



珠光控股
ZHUGUANG HOLDINGS

Interim Report **2018**

**ZHUGUANG HOLDINGS
GROUP COMPANY LIMITED**

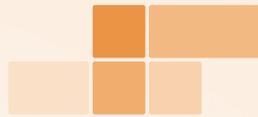
(incorporated in Bermuda with limited liability)

Stock Code: 1176



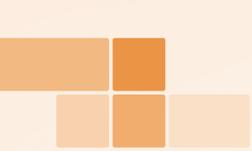
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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

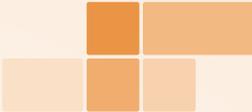
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Rooms 5702-5703, 57th Floor
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8 Finance Street
Central
Hong Kong

COMPANY SECRETARY

Mr. Chan Chit Ming Joeie



PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

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LEGAL ADVISORS ON HONG KONG LAW

Leung & Lau, Solicitors
Units 7208-10, 72nd Floor
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Central
Hong Kong

LEGAL ADVISORS ON BERMUDA LAW

Conyers Dill & Pearman
29th Floor
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

STOCK CODE

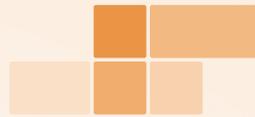
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The board (“Board”) of directors (“Directors”) of Zhuguang Holdings Group Company Limited (“Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months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

FINANCIAL HIGHLIGHTS

RESULTS

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue — sales of properties	1,139,246	1,100,079
— rental income	81,782	67,420
— project management income	252,572	258,470
Fair value gains on investment properties, net	66,277	37,786
Profit for the period	4,364	103,923
(Loss)/profit for the period attributable to owners of the Company	(53,003)	93,491
	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Total assets	25,244,982	24,152,944
Total liabilities	20,108,509	18,970,371
Total equity	5,136,473	5,182,573



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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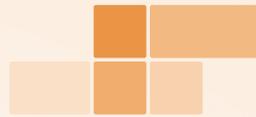
MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales

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

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

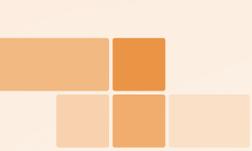
BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

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

Yujing Scenic Garden **70% interest**

“Yujing Scenic Garden” is located at Provincial Highway G105 (“Highway G105”) line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. Yujing Scenic Garden is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which will be developed into a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 754,597 sqm and the project is divided into four phases for development. The aggregate GFA available for sale of Phase I, Phase II and Phase III delivered was approximately 515,039 sqm, of which approximately 88,094 sqm was delivered during the Period Under Review. In respect of Phase IV with a total GFA available for sale of approximately 159,536 sqm, it is currently under development and will be delivered in 2019 and 2020. The street-level commercial podium with a total GFA of approximately 2,416 sqm was leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$500,688,000 with GFA of approximately 50,658 sqm were recorded with respect to Yujing Scenic Garden.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

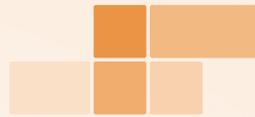
BUSINESS REVIEW *(continued)*

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 has developed this land together with Yujing Scenic Garden to expand the Group’s development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 228,373 sqm. The development is divided into two phases. The total GFA available for sale of Phase I and Phase II is approximately 97,183 sqm and 131,190 sqm respectively.

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

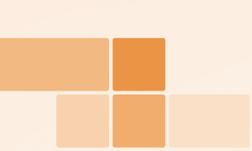
BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Pearl Yunling Lake 100% interest

“Pearl Yunling Lake” is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou. The project site area is approximately 200,083 sqm and the total GFA is expected to be approximately 127,509 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 43,179 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 84,330 sqm. The sale of Phase I with a total GFA available for sale of approximately 39,042 sqm and Phase II with a total GFA available for sale of approximately 55,822 sqm has been launched in the first and third quarters of 2017 respectively, whilst the hotel will be retained as a long-term asset of the Group.

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

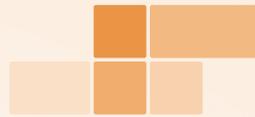
BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Xincheng Yujing 100% interest

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

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

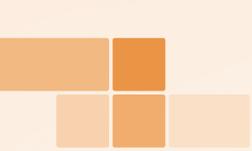
Property Development and Sales *(continued)*

Pearl Yijing 100% interest

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

Project Tian Ying 100% interest

“Project Tian Ying” is located in Jiang Pu Street, Conghua, Guangzhou, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the GFA available for development is approximately 74,213 sqm. The project will be developed into a stylish low-density residential complex with a commercial podium and certain public facilities. During the Period Under Review, contracted sales of approximately HK\$152,048,000 with GFA of approximately 15,443 sqm were recorded with respect to Project Tian Ying.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

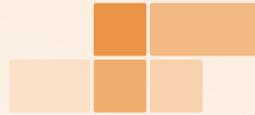
Zhukong International 80% interest

“Zhukong International” is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, at the junction of Guangzhou Avenue* (廣州大道) and Huang Pu Da Dao* (黃埔大道), which is a 35-storey high-rise commercial complex, including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The complex was completed in 2015 with total GFA (including carpark areas) available for sale and leasing of approximately 109,738 sqm. The aggregate GFA of the office building and carparks sold and delivered were approximately 41,412 sqm and 2,537 sqm respectively from 2014 to 2017, and GFA of approximately 21,871 sqm of this property is still available for sale or leasing. The Group has designated GFA of approximately 43,918 sqm of this property as investment properties held for long-term investment purpose.

Central Park 100% interest

“Central Park” is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and total GFA available for sale of approximately 28,908 sqm thereof has been developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. The aggregate GFA available for sale of the service apartments delivered was approximately 23,631 sqm, of which approximately 778 sqm was delivered during the Period Under Review. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties held for long-term investment purpose.

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

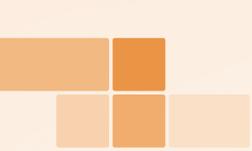
Nansha Scenic 100% interest

“Nansha Scenic” is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC, which is the central business district in Nansha. As at 30 June 2018, the project was completed and only certain car parks still remained available for sale. During 2017, car parks with total GFA of approximately 421 sqm were delivered and of approximately 37 sqm were sold which will be delivered in the second half of 2018.

Land Bank

The Group’s strategy is to maintain a portfolio of land bank which is sufficient to support the Group’s own development pipeline for at least three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. During the Period Under Review, the Group has entered into a sale and purchase agreement with Guangdong Zhuguang Group Company Limited* (廣東珠光集團有限公司) (“Guangdong Zhuguang Group”) to acquire 100% equity interest of Guangzhou Zhuguang Property, which indirectly owns interests in a development project located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a GFA of approximately 117,778 sqm available for development. Further details of this acquisition are set out in paragraph (c) in the section headed “MATERIAL ACQUISITIONS AND DISPOSALS” in the section headed “OTHER INFORMATION” in this interim report. The Group will continue to explore new opportunities in cities in the PRC in which the Group has already invested, as well as new cities in the PRC with growth potential and the best investment value.

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

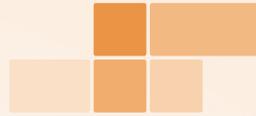
BUSINESS REVIEW *(continued)*

Property Investments

As at 30 June 2018, the Group owned certain floors of Royal Mediterranean Hotel (“RM Hotel”) located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC with GFA of approximately 18,184 sqm (31 December 2017: 18,184 sqm), “Zhukong International” with GFA of approximately 43,918 sqm (31 December 2017: 43,918 sqm) and certain commercial properties with GFA of approximately 13,194 sqm (31 December 2017: 6,029 sqm) as investment properties. During the Period Under Review, RM Hotel, Zhukong International and the commercial properties were partly leased out with total rental income of approximately HK\$81,782,000 generated, representing an increase of approximately 21.3% as compared to that of approximately HK\$67,420,000 for the same period last year. The existing investment properties held by the Group are intended to be held for medium-term to long-term investment purposes. The Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows to the Group in the future.

Project Management Services

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

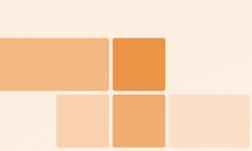


MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

OUTLOOK

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

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

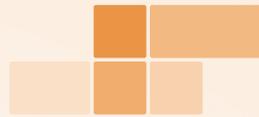


MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW

Revenue

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Gross profit and margin

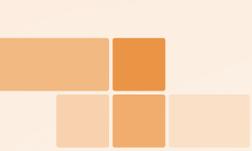
For the Period Under Review, the Group recorded a gross profit of approximately HK\$835,858,000 (six months ended 30 June 2017: HK\$535,682,000). The increase was mainly due to the average selling price of the properties delivered during the Period Under Review being higher than that of the properties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

Investment and other income

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

Fair value gains on investment properties, net

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Other losses/gains, net

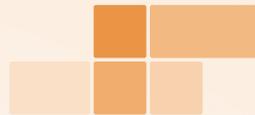
The Group recorded other losses, net of approximately HK\$29,530,000 for the Period Under Review, as compared to other gains, net of approximately HK\$35,711,000 recorded in the corresponding period in 2017, which was mainly attributable to the negative effect of the depreciation of the Renminbi (“RMB”)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

Administrative expenses and selling and marketing costs

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

Finance costs, net

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Income tax expenses

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

Profit for the period

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Treasury and funding policies

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

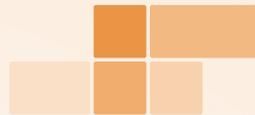
Cash position

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

Borrowings, charges on Group assets and gearing ratio

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

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



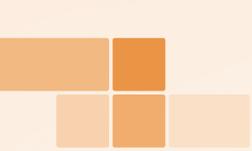
MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (a) As at 30 June 2018, the Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; and (iii) other borrowings, including trust loans. The senior notes and other borrowings carried fixed interest rates ranging from 8% to 12% (31 December 2017: 8% to 11%) and the bank loans carried fixed interest rates ranging from 6.18% to 9.5% (31 December 2017: 6.18% to 9.5%) and floating interest rates.
- (b) As at 30 June 2018, the borrowings (including bank loans, senior notes and other borrowings) of the Group were secured by (i) charges over investment properties of the Group; (ii) charges over land use rights of the Group; (iii) charges over properties under development of the Group; (iv) charges over completed properties held for sale of the Group; (v) charges over the entire issued share capital of certain subsidiaries of the Company; (vi) corporate guarantees executed by the Company, certain subsidiaries, related parties and the controlling shareholder of the Company; (vii) guarantees executed by the Directors, namely Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) and Mr. Chu Muk Chi (alias Mr. Zhu La Yi); (viii) charges over 3,121,112,000 ordinary shares of the Company beneficially owned by the controlling shareholder of the Company; and (ix) charges over the assets provided by Xianghe Zhuguang Property Development Company Limited* (香河珠光房地產開發有限公司).
- (c) The gearing ratio of the Group is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, terms deposits with initial terms of over three months and restricted cash) over the total capital of the Group. As at 30 June 2018, the gearing ratio of the Group was 40% (31 December 2017: 56%).

* For identification purpose only

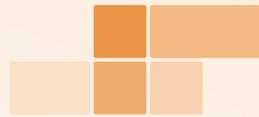


MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (d) As at 30 June 2018, bank loans of the Group that were outstanding amounted to HK\$1,676,994,000 (31 December 2017: HK\$1,261,612,000), which comprised (1) a bank loan in the principal amount of US\$20 million due in July 2018; (2) a bank loan in the principal amount of US\$33 million due in January 2019; (3) a bank loan in the principal amount of HK\$11.2 million due in June 2019; (4) a bank loan in the principal amount of RMB61 million repayable by instalments within 1 year with the last instalment due in November 2018; (5) a bank loan in the principal amount of RMB120 million repayable by instalments within 3 years with the last instalment due in July 2020; (6) a bank loan in the principal amount of RMB127 million repayable by instalments within 4 years with the last instalment due in December 2021; and (7) a bank loan in the principal amount of RMB750 million due in July 2020.
- (e) As at 30 June 2018, senior notes issued by the Company that were outstanding amounted to HK\$3,517,689,000 (31 December 2017: HK\$3,477,499,000), which comprised (1) senior notes in the principal amount of US\$190 million due in August 2019; (2) senior notes in the principal amount of US\$220 million due in September 2019; and (3) senior notes in the principal amount of US\$50 million due in December 2019.

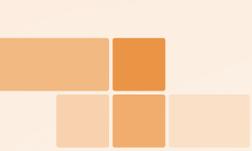


MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

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

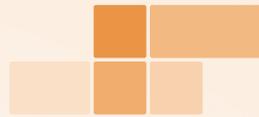


MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE RULES (“LISTING RULES”) GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

2016 Senior Notes and 2016 Warrants

The conditional note purchase agreement dated 3 August 2016 (“2016 Note Purchase Agreement”) was entered into among (a) the Company as the issuer; (b) Rong De Investments Limited (“Rong De”) as the controlling shareholder; (c) Blooming Rose Enterprises Corp. (“Blooming”) and Heroic Day Limited (“Heroic Day”), each in its capacity as a first tranche investor, Blooming, Heroic Day and such investors being persons who are not connected persons of the Company as identified by the Company which will purchase the 2016 Senior Notes (as defined below) at the closing of the second tranche of the issue and purchase of the 2016 Senior Notes (“2016 Second Tranche Investors”), and SPDB International Investment Management Limited (“SPDBI”) as a first tranche investor (Blooming, Heroic Day and SPDBI, collectively the “2016 First Tranche Investors”); and (d) Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) and Mr. Chu Muk Chi (alias Mr. Zhu La Yi) (collectively the “Ultimate Shareholders”) as the personal guarantors, pursuant to which the Company shall conditionally (aa) issue to the 2016 First Tranche Investors, the 2016 Second Tranche Investors and such investors being persons who are not connected persons of the Company as identified by the Company which will purchase the 2016 Senior Notes at the closing of the third

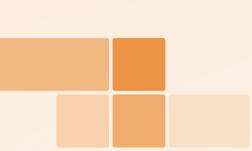


MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2016 Senior Notes and 2016 Warrants *(continued)*

tranche of the issue and purchase of the 2016 Senior Notes (“2016 Third Tranche Investors”), in three tranches, the three year senior secured guaranteed notes (“2016 Senior Notes”) of an aggregate principal amount of up to US\$500,000,000; and (bb) in consideration of the purchase of the 2016 Senior Notes by the 2016 First Tranche Investors, the 2016 Second Tranche Investors and the 2016 Third Tranche Investors and the entering into of other transactions contemplated under the relevant transaction documents by the 2016 First Tranche Investors, the 2016 Second Tranche Investors and the 2016 Third Tranche Investors, the Company shall issue warrants (“2016 Warrants”) to the 2016 First Tranche Investors, the 2016 Second Tranche Investors and the 2016 Third Tranche Investors in three tranches pursuant to a warrant instrument dated 14 October 2016 executed by the Company, representing an aggregate amount of the exercise moneys of up to US\$75,000,000, pursuant to the specific mandate granted to the Directors by the shareholders of the Company (“Shareholders”) at the special general meeting of the Company held on 11 October 2016, further details of which are set out in the announcements of the Company dated 3 August 2016, 23 September 2016 and 11 October 2016, and the circular of the Company dated 23 September 2016.



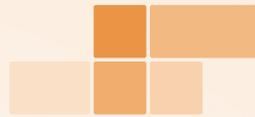
MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2016 Senior Notes and 2016 Warrants *(continued)*

The Company issued the first tranche of the 2016 Senior Notes to the 2016 First Tranche Investors in the aggregate principal of US\$190,000,000 (equivalent to approximately HK\$1,482,000,000) due on 3 August 2019 on 4 August 2016 and the second tranche of the 2016 Senior Notes to the 2016 Second Tranche Investors in the aggregate principal amount of US\$220,000,000 (equivalent to approximately HK\$1,716,000,000) due on 22 September 2019 on 23 September 2016, both at the interest rate of 11% per annum. On 14 October 2016, the 2016 Warrants representing aggregate exercise moneys of US\$28,500,000 were issued to the 2016 First Tranche Investors and the 2016 Warrants representing aggregate exercise moneys of US\$33,000,000 were issued to the 2016 Second Tranche Investors.

Pursuant to the 2016 Note Purchase Agreement, Rong De was required to create a charge (“2016 Share Charge”) over 2,542,000,000 ordinary shares that it held in the Company in favour of The Bank of New York Mellon, Hong Kong Branch (“BNY HK”) and each of the Ultimate Shareholders had entered into a personal guarantee (collectively, the “2016 Guarantees”) in favour of BNY HK in relation to the 2016 Senior Notes. The 2016 Share Charge, which subsisted during the Period Under Review and as at the date of this interim report, is discloseable pursuant to Rule 13.17 of the Listing Rules. As at 30 June 2018, Rong De has pledged 3,021,112,000 ordinary shares it held in the Company to BNY HK. The 2016 Guarantees subsisted during the Period Under Review and as at the date of this interim report.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

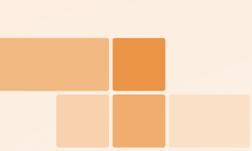
DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2016 Senior Notes and 2016 Warrants *(continued)*

The conditions of the 2016 Senior Notes, which subsisted during the Period Under Review and as at the date of this interim report, also contain certain specific performance obligations on Rong De (the controlling shareholder of the Company) and the Ultimate Shareholders, which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

It is an event of default under the conditions of the 2016 Senior Notes, if, amongst others:

- (i) Rong De ceases to beneficially own at least 2,000,000,000 shares of the Company;
- (ii) Rong De ceases to (a) control the Company, or (b) beneficially own at least 51% of the total issued share capital of the Company on a fully-diluted basis;
- (iii) the Ultimate Shareholders cease to (a) control the Company, or (b) effectively and beneficially own in aggregate at least 51% of the total issued share capital of the Company on a fully-diluted basis;
- (iv) the Ultimate Shareholders cease to (a) control Rong De, or (b) legally and beneficially own in aggregate at least 70% of the total issued share capital of Rong De on a fully-diluted basis; and
- (v) any of the Ultimate Shareholders ceases to be a Director.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

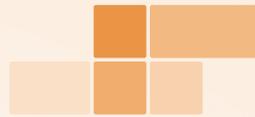
2016 Senior Notes and 2016 Warrants *(continued)*

Upon the occurrence of an event of default, the 2016 Senior Notes shall become immediately due and repayable in accordance with the conditions of the 2016 Senior Notes.

2017 Senior Notes

The conditional note purchase agreement dated 30 November 2017 (“2017 Note Purchase Agreement”) was entered into among (a) the Company as the issuer; (b) Rong De as the controlling shareholder; (c) China Huarong Macau (HK) Investment Holdings Limited (“China Huarong”) as the first tranche investor; and (d) the Ultimate Shareholders as the personal guarantors, pursuant to which the Company shall conditionally agree to issue to China Huarong (as the first tranche investor) and any other person(s) (including if agreed by China Huarong) being persons not connected persons of the Company who shall purchase the second tranche of the 2017 Senior Notes (as defined below) at the closing of the second tranche of the issue and purchase of the 2017 Senior Notes (as the second tranche investor), in two tranches, the senior secured guaranteed notes (“2017 Senior Notes”) of an aggregate principal amount of up to US\$80,000,000 (equivalent to approximately HK\$624,000,000), further details of which are set out in the announcement of the Company dated 30 November 2017.

The Company issued the first tranche of the 2017 Senior Notes to China Huarong in the aggregate principal amount of US\$50,000,000 (equivalent to approximately HK\$390,229,000) at the interest rate of 8% per annum due on 12 December 2019 on 13 December 2017.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

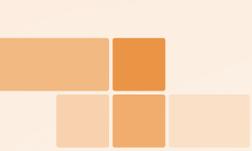
2017 Senior Notes *(continued)*

Pursuant to the 2017 Note Purchase Agreement, Rong De was required to execute a share charge in favour of China Huarong in respect of 100,000,000 ordinary shares of the Company beneficially held by Rong De (“2017 Share Charge”), and each of the Ultimate Shareholders was required to enter into a personal guarantee in favour of China Huarong in relation to the 2017 Senior Notes (collectively, the “2017 Guarantees”). The 2017 Share Charge, which subsisted during the Period Under Review and as the date of this interim report, is discloseable pursuant to Rule 13.17 of the Listing Rules. As at 30 June 2018, Rong De has pledged 100,000,000 ordinary shares it held in the Company to China Huarong. The 2017 Guarantees subsisted during the Period Under Review and as at the date of this interim report.

The conditions of the 2017 Senior Notes, which subsisted during the Period Under Review and as at the date of this interim report, also contain certain specific performance obligations on Rong De (the controlling shareholder of the Company) and the Ultimate Shareholders, which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

It is an event of default under the conditions of the 2017 Senior Notes, if, amongst others:

- (i) the Ultimate Shareholders cease to (a) control the Company; or (b) legally and beneficially own in aggregate at least 51% of the total issued share capital of the Company on a fully-diluted basis;



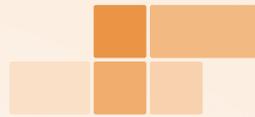
MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES *(continued)*

2017 Senior Notes *(continued)*

- (ii) the Ultimate Shareholders cease to (a) control Rong De; or (b) legally and beneficially own in aggregate at least 70% of the total issued share capital of Rong De on a fully-diluted basis;
- (iii) Rong De ceases to (a) control the Company; or (b) beneficially own at least 51% of the total issued share capital of the Company on a fully-diluted basis; and
- (iv) any of the Ultimate Shareholders:
 - (a) dies or is incapacitated or prevented by reason of mental or physical ill health, injury or accident from performing his duties as a Director;
 - (b) becomes of unsound mind, or is or becomes a patient for any purpose of any law relating to mental health;
 - (c) becomes bankrupt or has a receiving order made against him or makes any arrangement or composition with his creditors generally; or
 - (d) ceases to be a Director.

Upon the occurrence of an event of default, the 2017 Senior Notes shall become immediately due and repayable in accordance with the conditions of the 2017 Senior Notes.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES

As at 30 June 2018, the Group provided guarantees in the aggregate amount of approximately HK\$2,708,144,000 (31 December 2017: HK\$2,682,760,000) in respect of mortgage facilities granted by banks for certain purchasers of the Group's 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.

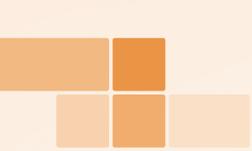
Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2018, the Group had no future plans for material investments or capital assets except for those disclosed in the section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in the section headed "OTHER INFORMATION" in this interim report.

FOREIGN EXCHANGE RATE

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

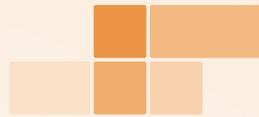
CAPITAL STRUCTURE

As at 30 June 2018, the number of issued ordinary shares of the Company was 6,424,417,247 shares (31 December 2017: 6,424,417,247 shares) in aggregate and the shareholders' equity of the Company was approximately HK\$4,782,123,000 (31 December 2017: HK\$4,858,131,000). The decrease in the shareholders' equity of the Company during the Period Under Review was mainly attributable to: (1) the loss attributable to the owners of the Company of approximately HK\$53,003,000 for the Period Under Review, as compared to a profit attributable to the owners of the Company of approximately HK\$93,491,000 for the corresponding period in 2017; and (2) the negative effect of the depreciation of RMB against HK\$ during the Period Under Review resulting in exchange differences on translation of foreign operations of approximately HK\$29,047,000 which were recognised in other comprehensive expense for the Period Under Review.

As at 30 June 2018, the capital structure of the Group mainly consisted of shareholders' equity, bank loans, senior notes and other borrowings. There is no material seasonality of borrowing requirements for the Group.

As at 30 June 2018, the Company had 265,776,497 warrants outstanding, all being the 2016 Warrants.

During the Period Under Review and up to the date of this interim report, no subscription notice has been received by the Company in respect of the exercise of the subscription rights attached to the 2016 Warrants.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 281 employees in Hong Kong and the PRC as at 30 June 2018 (31 December 2017: 248). During the Period Under Review, overall staff costs of the Group amounted to approximately HK\$30,346,000 (six months ended 30 June 2017: HK\$21,810,000). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefit. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group provides coaching to its employees and encourages them to attend sustainable training and further studies. In-house training has been provided to eligible employees during the Period Under Review, including training on "Development of Niche Town Business Model", training on updates of accounting standards and training on market updates.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	6	1,473,600	1,425,969
Cost of sales	7	(637,742)	(890,287)
Gross profit		835,858	535,682
Fair value gains on investment properties, net	14	66,277	37,786
Investment and other income	8	76,938	58,459
Selling and marketing costs	7	(19,767)	(28,212)
Administrative expenses	7	(98,470)	(60,737)
Other (losses)/gains, net		(29,530)	35,711
Operating profit		831,306	578,689
Finance costs, net	9	(611,069)	(435,365)
Gain on acquisition of a subsidiary		—	112,609
Profit before income tax		220,237	255,933
Income tax expenses	10	(215,873)	(152,010)
Profit for the period		4,364	103,923
(Loss)/profit attributable to:			
Owners of the Company		(53,003)	93,491
Non-controlling interests		57,367	10,432
		4,364	103,923
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period (expressed in HK cents per share)			
— Basic and diluted	11	(0.83)	1.46

The notes on pages 42 to 115 form an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

The notes on pages 42 to 115 form an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property and equipment	13	125,946	122,023
Intangible assets	13	57,367	59,946
Investment properties	14	2,566,400	2,412,183
Deferred income tax assets	26	66,835	55,655
Financial assets at fair value through profit or loss	19	65,247	14,200
Goodwill		16,861	17,010
		2,898,656	2,681,017
Current assets			
Properties under development	15	3,483,995	3,724,321
Completed properties held for sale	16	2,191,897	2,056,131
Trade and other receivables	17	3,954,804	4,514,301
Prepayments	18	4,160,253	6,423,300
Prepaid income tax		185,628	166,582
Financial assets at fair value through profit or loss	19	7,544	11,975
Restricted cash	20	237,557	357,585
Term deposits with initial terms of over three months	21	5,215,529	3,439,190
Cash and cash equivalents	22	2,909,119	778,542
		22,346,326	21,471,927
Total assets		25,244,982	24,152,944

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

		30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
	Note		
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	642,441	642,441
Other reserves	24	4,491,858	4,514,863
Accumulated losses		(352,176)	(299,173)
		4,782,123	4,858,131
Non-controlling interests		354,350	324,442
Total equity		5,136,473	5,182,573
LIABILITIES			
Non-current liabilities			
Borrowings	25	10,154,699	9,585,982
Deferred income tax liabilities	26	714,430	731,243
		10,869,129	10,317,225

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

		30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
	Note		
Current liabilities			
Borrowings	25	1,576,849	1,576,321
Trade and other payables	27	3,249,013	2,550,054
Contract liabilities		2,527,145	—
Advances from customers		—	2,750,836
Current income tax liabilities	28	1,854,209	1,692,453
Finance lease payable		332	658
Derivative financial instruments	29	30,952	81,944
Amount due to ultimate holding company	32(c)	880	880
		9,239,380	8,653,146
Total liabilities		20,108,509	18,970,371
Total equity and liabilities		25,244,982	24,152,944

The notes on pages 42 to 115 form an integral part of this unaudited interim condensed consolidated financial information.

Chu Hing Tsung
Director

Ye Lixia
Director

INTERIM 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 23)										
Six months ended 30 June 2018											
Balance at 1 January 2018	642,441	4,640,287	(101,922)	(269,574)	239,404	6,668	(299,173)	4,858,131	324,442	5,182,573	
Comprehensive income:											
– Profit for the period	–	–	–	–	–	–	(53,003)	(53,003)	57,367	4,364	
Other comprehensive expense:											
– Currency translation difference	–	–	–	(23,005)	–	–	–	(23,005)	(6,042)	(29,047)	
Total comprehensive expense for the period	–	–	–	(23,005)	–	–	(53,003)	(76,008)	51,325	(24,683)	
Transactions with owners in their capacities as owners											
– Dividend of a subsidiary	–	–	–	–	–	–	–	–	(21,417)	(21,417)	
Balance at 30 June 2018	642,441	4,640,287	(101,922)	(292,579)	239,404	6,668	(352,176)	4,782,123	354,350	5,136,473	
Six months ended 30 June 2017											
Balance at 1 January 2017	642,441	4,640,287	(101,922)	(481,016)	239,404	6,668	(473,574)	4,472,288	333,803	4,806,091	
Comprehensive income:											
– Profit for the period	–	–	–	–	–	–	93,491	93,491	10,432	103,923	
Other comprehensive income:											
– Currency translation difference	–	–	–	121,273	–	–	–	121,273	9,163	130,436	
Total comprehensive income for the period	–	–	–	121,273	–	–	93,491	214,764	19,595	234,359	
Balance at 30 June 2017	642,441	4,640,287	(101,922)	(359,743)	239,404	6,668	(380,083)	4,687,052	353,398	5,040,450	

The notes on pages 42 to 115 form an integral part of this unaudited interim condensed consolidated financial information.

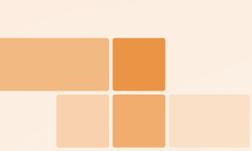
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(190,605)	2,475,442
Interest paid		(653,674)	(435,050)
Corporate income tax paid		(53,452)	(98,407)
Cash (used in)/generated from operating activities – net		(897,731)	1,941,985
Cash flows from investing activities			
Repayments of advances/(prepayments) for potential acquisition of equity interests in property development projects	32(b)(i)	2,332,763	(1,644,010)
Repayments from related parties	32(b)(i)	1,163,687	524,326
Cash advances to related parties	32(b)(i)	—	(2,068,774)
(Increase)/decrease of term deposits		(1,776,339)	605,260
Purchase of financial assets at fair value through profit or loss		(58,712)	—
Proceeds from disposals of financial assets at fair value through profit or loss		11,873	—
Interest received		67,470	20,589
Payments for addition of property and equipment		(97)	(2,614)
Payments for addition of intangible assets		—	(154)
Cash generated from/(used in) investing activities – net		1,740,645	(2,565,377)

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

	Note	Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Cash flows from financing activities			
Proceeds from borrowings		2,206,600	1,399,011
Repayments of borrowings		(1,583,472)	(528,661)
Cash advances from related parties	32(b)(i)	802,841	—
Repayments to related parties	32(b)(i)	(105,294)	(49,840)
Dividend paid to non-controlling interests		(21,417)	—
Repayment of finance lease payables		(335)	(411)
Cash generated from financing activities — net		1,298,923	820,099
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		778,542	1,085,661
Effect of foreign exchange rate changes		(11,260)	33,612
Cash and cash equivalents at end of the period		2,909,119	1,315,980
	22		

The notes on pages 42 to 115 form an integral part of this unaudited interim condensed consolidated financial information.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

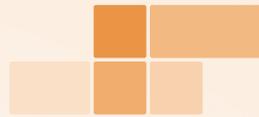
Zhuguang Holdings Group Company Limited (the “Company”) was incorporated in Bermuda on 22 August 1996 as an exempted company with limited liability and was registered under Part XI of the Predecessor Companies Ordinance of Hong Kong. The address of the Company’s registered office is Clarendon House,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

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

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

This Interim Financial Information is presented in thousands of Hong Kong Dollars (“HK\$’000”), unless otherwise stated.

The Interim Financial Information has not been audited.



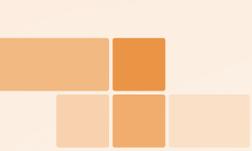
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

3 ACCOUNTING POLICIES

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



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

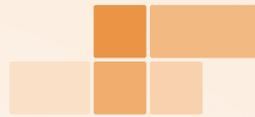
3 ACCOUNTING POLICIES *(continued)*

(a) New and amended standards adopted by the Group

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

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

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



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

3 ACCOUNTING POLICIES *(continued)*

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

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

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

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

3 ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies

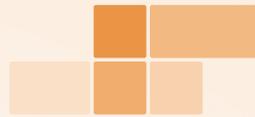
This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in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

(i) Impact on the financial statements

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

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

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



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

3 ACCOUNTING POLICIES *(continued)*

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

(ii) HKFRS 9 Financial Instruments – Impact of adoption

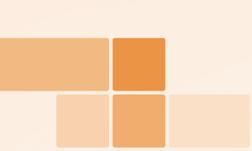
HKFRS 9 replaces the provisions of Hong Kong Accounting Standard 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

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

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

Classification and measurement

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



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

3 ACCOUNTING POLICIES *(continued)*

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

(ii) HKFRS 9 Financial Instruments – Impact of adoption *(continued)*

Classification and measurement *(continued)*

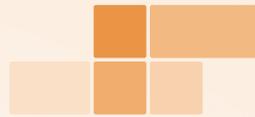
The Group's financial assets include cash and cash equivalents, restricted cash, term deposits with initial terms of over three months, financial assets at fair value through profit or loss, and trade and other receivables. There is no reclassification from the adoption of HKFRS 9.

(iii) Impairment of financial assets

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

- trade receivables for sales of property developed and from the provision of funding and project management services
- other financial assets at amortised cost

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



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

3 ACCOUNTING POLICIES *(continued)*

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

(iii) Impairment of financial assets *(continued)*

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

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

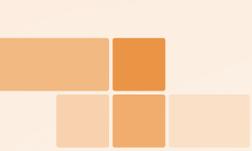
Investments and other financial assets

Classification

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

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

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



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

3 ACCOUNTING POLICIES *(continued)*

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

(iv) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 *(continued)*

Classification *(continued)*

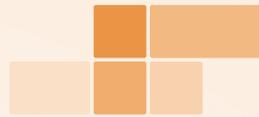
For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to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

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

Measurement

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

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



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

3 ACCOUNTING POLICIES *(continued)*

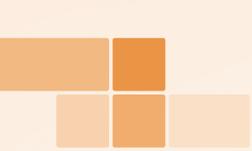
(c) Changes in accounting policies *(continued)*

(iv) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 *(continued)*

Debt instruments

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

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



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

3 ACCOUNTING POLICIES *(continued)*

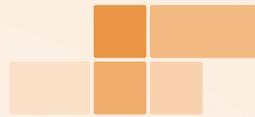
(c) Changes in accounting policies *(continued)*

(iv) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 *(continued)*

Debt instruments *(continued)*

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

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



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

3 ACCOUNTING POLICIES *(continued)*

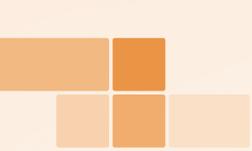
(c) Changes in accounting policies *(continued)*

(iv) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 *(continued)*

Equity instruments

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

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



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

3 ACCOUNTING POLICIES *(continued)*

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

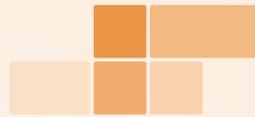
(iv) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 *(continued)*

Impairment

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

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

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



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

3 ACCOUNTING POLICIES *(continued)*

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

(iv) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 *(continued)*

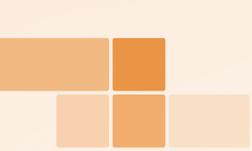
Impairment *(continued)*

The measurement of ECL reflects:

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

(v) HKFRS 15 Revenue from Contracts with Customers

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



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

3 ACCOUNTING POLICIES *(continued)*

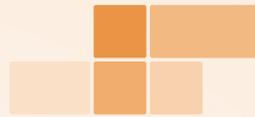
(c) Changes in accounting policies *(continued)*

(v) HKFRS 15 Revenue from Contracts with Customers *(continued)*

Impact on financial statements

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

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



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

3 ACCOUNTING POLICIES *(continued)*

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

(v) HKFRS 15 Revenue from Contracts with Customers *(continued)*

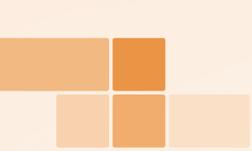
Impact on financial statements *(continued)*

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

Presentation of assets and liabilities related to contracts with customers

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

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



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

3 ACCOUNTING POLICIES *(continued)*

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

(v) HKFRS 15 Revenue from Contracts with Customers *(continued)*

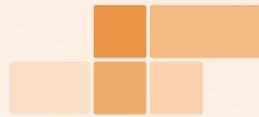
Presentation of assets and liabilities related to contracts with customers *(continued)*

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

4 ESTIMATES

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2017, with the exception of changes in estimates that are required in determining the provision for income taxes.



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

5 FINANCIAL RISK MANAGEMENT

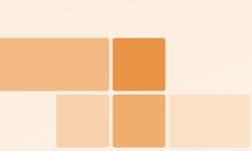
5.1 Financial risk factors

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 2018, major non-HK\$/non-RMB assets and liabilities mainly comprised borrowings denominated in US Dollars ("USD") totalling HK\$3,941 million (31 December 2017: HK\$3,634 million). The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The Interim Financial Information does 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 2017.

There have been no changes in the risk management policies since the Company's financial year ended 31 December 2017.



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

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 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, committed credit facilities, 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 the economic environment. These include control on investments in land bank, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties and accelerating sales with more flexible pricing. The Group will pursue such options based on its assessment of the relevant future costs and benefits.

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

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Liquidity risk *(continued)*

The table below sets out the Group's financial liabilities by relevant maturity grouping at each consolidated 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.

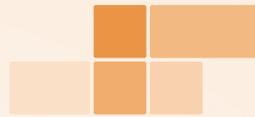
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 30 June 2018					
Borrowings (Note (a))	2,749,053	6,456,275	5,102,364	–	14,307,692
Trade and other payables (Note (b))	3,019,932	–	–	–	3,019,932
Finance lease payables	335	–	–	–	335
Amount due to ultimate holding company	880	–	–	–	880
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (c))	2,708,144	–	–	–	2,708,144
	8,478,344	6,456,275	5,102,364	–	20,036,983

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

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 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
At 31 December 2017					
Borrowings (Note (a))	2,775,029	6,204,682	4,852,001	—	13,831,712
Trade and other payables (Note (b))	2,231,536	—	—	—	2,231,536
Finance lease payables	670	—	—	—	670
Amount due to ultimate holding company	880	—	—	—	880
Derivative financial instruments — cash outflow	81,944	—	—	—	81,944
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (c))	2,682,760	—	—	—	2,682,760
	7,772,819	6,204,682	4,852,001	—	18,829,502



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

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Liquidity risk *(continued)*

- (a) Interest on borrowings is calculated on borrowings held as at 30 June 2018 and 31 December 2017. Floating-rate interest is estimated using the current interest rate as at 30 June 2018 and 31 December 2017 respectively.
- (b) It represents payables excluding 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 30).

5.3 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)*

5 FINANCIAL RISK MANAGEMENT *(continued)*

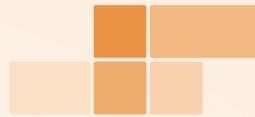
5.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2018 and 31 December 2017.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2018				
Financial assets:				
Financial assets at fair value through profit or loss				
– Investment funds (Note 19)	–	–	72,791	72,791
Financial liabilities:				
Derivative financial instruments (Note 29)				
	–	–	30,952	30,952
At 31 December 2017				
Financial assets:				
Financial assets at fair value through profit or loss				
– Investment funds	–	–	26,175	26,175
Financial liabilities:				
Derivative financial instruments (Note 29)				
	–	–	81,944	81,944

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)*

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.3 Fair value estimation *(continued)*

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. As at 30 June 2018 and 31 December 2017, the Group had no financial instruments included in level 1.

(b) 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.

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

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.3 Fair value estimation *(continued)*

(c) Financial instruments in level 3

The fair value of financial instruments included in level 3 is disclosed in Note 19.

6 SEGMENT INFORMATION

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

Revenue consists of sales of properties, rental income of investment properties, income of project management services and other property development related services. Revenue for the six months ended 30 June 2018 and 2017 consists of the following:

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

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

6 SEGMENT INFORMATION *(continued)*

Segment results represent the profit earned by each segment without net change in fair value of derivative financial liabilities, finance costs and income tax expenses. The segment results and other segment items for the six months ended 30 June 2018 are as follows:

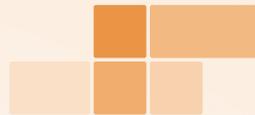
	Project			Group HK\$'000
	Property development HK\$'000	Property investment HK\$'000	management services HK\$'000	
Gross segment revenue	1,139,246	81,782	252,572	1,473,600
Segment results	459,326	130,079	252,572	841,977
Fair value losses on derivative financial instruments				(10,671)
Finance costs,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

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

6 SEGMENT INFORMATION *(continued)*

The segment results and other segment items for the six months ended 30 June 2017 are as follows:

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



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

6 SEGMENT INFORMATION *(continued)*

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

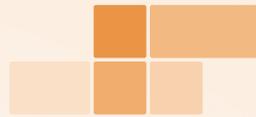
	Property development	Property investment	Project management services	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	19,389,294	2,610,522	3,105,540	25,105,356
Other assets				139,626
Total assets				25,244,982
Segment liabilities	5,694,266	82,772	—	5,777,038
Other liabilities				14,331,471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

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

6 SEGMENT INFORMATION *(continued)*

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

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



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

6 SEGMENT INFORMATION *(continued)*

Segment assets are reconciled to total assets as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Segment assets	25,105,356	24,071,114
Other assets		
— Financial assets at fair value through profit or loss	72,791	26,175
— Deferred income tax assets	66,835	55,655
Total assets	25,244,982	24,152,944

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

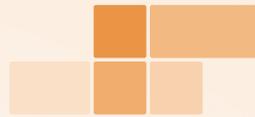
6 SEGMENT INFORMATION *(continued)*

Segment liabilities are reconciled to total liabilities as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Segment liabilities	5,777,038	5,301,770
Other liabilities		
— Borrowings	11,731,548	11,162,303
— Deferred income tax liabilities	714,430	731,243
— Current income tax liabilities	1,854,209	1,692,453
— Finance lease payable	332	658
— Derivative financial instruments	30,952	81,944
Total liabilities	20,108,509	18,970,371

Non-current assets, other than financial instruments and deferred income tax assets by geographical location:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Hong Kong	14,116	14,700
Mainland China	2,752,458	2,596,462
Total	2,766,574	2,611,162



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

6 SEGMENT INFORMATION *(continued)*

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

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

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

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

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

Capital expenditure comprises additions to property and equipment (Note 13) and intangible assets (Note 13).

Revenue of approximately HK\$140,695,000 and HK\$258,470,000 was derived from a single related party customer during the period ended 30 June 2018 and 2017 which was attributable to the project management services segment.

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

7 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Cost of properties sold (excluding staff costs)	635,702	887,920
Staff costs (including Directors' emoluments)	30,346	21,810
Legal and other consulting fees	28,895	4,325
Other taxation	12,601	7,953
Promotion expenses	11,759	19,448
Entertainment expenses	6,823	5,908
Property rental fee	4,223	4,134
Amortisation (Note 13)	2,249	2,190
Depreciation (Note 13)	1,371	1,829
Auditor's remuneration	1,300	1,200
Cost of property management service	811	2,057
Office expenses	514	696
Others	19,385	19,766
	755,979	979,236

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

8 INVESTMENT AND OTHER INCOME

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

9 FINANCE COSTS, NET

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

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

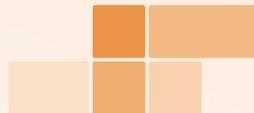
10 INCOME TAX EXPENSES

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

PRC corporate income tax

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

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



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

10 INCOME TAX EXPENSES *(continued)*

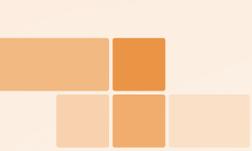
PRC corporate income tax *(continued)*

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.

PRC land appreciation tax (“LAT”)

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

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



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

10 INCOME TAX EXPENSES *(continued)*

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the Interim Financial Information as the Group did not have assessable profit in Hong Kong for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Overseas income tax

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

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

11 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

12 DIVIDENDS

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

13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and equipment HK\$'000	Intangible assets HK\$'000
Six months ended 30 June 2018		
Opening net book amounts as at 1 January 2018	122,023	59,946
Additions	6,295	—
Disposals	(8)	—
Depreciation/amortisation charges	(1,371)	(2,249)
Exchange differences	(993)	(330)
Closing net book amounts as at 30 June 2018	125,946	57,367
Six months ended 30 June 2017		
Opening net book amounts as at 1 January 2017	51,126	60,842
Additions	3,794	154
Depreciation/amortisation charges	(1,829)	(2,190)
Exchange differences	1,358	1,417
Closing net book amounts as at 30 June 2017	54,449	60,223

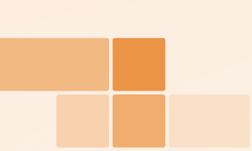
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS *(continued)*

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.

14 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Opening amount as at 1 January	2,412,183	2,165,788
Transfer from completed properties held for sale	110,756	—
Classified as held for sale	—	(630,277)
Fair value gains	66,277	37,786
Exchange differences	(22,816)	68,732
Closing amount as at 30 June	2,566,400	1,642,029



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

14 INVESTMENT PROPERTIES *(continued)*

(i) Fair value hierarchy

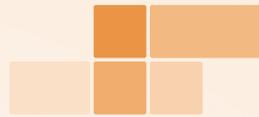
An independent valuation of the Group's certain investment properties was performed by certain independent and professional qualified valuers to determine the fair value of the investment properties as at 30 June 2018. The revaluation gains or losses are included in 'Fair value gains on investment properties, net' in the profit or loss.

As at 30 June 2018, 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.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 30 June 2018 by independent professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.



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

14 INVESTMENT PROPERTIES *(continued)*

(ii) Valuation processes of the Group *(continued)*

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. As at 30 June 2018, the fair values of the properties have been determined by Greater China Appraisal Limited.

(iii) Valuation techniques

Fair values of investment properties are generally derived using the term and reversionary 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 direct 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)*

15 PROPERTIES UNDER DEVELOPMENT

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Properties under development expected to be completed:		
— Within one operating cycle, included under current assets	3,483,995	3,724,321
Properties under development include:		
— Construction costs and capitalised expenditures	1,574,461	1,737,787
— Interests capitalised	215,159	225,563
— Land use rights	1,694,375	1,760,971
	3,483,995	3,724,321

As at 30 June 2018, 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 2018 was 10.36% (six months ended 30 June 2017: 10.23%).

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

16 COMPLETED PROPERTIES HELD FOR SALE

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

As at 30 June 2018, completed properties held for sale of approximately HK\$1,574,401,000 (31 December 2017: HK\$885,514,000) were pledged as collateral for the Group's borrowings (Note 25).

17 TRADE AND OTHER RECEIVABLES

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Trade receivables (Note (a))	327,200	403,231
— Related parties (Note (c), (d), (e) and Note 32(c))	263,080	368,875
— Third parties	64,120	34,356
Less: provision for impairment of trade receivables	—	—
Trade receivables, net	327,200	403,231
Other receivables	3,627,604	4,111,070
— Related parties (Note (c), (d) and Note 32(c))	2,845,087	3,597,189
— Third parties (Note (f))	782,517	513,881
	3,954,804	4,514,301

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

17 TRADE AND OTHER RECEIVABLES *(continued)*

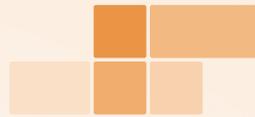
- (a) The majority of the Group's revenue are derived from sales of properties, project management services and rental income. The remaining amounts are with credit terms set out in the related sales and purchase agreements and rental contracts.

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

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

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

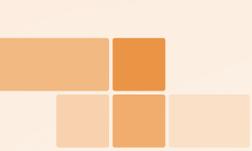
As at 30 June 2018, trade receivables of HK\$31,485,000 (31 December 2017: HK\$7,067,000) were past due but not impaired. The Group considered that these past due trade receivables would be recovered and no provision was made.



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

17 TRADE AND OTHER RECEIVABLES *(continued)*

- (b) As at 30 June 2018 and 31 December 2017, the fair value of trade and other receivables approximated their carrying amounts.
- (c) As at 30 June 2018, HK\$1,186,100,000 (equivalent to RMB1,000,000,000) of other receivables from related parties (31 December 2017: HK\$1,196,300,000) represented funding for project development. Pursuant to a project management service agreement entered in April 2015, the Group agreed to provide funding and management service to a property development project (the “Project Guangzhou”) in Guangzhou, the PRC. In return, the Group will be entitled to (i) a fixed percentage of the total funding incurred for the Project Guangzhou; and (ii) a bonus which will be determined with reference to the estimated profit of the Project Guangzhou (Note 32(c)(i)). Revenue recognised for the period was approximately HK\$103,494,000 and the revenue amount has been subsequently settled.
- (d) As at 30 June 2018, HK\$1,658,987,000 (equivalent to RMB1,398,691,000) of other receivables from related parties (31 December 2017: HK\$1,196,300,000) represented funding for project development. Pursuant to a project management service agreement entered in December 2017, the Group agreed to provide funding and management service to a property development project (the “Project Beijing”) in Beijing, the PRC. In return, the Group will be entitled to (i) a fixed percentage of the total funding incurred for the Project Beijing; and (ii) a bonus which will be determined with reference to the estimated profit of the Project Beijing (Note 32(c)(i)). Revenue recognised for the period was approximately HK\$140,696,000, and the revenue amount has been subsequently settled.



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

17 TRADE AND OTHER RECEIVABLES *(continued)*

- (e) As at 30 June 2018, HK\$8,584,000 of trade receivables from related parties (31 December 2017: Nil) raised from project management service. Pursuant to a project management service agreement entered in December 2017, the Group agreed to provide management service to a property development project (the “Project Qingyuan”) in Qingyuan, the PRC. In return, the Group will be entitled to a fixed percentage of the total sales of the Project Qingyuan. Revenue recognised for the period was approximately HK\$8,382,000.
- (f) Other receivables from third parties mainly consist of advances to third parties.
- (g) Except for those disclosed in Note (a), no material trade and other receivables were impaired or past due as at 30 June 2018 and 31 December 2017.
- (h) The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

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

18 PREPAYMENTS

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Prepayments and advances to related parties		
— for acquisition of equity interests in property development projects (Note (a) and Note 32(c))	2,134,980	4,426,310
— for decoration services (Note 32(c))	166,777	168,211
Prepayments and advances to third parties		
— for acquisition of equity interests in property development projects (Note (a))	1,748,833	1,748,859
— prepaid construction costs	15,356	11,225
Prepaid value-added taxes and other taxes	94,307	68,695
	4,160,253	6,423,300

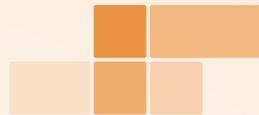
- (a) As at 30 June 2018, the Group had prepaid a total amount of HK\$3,883,813,000 (31 December 2017: HK\$6,175,169,000) to invest in private project companies in the PRC. The prepayments are to acquire equity interests in certain PRC entities, which owns land use rights or property development projects in the PRC.

Subsequent to the period end, the Group has completed the acquisition of a property development project (Note 34) and received refund total amount of approximately HK\$1,186,000,000. The Group transferred a property development project to a third party at end of June, 2018 and received refund total amount of approximately HK\$474,000,000 subsequently.

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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Non-current portion:		
Opening amount at 1 January	14,200	35,651
Additions (Note (a))	58,712	—
Less: amounts due within one year	(7,544)	—
Exchange differences	(121)	1,092
Closing amount as at 30 June (Note (a))	65,247	36,743
Current portion:		
Opening amount at 1 January	11,975	—
Plus: amounts due within one year	7,544	—
Disposals	(11,873)	—
Exchange differences	(102)	—
Closing amount as at 30 June	7,544	—



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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

- (a) The Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK\$72,791,000 (30 June 2017: HK\$36,743,000). The investment funds are managed with expected return equivalent to one-year prevailing saving interest rate quoted by the People's Bank of China.

Additions of PRC investment funds included AVIC Trust Co.,Ltd with amount of HK\$28,466,400 and Guangdong Finance Trust Co.,Ltd with amount of HK\$30,245,550.

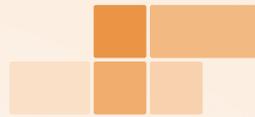
As at 30 June 2018, the fair values of the investment funds were quoted by the fund manager (which also act as the agents for the subscription and return of the investment funds) and there is no substantial changes in this period.

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

20 RESTRICTED CASH

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Guarantee deposits for construction projects (Note (a))	221,842	337,030
Guarantee deposit for payment of wages (Note (b))	15,715	20,555
	237,557	357,585
Denominated in — RMB	237,557	357,585

- (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 presale 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.



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

20 RESTRICTED CASH *(continued)*

- (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.

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 regulations of foreign exchange control promulgated by the PRC government.

21 TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Term deposits with initial terms of over three months:		
— Denominated in RMB	5,215,529	3,439,190

The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 30 June 2018 is 1.77% (31 December 2017: 1.69%) per annum. The carrying amounts of the Group's term deposits approximate their fair value due to the short term maturities.

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

22 CASH AND CASH EQUIVALENTS

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Cash at bank and in hand:		
– Denominated in RMB	2,895,135	424,566
– Denominated in HK\$	12,092	40,077
– Denominated in USD	1,892	313,899
	2,909,119	778,542

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.

23 SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Authorised:		
As at 30 June 2018 and 31 December 2017	10,000,000,000	
Issued and fully paid:		
As at 30 June 2018 and 31 December 2017	6,424,417,247	642,441

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

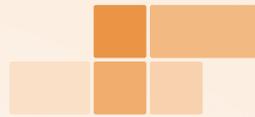
24 OTHER RESERVES

	Share premium HK\$'000	Merger reserve HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 January 2018	4,640,287	(101,922)	6,668	239,404	(269,574)	4,514,863
Currency translation differences	—	—	—	—	(23,005)	(23,005)
At 30 June 2018	4,640,287	(101,922)	6,668	239,404	(292,579)	4,491,858
At 1 January 2017	4,640,287	(101,922)	6,668	239,404	(481,016)	4,303,421
Currency translation differences	—	—	—	—	121,273	121,273
At 30 June 2017	4,640,287	(101,922)	6,668	239,404	(359,743)	4,424,694

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

25 BORROWINGS

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Borrowings included in non-current liabilities:		
Senior notes	3,517,689	3,477,499
— senior notes due August and September 2019 (“2016 Notes”) (Note (a)(i))	3,142,004	3,096,776
— senior notes due December 2019 (“2017 Notes”) (Note (a)(ii))	375,685	380,723
Bank borrowings — secured (Note (b))	1,249,834	1,105,275
Other borrowings — secured (Note (c))	6,536,865	6,423,192
Less: amounts due within one year	(1,149,689)	(1,419,984)
	10,154,699	9,585,982
Borrowings included in current liabilities:		
Bank borrowings — secured (Note (b))	427,160	156,337
Current portion of long-term borrowings	1,149,689	1,419,984
	1,576,849	1,576,321
Total borrowings	11,731,548	11,162,303



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

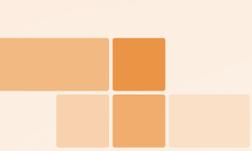
25 BORROWINGS *(continued)*

(a)(i) 2016 Notes

On 4 August 2016 and 23 September 2016 respectively, the Company issued 3-year secured and guaranteed senior notes, with aggregated nominal values of USD190,000,000 and USD220,000,000 respectively (collectively referred to as “2016 Notes”). The net proceeds, after deducting the issuance costs, amounted to USD389,552,000 (equivalent to approximately HK\$3,021,818,000). The 2016 Notes are denominated in USD, due on 3 August 2019 and 22 September 2019, and with an interest rate at 11% per annum.

Concurrent with the issuance of the 2016 Notes, nil-paid warrants (“2016 Warrants”) representing a total amount of exercise moneys of USD61,500,000 (the exchange rate to be used for the purchase of HK\$ with USD shall be HK\$7.8 per USD1.0) were granted to these investors to subscribe for 239,909,977 ordinary shares of the Company at an initial exercise price of HK\$1.9995 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. The 2016 Warrants are exercisable at any time up to 36 months from the issue date of such warrants. As a result of the rights issue, the exercise price of the 2016 Warrants was downward adjusted to HK\$1.8049.

The nature of the 2016 Warrants 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)*

25 BORROWINGS *(continued)*

(a)(ii) 2017 Notes

On 13 December 2017, the Company issued 2-year secured and guaranteed senior notes, with an aggregated nominal value of USD50,000,000 (“2017 Notes”). The net proceeds, after deducting the issuance costs, amounted to USD48,474,000 (equivalent to approximately HK\$378,412,000). The 2017 Notes are denominated in USD, due on 12 December 2019, and with an interest rate at 8% per annum.

(b) Bank borrowings secured

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

(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, completed properties held for sale, land use rights, investment properties and shares of certain subsidiaries.

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

26 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	
	2018 HK\$'000	2017 HK\$'000
Balance as at 1 January	(675,588)	(569,106)
Tax charged in income tax expenses (Note 10)	(2,160)	(7,053)
Acquisition of a subsidiary	—	(114,902)
Exchange differences	30,153	(15,380)
Balance as at 30 June	(647,595)	(706,441)
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Deferred income tax assets	66,835	55,655
Deferred income tax liabilities	(714,430)	(731,243)
	(647,595)	(675,588)

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

27 TRADE AND OTHER PAYABLES

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Trade payables	1,431,276	1,601,388
Amounts due to related parties (Note 32(c))	777,802	105,780
Provisions for claims and administrative penalties	—	23,036
Other payables and accruals	707,142	517,192
Other taxes payables	332,793	302,658
	3,249,013	2,550,054

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

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

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

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

28 CURRENT INCOME TAX LIABILITIES

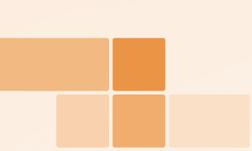
The current income tax liabilities are analysed as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Current income tax liabilities		
— PRC corporate income tax payable	1,125,003	973,727
— PRC land appreciation tax payable	729,206	718,726
	1,854,209	1,692,453

29 DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2018 and 31 December 2017, the Group had the following derivative financial instruments:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
2016 Warrants	30,952	20,201
2014 Warrants II	—	61,743
	30,952	81,944



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

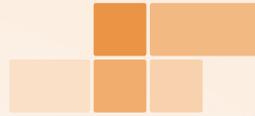
29 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The above warrants were measured at their fair values on 30 June 2018 and 31 December 2017. 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 an independent qualified professional valuer and approved by the directors. The significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

30 FINANCIAL GUARANTEE CONTRACTS

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

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	2,708,144	2,682,760



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

30 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 consider that the likelihood of default in payments by purchasers is minimal and therefore the fair value of financial guarantees is not significant.

Amounts represented the maximum exposure of the guarantees provided by the Group.

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

31 COMMITMENTS

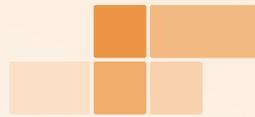
(a) Commitments for property development expenditures

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Contracted but not provided for		
— Properties development activities	1,059,217	1,163,168
— Acquisition of land use rights	4,450,200	4,450,200
— Acquisition of property and equipment	1,162	1,172
	5,510,579	5,614,540

(b) Operating leases commitments – the Group as lessee

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

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
— Not later than one year	7,424	7,423
— Later than one year and not later than five years	3,493	7,496
	10,917	14,919



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

31 COMMITMENTS *(continued)*

(c) Operating leases commitments – the Group as lessor

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

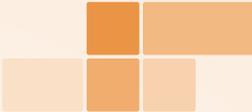
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
– Not later than one year	83,440	81,203
– Later than one year and not later than five years	181,900	197,357
– Over five years	14,375	20,584
	279,715	299,144

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

32 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, and a key management personnel
Mr. Liao Tengjia	Major shareholder of Rong De, the Company's executive director and deputy chairman of the Board, and a key management personnel
Mr. Huang Jiajue	The Company's deputy chairman of the Board and executive director, and a key management personnel
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



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

32 RELATED PARTY TRANSACTIONS *(continued)*

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

Name	Relationship
Guangzhou Zhuguang Property Development Company Limited (“GZ Zhuguang Property”)	Mr. Liao Tengjia has significant influence in this company
Guangdong Zhujiang Bay Property Company Limited (“GD 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
Guangdong Jiayuan Investment Company (“GD Jiayuan Investment”)	Mr. Huang Jiajue is the legal representative of this company
Beijing Zhuguang Property Development Company Limited (“BJ Zhuguang Property”)	Mr. Liao Tengjia has significant influence in this company
Guangzhou Zhuguang Yujing Hotspring Hotel Company Limited (“GZ Zhuguang Yujing Hotel”)	Mr. Liao Tengjia has significant influence in this company
Qingyuan Qingxin District Huilihao Real Estate Company Limited (“Qingyuan Huilihao”)	Mr. Liao Tengjia has significant influence in this company

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

32 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

- (i) During the six months ended 30 June 2018 and 2017, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Sales of properties to key management	27,101	8,819
Project management service income:		
— BJ Zhuguang Property	103,494	—
— GZ Zhuguang Investment	140,696	258,470
— Qingyuan Huilihao	8,382	—
	252,572	258,470
Rental income		
— GZ Zhuguang Yujing Hotel	332	—
Settlement of trade receivable from related parties		
— GZ Zhuguang Investment	376,212	—
Advances from key management	—	2,527

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

32 RELATED PARTY TRANSACTIONS *(continued)*

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

(i) *(continued)*

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Prepayments for acquisition of equity interests in property development projects included in prepayments:		
— GD Zhuguang Group	—	1,644,010
Refund of prepayment for acquisition of equity interests in property development projects:		
— GD Zhuguang Group	2,332,763	—
Cash advances to related parties included in other receivables:		
— BJ Zhuguang Property	489,501	—
— GD Zhuguang Group	—	1,543,167
— GZ Conghua Zhuguang Investment	—	525,607
	489,501	2,068,774

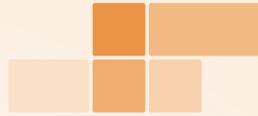
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

32 RELATED PARTY TRANSACTIONS *(continued)*

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

(i) *(continued)*

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Repayments from related parties included in other receivables:		
— GD Zhuguang Group	1,163,687	—
— GZ Conghua Zhuguang Investment	—	524,326
	1,163,687	524,326
Cash advances from related parties included in other payables:		
— GD Zhuguang Group	802,841	—
Repayments to related parties included in other payables:		
— GZ Conghua Zhuguang Investment	105,294	—
— GD Zhuguang Group	—	49,840
	105,294	49,840



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

32 RELATED PARTY TRANSACTIONS *(continued)*

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

- (ii) Certain related parties have provided pledges and guarantees for the Group's bank borrowings of HK\$6,151,166,000 at 30 June 2018 (31 December 2017: HK\$4,811,963,000).
- (iii) Certain related parties have provided pledges and guarantees for the Group's senior notes and warrants of HK\$3,517,689,000 and HK\$30,952,000 respectively at 30 June 2018 (31 December 2017: HK\$3,477,499,000 and HK\$81,944,000).
- (iv) During the six months ended 30 June 2018, the Group's principal place of business in the PRC was provided by GD Zhuguang Group for which no charge was made.
- (v) 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)*

32 RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

As at 30 June 2018 and 31 December 2017, the Group had the following material balances with related parties:

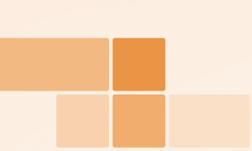
	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Amounts due from related parties included in trade receivables		
— BJ Zhuguang Property (Note (i))	145,120	—
— GZ Zhuguang Investment (Note (i))	106,749	366,569
— Qingyuan Huilihao	8,584	—
— Key management	2,287	2,306
— GZ Zhuguang Yujing Hotel	340	—
	263,080	368,875
Amounts due from related parties included in other receivables		
— BJ Zhuguang Property (Note (i))	1,658,987	1,196,300
— GZ Zhuguang Investment (Note (i))	1,186,100	1,196,300
— GD Zhuguang Group	—	1,204,589
	2,845,087	3,597,189

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

32 RELATED PARTY TRANSACTIONS *(continued)*

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

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Amounts due from related parties included in prepayments		
— GD Zhuguang Group (Note (ii))	2,134,980	4,426,310
— Key management (Note (iii))	166,777	168,211
	2,301,757	4,594,521
Amounts due to related parties included in other payables		
— GD Zhuguang Group	777,802	3,185
— GZ Conghua Zhuguang Investment	—	102,595
	777,802	105,780
Amount due to ultimate holding company		
— Rong De	880	880
Amounts due to key management included in contract liabilities/ advances from customers	—	27,727

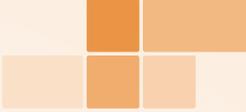


NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

32 RELATED PARTY TRANSACTIONS *(continued)*

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

- (i) Amounts due from GZ Zhuguang Investment and BJ Zhuguang Property included in trade and other receivables were mainly derived from funding and project management services, which would be settled in accordance with mutually agreed terms (Note 17(c) and Note 17(d)).
- (ii) Amounts due from GD Zhuguang Group included in prepayments were deposits paid to GD Zhuguang Group through authorised agents for the proposed acquisitions of equity interests of certain entities of GD Zhuguang Group, which own certain land use rights or property projects in the PRC.
- (iii) Amounts due from key management represents the prepayments for decoration service fee, which have been subsequently settled.



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

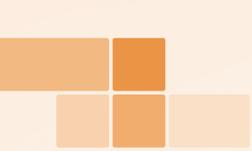
33 POTENTIAL ACQUISITION

On 29 June 2018, Silver Grant Group Limited (銀建集團有限公司) and CGNPC International Limited (中廣核國際有限公司), together as vendors, the Company, as purchaser, entered into sale and purchase agreements pursuant to which the vendors have conditionally agreed to sell and the Company (or any of its subsidiary) has conditionally agreed to acquire 655,360,022 shares of Silver Grant International Industries Limited (“Target”), being approximately 28.44% of the Target shares in issue, at a total consideration of HK\$2,018,508,868. The completion of the sale and purchase is dependent on the fulfilment of certain conditions, amongst others, the written consent provided by noteholders of the senior notes issued by the Company. Further details are set out in the announcements of the Company dated 29 June 2018 and 31 July 2018.

34 SUBSEQUENT EVENT

On 24 June 2018, GD Zhuguang Group (廣東珠光集團有限公司), as vendor (“Vendor”), and Guangzhou Yude Investment Company Limited (廣州御德投資有限公司), a wholly owned subsidiary of the Company, as purchaser (“Purchaser”), entered into sale and purchase agreement (referred to as the “SP Agreement”). Pursuant to the SP Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire 100% of the equity interest in Guangzhou Zhuguang Property Company Limited (廣州珠光置業有限公司), together with its wholly owned subsidiary Guangzhou Shunji Industry Company Limited (廣州舜吉實業有限公司) at the consideration of RMB700 million (equivalent to approximately HK\$847 million). The completion of the sale and purchase took place in July 2018. Further details of the SP Agreements are set out in the announcement of the Company dated 24 June 2018.

The Group is in the process of finalising the acquisition accounting for the above business combination, consequently, relevant disclosure required by HKFRS 3, “Business Combination” is not available at the time when this Interim Financial Information was authorised for issue.



OTHER INFORMATION

INTERIM DIVIDEND

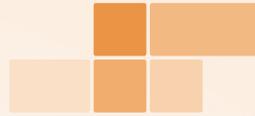
No interim dividend in respect of the six months ended 30 June 2018 was proposed by the Board (six months ended 30 June 2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

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

- (a) On 29 March 2017, Xianghe County Yijing Property Development Company Limited* (香河縣逸景房地產開發有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser (“Xianghe Purchaser”), Tong Dexin* (佟德新) and Tong Demin* (佟德珉), as vendors (collectively, the “Xianghe Vendors”), and Xianghe Jingang Real Estate Development Company Limited* (香河金港房地產開發有限公司), as target company (“Xianghe Target”), entered into an equity transfer agreement (“Equity Transfer Agreement”), which was amended and supplemented by (i) the supplemental agreement dated 29 December 2017 entered into among the Xianghe Purchaser, the Xianghe Vendors and the Xianghe Target; and (ii) the further supplemental agreement dated 9 March 2018 entered into among the Xianghe Purchaser, Langfang Xianghe Haojie Trading Company Limited* (廊坊香河豪捷貿易有限公司) (“Langfang Xianghe”), an indirect wholly-owned subsidiary of the Company, the Xianghe Vendors, the Xianghe Target and Guangdong Zhuguang Group (collectively, the “Further Supplemental Agreements”), in relation to the purchase and sale of the entire equity interest in the Xianghe Target at the aggregate consideration of RMB1,700,000,000 (equivalent to approximately HK\$2,105,960,000) (“Xianghe Acquisition”).

* For identification purpose only



OTHER INFORMATION *(continued)*

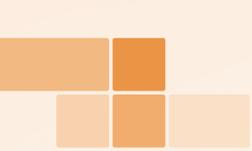
MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

(a) *(continued)*

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

Further details of the Xianghe Acquisition and the Xianghe Transfer are set out in the announcements of the Company dated 29 March 2017, 3 April 2017, 24 April 2017, 11 May 2017, 26 June 2017, 29 August 2017, 29 December 2017, 31 January 2018, 12 March 2018 and 29 June 2018.

* *For identification purpose only*

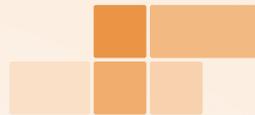


OTHER INFORMATION *(continued)*

MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

- (b) On 23 June 2017, South Trend Holdings Limited (南興控股有限公司), a wholly-owned subsidiary of the Company, as purchaser (“South Trend”), Quan Xing Holdings Limited (荃興控股有限公司), as vendor (“Quan Xing”), and Cheung Fong Wing, as guarantor (“All Flourish Guarantor”), entered into a sale and purchase agreement (“All Flourish SPA”), which was amended and supplemented by the supplemental agreements (collectively, the “All Flourish Supplemental Agreements”) dated 28 March 2018 and 2 August 2018 entered into among South Trend, Quan Xing and the All Flourish Guarantor, in relation to the acquisition of the entire issued share capital of All Flourish Investments Limited (通興投資有限公司) (“All Flourish”) at the consideration of RMB3.5 billion (equivalent to approximately HK\$3.95 billion) (subject to adjustment) (“All Flourish Acquisition”). A special general meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the All Flourish SPA (as amended and supplemented by the All Flourish Supplemental Agreements) and the transactions contemplated thereunder. Upon completion of the All Flourish Acquisition which is subject to the satisfaction of the conditions precedent (including the approval of the Shareholders having been obtained), All Flourish will become an indirect wholly-owned subsidiary of the Company.

Further details of the All Flourish Acquisition are set out in the announcements of the Company dated 23 June 2017, 27 October 2017, 14 February 2018, 28 March 2018, 29 June 2018 and 2 August 2018.



OTHER INFORMATION *(continued)*

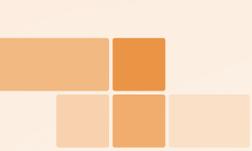
MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

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

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

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

* For identification purpose only



OTHER INFORMATION *(continued)*

MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

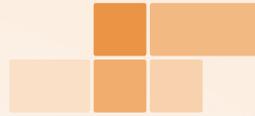
(c) *(continued)*

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

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

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

* For identification purpose only



OTHER INFORMATION *(continued)*

MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

(d) *(continued)*

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

- (a) As at 30 June 2018, the interests and short positions of each Director and the chief executive of the Company in the ordinary shares ("Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) ("SFO")) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (ii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Code"), to be notified to the Company and the Stock Exchange, were as follows:

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(a) *(continued)*

Long position in the Shares

Name of Director/ chief executive of the Company	Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 2)
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of a controlled corporation (Note 1)	3,977,771,289	61.92%
Liao Tengjia	Interest of a controlled corporation (Note 1)	3,977,771,289	61.92%
Huang Jiajue	Beneficial ownership	14,330,000	0.22%

Notes:

- 3,977,771,289 Shares were held by Rong De Investments Limited ("Rong De"), which was owned as to 34.06% by Mr. Chu Hing Tsung and as to 36.00% by Mr. Liao Tengjia. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO. To the best knowledge of the Directors, out of the aforesaid 3,977,771,289 Shares, 458,000,000 Shares, 3,021,112,000 Shares and 100,000,000 Shares have been pledged by Rong De to 中國華融資產管理股份有限公司廣東省分公司 ("Huarong Guangdong"), The Bank of New York Mellon, Hong Kong Branch ("BNY HK") and China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") respectively. Mr. Liao Tengjia is a director of Rong De.
- The total number of the issued Shares as at 30 June 2018 (i.e. 6,424,417,247 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(a) *(continued)*

Interest in shares of the Company's associated corporation

Name of Director/ chief executive of the Company	Name of associated corporation	Capacity	Total number of ordinary shares	Approximate percentage of interest
Chu Hing Tsung (alias Zhu Qing Yi)	Rong De	Beneficial owner	68,120	34.06%
Chu Muk Chi (alias Zhu La Yi)	Rong De	Beneficial owner	59,888	29.94%
Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%

(b) Save as disclosed in this interim report, as at 30 June 2018, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (ii) were required, pursuant to the Code, to be notified to the Company and the Stock Exchange.

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

- (a) As at 30 June 2018, so far as it is known to the Directors or the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, 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 Part XV of the SFO and were required to be kept under section 336 of the SFO:

Interests of substantial Shareholders

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 10)
Rong De (Note 1)	Beneficial owner	3,977,771,289 (L)	61.92%

Interests of other persons

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 10)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 10)
Huarong Guangdong	Security interest	923,000,000 (L)	14.37%	—	—

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

(a) *(continued)*

Interests of other persons *(continued)*

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 10)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 10)
China Great Wall Asset Management Corporation ("CGWAMC") (Note 2)	Interest of controlled corporations	1,200,000,000 (L)	18.68%	—	—
Central Huijin Investment Limited ("Central Huijin") (Notes 3 and 4)	Interest of controlled corporations	—	—	64,823,535 (L)	1.01%
	Security interest	3,021,112,000 (L)	47.03%	—	—
Agricultural Bank of China Limited ("ABCL") (Note 3)	Interest of controlled corporations	—	—	45,376,475 (L)	0.71%
	Security interest	3,021,112,000 (L)	47.03%	—	—
Ministry of Finance of the People's Republic of China ("MOF") (Note 3)	Interest of controlled corporations	—	—	45,376,475 (L)	0.71%
	Security interest	3,021,112,000 (L)	47.03%	—	—

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

(a) *(continued)*

Interests of other persons *(continued)*

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 10)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 10)
China Construction Bank Corporation ("CCB") (Note 4)	Interest of controlled corporations	—	—	19,447,060 (L)	0.30%
	Security interest	3,021,112,000 (L)	47.03%	—	—
The Bank of New York Mellon Corporation ("BNY") (Note 5)	Security interest	3,021,112,000 (L)	47.03%	—	—
China Orient Asset Management Co., Ltd. ("COAM") (Note 6)	Interest of controlled corporations	3,021,112,000 (L)	47.03%	146,286,572 (L)	2.28%
Cheung Fong Wing (Note 7)	Interest of a controlled corporation	418,500,000 (L)	6.51%	—	—

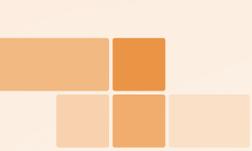
SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 10)	Number of underlying Shares	Approximate percentage of total issued share capital of the Company (Note 10)
Quan Xing Holdings Limited ("Quan Xing") (Note 7)	Beneficial owner	418,500,000 (L)	6.51%	—	—
中國華融資產管理股份有限公司 ("CHAMCL") (Note 8)	Security interest	923,000,000 (L)	14.37%	—	—
	Interest of controlled corporations	572,380,000 (L)	8.91%	7,778,824 (L)	0.12%
Huarong International Financial Holdings Limited ("Huarong International") (Note 9)	Interest of controlled corporations	472,380,000 (L)	7.35%	—	—

(L) Long position



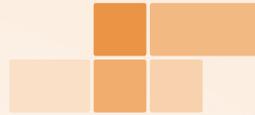
SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Notes:

1. The Shares comprised the 3,977,771,289 Shares beneficially owned by Rong De as stated under "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES". To the best knowledge of the Directors, out of the aforesaid 3,977,771,289 Shares, 458,000,000 Shares, 3,021,112,000 Shares and 100,000,000 Shares have been pledged by Rong De to Huarong Guangdong, BNY HK and China Huarong Macau respectively. Mr. Liao Tengjia is a director of Rong De.
2. 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, GWPAIICL and CGWAMC are deemed to be interested in the Shares held by Evergreat Prosper Limited by virtue of the provisions of the SFO.
3. According to the disclosure of interest notices filed by ABCL and Heroic Day Limited ("Heroic Day") on 4 January 2017, Heroic Day held direct interest in 3,021,112,000 Shares and 45,376,475 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited ("ABCIIM"). ABCIIM 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 and MOF on 28 July 2017 and 4 January 2017 respectively, ABCL is in turn owned as to 40.03% by Central Huijin and as to 39.21% by MOF. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and the underlying Shares held by Heroic Day by virtue of the provisions of the SFO.



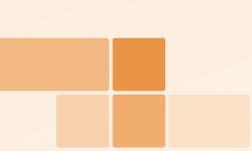
SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Notes: *(continued)*

4. According to the disclosure of interest notice filed by CCB on 27 July 2017, CCB International Overseas Limited ("CCBIO") held direct interest in 3,021,112,000 Shares and 19,447,060 underlying Shares, and is a wholly-owned subsidiary of CCB International (Holdings) Limited ("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 28 July 2017, CCB is owned as to 57.11% by Central Huijin. Accordingly, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the Shares and the underlying Shares held by CCBIO by virtue of the provisions of the SFO.
5. According to the disclosure of interest notice filed by BNY on 3 January 2017, BNY HK held direct interest in the Shares and is wholly-owned by BNY. Accordingly, BNY is deemed to be interested in the Shares held by BNY HK by virtue of the provisions of the SFO.
6. According to the disclosure of interest notice filed by COAM on 20 April 2017, Blooming Rose Enterprises Corp. ("Blooming") held direct interest in 3,021,112,000 Shares and 146,286,572 underlying Shares, and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"). COAM International 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 the underlying Shares held by Blooming 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.



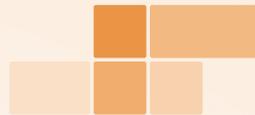
SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Notes: *(continued)*

8. According to the disclosure of interest notice filed by CHAMCL on 15 January 2018 (“CHAMCL Notice”), Wise United Holdings Limited (“Wise United”) held direct interest in 7,778,824 underlying Shares and is a wholly-owned subsidiary of Diamond Path International Investments Limited (“DPIL”). DPIL is a wholly-owned subsidiary of Diamond Path Investments Limited (“DP”). DP is a wholly-owned subsidiary of Huarong Investment Stock Corporation Limited (“HI”). HI is owned as to 50.99% by Right Select International Limited (“RSI”). RSI is a wholly-owned subsidiary of China Huarong International Holdings Limited (“CHIH”). CHIH is held as to 11.90% by Huarong Zhiyuan Investment & Management Co., Ltd. (“HZY”) and as to 88.10% by Huarong Real Estate Co., Ltd. (“HRE”). Each of HZY and HRE is a wholly-owned subsidiary of CHAMCL. Accordingly, DPIL, DP, HI, RSI, CHIH, HZY, HRE and CHAMCL are deemed to be interested in the underlying Shares held by Wise United by virtue of the provisions of the SFO. According to the CHAMCL Notice, Visual Dome Fund L.P. (“Visual Dome”) held direct interest in 259,700,000 Shares. Visual Dome, the general partner of which is Micro Vision Fund Ltd., is held as to 50% by its limited partner, Ocean Charm Investments Limited (“Ocean Charm”). Ocean Charm is a wholly-owned subsidiary of Linewear Assets Limited (“Linewear”), which is in turn wholly-owned by Huarong International. Huarong International is held as to 51% by Camellia Pacific Investment Holding Limited (“Camellia Pacific”), which in turn is a wholly-owned subsidiary of CHIH. Accordingly, Ocean Charm, Linewear, Huarong International, Camellia Pacific, CHIH, HRE, HZY and CHAMCL are deemed to be interested in the Shares held by Visual Dome by virtue of the provisions of the SFO. According to the CHAMCL Notice, Beyond Steady Limited (“Beyond Steady”), a wholly-owned subsidiary of Linewear, held direct interest in 212,680,000 Shares. Accordingly, Linewear, Huarong International, Camellia Pacific, CHIH, HRE, HZY and CHAMCL are deemed to be interested in the Shares held by Beyond Steady by virtue of the provisions of the SFO. According to the CHAMCL Notice, China Huarong Macau held direct interest in 100,000,000 Shares and is a wholly-owned subsidiary of 中國華融(澳門)國際股份有限公司 (“Huarong Macau”). Huarong Macau is owned as to 51% by Huarong (HK) Industrial and Financial Investment Limited (“Huarong HK”), which is a wholly-owned subsidiary of HRE. Accordingly, Huarong Macau, Huarong HK, HRE and CHAMCL are deemed to be interested in the Shares held by China Huarong Macau by virtue of the provisions of the SFO.



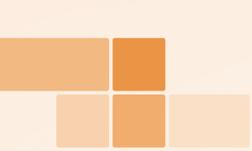
SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

(a) *(continued)*

Interests of other persons *(continued)*

Notes: *(continued)*

9. According to the disclosure of interest notice filed by Huarong International on 15 January 2018 ("HI Notice"), Visual Dome held direct interest in 259,700,000 Shares. Visual Dome, the general partner of which is Micro Vision Fund Ltd., is held as to 50% by its limited partner, Ocean Charm. Ocean Charm is a wholly-owned subsidiary of Linewear, which is in turn wholly-owned by Huarong International. Accordingly, Ocean Charm, Linewear and Huarong International are deemed to be interested in the Shares held by Visual Dome by virtue of the provisions of the SFO. According to the HI Notice, Beyond Steady, a wholly-owned subsidiary of Linewear, held direct interest in 212,680,000 Shares. Accordingly, Linewear and Huarong International are deemed to be interested in the Shares held by Beyond Steady by virtue of the provisions of the SFO.
 10. The total number of issued Shares as at 30 June 2018 (i.e. 6,424,417,247 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.
- (b) Save as disclosed above, the Directors or the chief executive officer of the Company are not aware of any other persons (not being Directors or chief executive of the Company) as at 30 June 2018, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO.



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

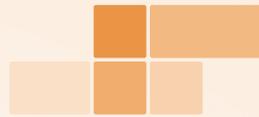
In the opinion of the Directors, the Company has complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules during the Period Under Review, other than Code Provisions A.1.8 and E.1.2 of the CG Code as specified with considered reasons below.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Code as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code during the Period Under Review.



CHANGES IN INFORMATION OF DIRECTORS

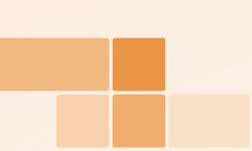
Pursuant to Rule 13.51B(1) of the Listing Rules, there were changes in the information required to be disclosed in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in the course of the Directors' term of office since the date of the annual report for the year ended 31 December 2017 of the Company up to the date of this interim report.

Mr. Wong Chi Keung, an independent non-executive Director, was removed as an independent non-executive director of China Shanshui Cement Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 691) with effect from 23 May 2018.

Save as aforesaid, the Company has not been advised by the Directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to the Shareholders.

AUDIT COMMITTEE

The audit committee of the Board ("Audit Committee") comprises three independent non-executive Directors. The Audit Committee has reviewed with the management, the accounting principles and policies adopted by the Group and discussed with the management regarding auditing, internal controls and financial reporting matters, including the review of the unaudited interim condensed consolidated financial information for the six months ended 30 June 2018 and this interim report, which is of the opinion that they comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.



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

This interim report for the six months ended 30 June 2018 of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhuguang.com.hk, and will be despatched to the Shareholders in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2018