercial Bank of China Limited ("ICBCL") (Note 4)	Interest of a controlled corporation	1,248,299,890 (L) 48,299,890 (S)	25.91% 1.00%	— —	— —
The Bank of New York Mellon Corporation ("BNY") (Note 5)	Security interest	2,480,000,000 (L)	51.47%	—	—
China Orient Asset Management Corporation ("COAM") (Note 6)	Interest of a controlled corporation	22,962,402 (L) 57,780,000 (S)	0.48% 1.20%	22,962,402 (L) 57,780,000 (S)	0.48% 1.20%
	Security interest	1,335,280,000 (L)	27.71%	—	—
Cheung Fong Wing (Note 7)	Interest of a controlled corporation	418,500,000 (L)	8.69%	—	—
Quan Xing Holdings Limited ("Quan Xing") (Note 7)	Beneficial owner	418,500,000 (L)	8.69%	—	—
China Great Wall Asset Management Corporation ("CGWAMC") (Note 8)	Interest of a controlled corporation	1,200,000,000 (L)	24.90%	—	—

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (Note 13)	Number of underlying Shares	Approximate percentage of interest (Note 13)
China Cinda Asset Management Co., Limited ("CCAM") (Note 9)	Interest of a controlled corporation	1,010,000,000 (L)	20.96%	9,841,030 (L)	0.20%
Huarong (HK) International Holdings Limited ("HHKIH") (Note 10)	Interest of a controlled corporation	2,210,000,000 (L) 36,224,917 (S)	45.87% 0.75%	36,224,917 (L) 20,629,917 (S)	0.75% 0.43%
Walkers Fiduciary Limited ("Walkers") (Note 11)	Interest of a controlled corporation	620,000,000 (L)	12.87%	—	—

*(L) Long position*

*(S) Short position*



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

### Notes:

1. Among the 3,130,820,533 Shares held by Rong De as stated under “Directors’ interests – Long position in the Shares”, (i) 458,000,000 Shares, and 2,480,000,000 Shares have been pledged by Rong De to 中國華融 and BNY respectively; and (ii) pursuant to the stock borrowing agreement entered into between Rong De and the 2013 Note Investors (as defined in the Company’s Circular dated 30 January 2015), the 2013 Note Investors have the right to borrow 104,000,000 Shares in aggregate from Rong De.
2. According to the disclosure of interest notice filed by ABCL on 27 April 2016, Silver Bloom Investments Limited (“Silver Bloom”) and Heroic Day Limited (“Heroic Day”) held direct interest in the Shares and underlying Shares. Silver Bloom and Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited (“ABCIIM”). ABCIIM is a wholly-owned subsidiary of ABC Investment Holdings Limited (“ABCIHL”). ABCIHL is a wholly-owned subsidiary of ABC International Holdings Limited (“ABCIH”). ABCIH is a wholly owned subsidiary of ABCL. According to the disclosure of interest notices filed by Central Huijin on 27 April 2016 and MOF on 27 April 2016, ABCL is in turn owned as to 40.41% by Central Huijin and as to 39.21% by MOF. Accordingly, ABCIIM, ABCIHL, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and underlying Shares held by Silver Bloom and Heroic Day by virtue of the provisions of the SFO.
3. According to the disclosure of interest notice filed by CCB on 29 December 2015, Design Time Limited and CCB International Overseas Limited (“CCBIO”) held direct interest in the Shares and underlying Shares, and is a wholly-owned subsidiary of CCBI Investments Limited (“CCBII”) and CCB International (Holdings) Limited (“CCBIH”) respectively. CCBII is a wholly-owned subsidiary of CCBIH. CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited (“CCBFH”). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited (“CCBIG”). CCBIG is a wholly-owned subsidiary of CCB. According to the disclosure of interest notice filed by Central Huijin on 27 April 2016, CCB is owned as to 57.31% by Central Huijin. Accordingly, CCBII, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the Shares and underlying Shares held by Design Time Limited and CCBIO by virtue of the provisions of the SFO.



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

Notes: *(continued)*

4. According to the disclosure of interest notice filed by ICBCCL on 29 December 2015, Fine Process Limited held direct interest in the Shares and underlying Shares and is a wholly-owned subsidiary of ICBC International Investment Management Limited ("ICBCIIM"). ICBCIIM is a wholly-owned subsidiary of ICBC International Holdings Limited ("ICBCIH"). ICBCIH is a wholly-owned subsidiary of ICBCCL. According to the disclosure of interest notice filed by Central Huijin on 27 April 2016, ICBCCL is owned as to 35.00% by Central Huijin. Accordingly, ICBCIIM, ICBCIH, ICBCCL and Central Huijin are deemed to be interested in the Shares held by Fine Process Limited by virtue of the provisions of the SFO.
5. According to the disclosure of interest notice filed by BNY on 12 February 2015, The Bank of New York Mellon, Hong Kong Branch ("BNYHK") held direct interest in the Shares and is wholly-owned by BNY.
6. According to the disclosure of interest notice filed by COAM on 17 February 2015, Blooming Rose Enterprises Corp. ("Blooming") held direct interest in 1,335,280,000 Shares and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"). China Orient Multi-Strategy Master Fund ("COMS") held indirect interest in 22,962,402 Shares and short position in 57,780,000 underlying Shares and is a wholly-owned subsidiary of China Orient International Fund Management Limited ("COIFM"). COIFM is a wholly-owned subsidiary of COAM International, which is held as to 50% by Wise Leader Assets Limited ("Wise Leader") and 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares and underlying Shares held by Blooming and COMS by virtue of the provisions of the SFO.
7. Quan Xing was the beneficial owner of these Shares, which is wholly-owned by Mr. Cheung Fong Wing. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares held by Quan Xing by virtue of the provisions of the SFO.



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

Notes: *(continued)*

8. According to the disclosure of interest notice filed by CGWAMC on 17 July 2014, Evergreat Prosper Limited held direct interest in the Shares and is a wholly-owned subsidiary of Great Wall Pan Asia International Investment Company Limited (“GWPAIICL”). GWPAIICL is a wholly-owned subsidiary of CGWAMC. Accordingly, CGWAMC and GWPAIICL are deemed to be interested in the Shares held by Evergreat Prosper Limited by virtue of the provisions of the SFO.
9. According to the disclosure of interest notice filed by CCAM on 13 January 2015, Finic Resources Limited held direct interest in the Shares and is a wholly owned subsidiary of China Cinda (HK) Asset Management Co., Limited (“CCHKAM”). CCHKAM is a wholly owned subsidiary of China Cinda (HK) Holdings Company Limited (“CCHKH”). CCHKH is a wholly owned subsidiary of CCAM. Accordingly, CCHKH, CCHKAM and CCAM are deemed to be interested in the Shares held by Finic Resources Limited by virtue of the provisions of the SFO.
10. According to the disclosure of interest notice filed by HHKIH on 9 January 2015, Ace City Ventures Limited held direct interest in the Shares and is a wholly owned subsidiary of HHKIH. Accordingly, HHKIH is deemed to be interested in the Shares held by Ace City Ventures Limited by virtue of the provisions of the SFO.



## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES** *(continued)*

Notes: *(continued)*

11. According to the disclosure of interest notice filed by Walkers on 16 December 2015, COAMI ABS No.1 Limited ("COAMI") held direct interest in the Shares and is a wholly-owned subsidiary of Walkers. Accordingly, Walkers is deemed to be interested in the Shares held by COAMI by virtue of the provisions of the SFO.
12. The total number of the issued Shares as at 30 June 2016 (that was, 4,818,312,935 Shares) had been used for the calculation of the approximate percentage.

Save as disclosed above, so far as is known to the Directors, there is no other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Liao Tengjia is the sole director of Rong De.

## **PURCHASE, SALES OR REDEMPTION OF SHARES**

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





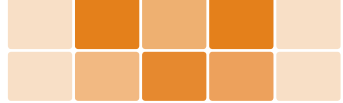
## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months period ended 30 June 2016, other than code provisions A.1.8, A.4.2 and E.1.2, of the CG Code.

Under code provision A.1.8 of CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company is in the process of reviewing appropriate insurance cover in this respect.

Under code provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years. According to the Bye-laws of the Company, the chairman of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the chairman of the Board should not be subject to retirement by rotation.

Code provision E.1.2 of the CG Code requires that the chairman of the Board should attend the annual general meeting (“AGM”). Mr. Chu, the chairman of the Board, did not attend the 2016 AGM due to his prior engagement.



## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted the Model Code for Securities Transactions by Directors (the “Model Code”) as contained in Appendix 10 of the Listing Rules as its own code of conduct. Special enquiry has been made to all directors, and all directors have confirmed that they have complied with the required standards set out in the Model Code for the period ended 30 June 2016.

## **AUDIT COMMITTEE**

The audit committee comprises three independent non-executive directors of the Company. The audit committee has reviewed with management, the accounting principles and policies adopted by the Group and discussed with the management regarding auditing, internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2016, which is of opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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

The interim report 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](http://www.hkex.com.hk) and the Company’s website at [www.zhuguang.com.hk](http://www.zhuguang.com.hk) in due course.



## APPRECIATION

On behalf of the Board, I would like to express our gratitude and appreciation to the shareholders for their support and the employees for their contribution to the Group throughout the period.

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

Hong Kong, 30 August 2016