珠海控股
ZHUHAI HOLDINGS

珠海控股投資集團有限公司
ZHUHAI HOLDINGS INVESTMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code : 00908

# INTERIM REPORT 2019

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Huang Xin *(Chairman)*
Mr. Jin Tao
Mr. Ye Yuhong
Mr. Li Wenjun

### Non-Executive Directors

Datuk Wira Lim Hock Guan
(Mr. Lim Seng Lee as his alternate)
Mr. Kwok Hoi Hing
(Mr. Zhu Minming as his alternate)
Mr. Zou Chaoyong

### Independent Non-Executive Directors

Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David
Mr. Albert Ho
Mr. Wang Yijiang

### Alternate Director

Mr. Lim Seng Lee
(alternate to Datuk Wira Lim Hock Guan)
Mr. Zhu Minming
(alternate to Mr. Kwok Hoi Hing)

## AUDIT COMMITTEE

Mr. Albert Ho *(Chairman)*
Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David

## NOMINATION COMMITTEE

Mr. Huang Xin *(Chairman)*
Mr. Ye Yuhong
Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David
Mr. Albert Ho
Mr. Wang Yijiang

## REMUNERATION COMMITTEE

Mr. Hui Chiu Chung *(Chairman)*
Mr. Chu Yu Lin, David
Mr. Albert Ho

## COMPANY SECRETARY

Mr. Kwok Tung Fai

## AUDITORS

PricewaterhouseCoopers
*Certified Public Accountants*

## PRINCIPAL BANKERS

Wing Lung Bank, Limited
Industrial and Commercial Bank of China, Zhuhai Branch
Bank of China, Zhuhai Branch
China Everbright Bank, Zhuhai Branch
Xiamen International Bank, Zhuhai Branch
Shanghai Pudong Development Bank, Zhuhai Branch

## LEGAL ADVISORS (AS TO HONG KONG LAW)

Chiu & Partners
Allen & Overy

## PRINCIPAL SHARE REGISTRAR

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

## BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3709-10
37/F, West Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## STOCK CODE

00908

## INVESTORS RELATION

Email address:
ir0908hk@zhjzgroup.com

## WEBSITE

www.0908.hk

* The English transliteration of the Chinese names in this interim report, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

**To the Board of Directors of Zhuhai Holdings Investment Group Limited**
*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 43, which comprises the interim condensed consolidated statement of financial position of Zhuhai Holdings Investment Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 29 August 2019

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Note | Six months ended 30 June<br>2019<br>RMB'000<br>(Unaudited) | 2018<br>RMB'000<br>(Unaudited) |
|---|---|---|---|
| **Revenue** | 5 | **4,545,326** | 2,689,447 |
| Cost of sales | | **(4,333,114)** | (2,281,673) |
| Gross profit | | **212,212** | 407,774 |
| Other income and gains, net | | **31,670** | 37,771 |
| Selling and distribution expenses | | **(54,950)** | (61,693) |
| Administrative expenses | | **(94,758)** | (104,364) |
| Other operating expenses | | **(23)** | (5,213) |
| Finance expenses | 7 | **(13,248)** | (4,752) |
| Share of (losses)/profits of: | | | |
| Joint ventures | | **(3,639)** | 291 |
| Associates | | **(6,173)** | 3,130 |
| **Profit before tax** | 6 | **71,091** | 272,944 |
| Income tax expense | 8 | **(40,067)** | (121,567) |
| **Profit for the period** | | **31,024** | 151,377 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **6,088** | 76,274 |
| Non-controlling interests | | **24,936** | 75,103 |
| | | **31,024** | 151,377 |
| **Earnings per share attributable to owners of the Company for the period** | | | |
| Basic earnings per share | 10 | **RMB0.43 cent** | RMB5.34 cents |
| Diluted earnings per share | 10 | **RMB0.43 cent** | RMB5.34 cents |

The notes on pages 14 to 43 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Profit for the period** | **31,024** | 151,377 |
| **Other comprehensive (loss)/income** | | |
| *Item that may be reclassified to profit or loss* | | |
| Exchange differences on translation of foreign operations | **(4,377)** | 13,061 |
| *Item that will not be reclassified to profit or loss* | | |
| Fair value gain on financial assets at fair value through other comprehensive income | **526** | 865 |
| | **(3,851)** | 13,926 |
| **Other comprehensive (loss)/income for the period, net of tax** | **(3,851)** | 13,926 |
| **Total comprehensive income for the period** | **27,173** | 165,303 |
| **Attributable to:** | | |
| Owners of the Company | **2,236** | 90,200 |
| Non-controlling interests | **24,937** | 75,103 |
| | **27,173** | 165,303 |

The notes on pages 14 to 43 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **1,184,704** | 1,138,530 |
| Investment properties | 12 | **27,550** | 26,770 |
| Right-of-use assets | 4 | **398,870** | – |
| Prepaid land lease payments | 4 | **–** | 360,237 |
| Rights to use port facilities | 4 | **–** | 12,176 |
| Properties under development | 13 | **2,590,657** | 2,813,285 |
| Intangible asset | | **3,865** | 3,865 |
| Interests in joint ventures | | **83,476** | 92,612 |
| Interests in associates | | **35,765** | 34,938 |
| Loan to an associate | | **7,500** | – |
| Financial assets at fair value through other comprehensive income | | **8,973** | 8,412 |
| Prepayments and deposits | | **26,012** | 26,173 |
| Contract assets | 18 | **62,377** | – |
| Restricted bank balance | | **108,805** | 108,762 |
| Deferred tax assets | | **89,218** | 91,564 |
| Total non-current assets | | **4,627,772** | 4,717,324 |
| **Current assets** | | | |
| Properties under development | 13 | **4,447,117** | 3,543,586 |
| Completed properties held-for-sale | | **55,930** | 76,071 |
| Securities measured at fair value through profit or loss | | **321** | 529 |
| Inventories | | **19,212** | 38,173 |
| Trade receivables | 14 | **795,472** | 923,146 |
| Prepayments, deposits and other receivables | | **873,208** | 346,366 |
| Factoring receivables | 15 | **812,121** | 910,704 |
| Prepaid tax | | **378,312** | 279,694 |
| Due from related companies | | **15,849** | 14,930 |
| Restricted bank balance | | **582,795** | 486,756 |
| Time deposits | | **4,260** | – |
| Cash and cash equivalents | | **1,611,370** | 982,527 |
| Total current assets | | **9,595,967** | 7,602,482 |
| **Total assets** | | **14,223,739** | 12,319,806 |

| | Note | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and bill payables | 16 | **924,855** | 997,859 |
| Deferred income, accrued liabilities and other payables | | **416,497** | 255,919 |
| Contract liabilities | | **3,563,511** | 2,382,504 |
| Construction payables | | **774,806** | 870,057 |
| Interest-bearing bank borrowings | 17 | **1,244,039** | 701,654 |
| Lease liabilities | 4 | **18,359** | – |
| Tax payable | | **542,685** | 656,513 |
| Due to a major shareholder | | **9,631** | 66 |
| Due to related companies | | **24,626** | 13,266 |
| Total current liabilities | | **7,519,009** | 5,877,838 |
| **Non-current liabilities** | | | |
| Interest-bearing bank borrowings | 17 | **2,395,633** | 2,146,549 |
| Lease liabilities | 4 | **17,355** | – |
| Contract liabilities | | **196,487** | 197,622 |
| Deferred tax liabilities | | **657,060** | 656,634 |
| Defined benefit obligations | | **124,361** | 122,828 |
| Total non-current liabilities | | **3,390,896** | 3,123,633 |
| **Total liabilities** | | **10,909,905** | 9,001,471 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | Note | As at 30 June 2019 RMB'000 (Unaudited) | As at 31 December 2018 RMB'000 (Audited) |
|---|---|---|---|
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 19 | **142,874** | 142,874 |
| Reserves | | **1,779,687** | 1,803,921 |
| | | **1,922,561** | 1,946,795 |
| **Non-controlling interests** | | **1,391,273** | 1,371,540 |
| **Total equity** | | **3,313,834** | 3,318,335 |
| **Total equity and liabilities** | | **14,223,739** | 12,319,806 |

The notes on pages 14 to 43 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited Capital and reserves attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Contributed surplus RMB'000 | Merger reserve RMB'000 | Other reserve RMB'000 | Asset revaluation reserve RMB'000 | Financial assets at fair value through other comprehensive income revaluation reserve RMB'000 | Statutory reserve funds RMB'000 | Exchange fluctuation reserve RMB'000 | Retained profits RMB'000 | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| Balance as at 31 December 2018 | 142,874 | 851,806 | 477,600 | (45,257) | (214,613) | 78,774 | 1,661 | 327,149 | (197,132) | 523,933 | 1,946,795 | 1,371,540 | 3,318,335 |
| Adjustment on adoption of HKFRS 16 (Note 4) | – | – | – | – | – | – | – | – | – | (1,449) | (1,449) | (184) | (1,633) |
| Restated balance at 1 January 2019 | 142,874 | 851,806 | 477,600 | (45,257) | (214,613) | 78,774 | 1,661 | 327,149 | (197,132) | 522,484 | 1,945,346 | 1,371,356 | 3,316,702 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 6,088 | 6,088 | 24,936 | 31,024 |
| Other comprehensive (loss)/income | – | – | – | – | – | – | 526 | – | (4,378) | – | (3,852) | 1 | (3,851) |
| Total comprehensive income for the period, net of tax | – | – | – | – | – | – | 526 | – | (4,378) | 6,088 | 2,236 | 24,937 | 27,173 |
| Dividends paid to non-controlling shareholders | – | – | – | – | – | – | – | – | – | – | – | (5,020) | (5,020) |
| 2018 final dividend declared | – | – | – | – | – | – | – | – | – | (25,021) | (25,021) | – | (25,021) |
| Appropriation to statutory reserve | – | – | – | – | – | – | – | 550 | – | (550) | – | – | – |
| Total transactions with owners of the Company, recognised directly in equity | – | – | – | – | – | – | – | 550 | – | (25,571) | (25,021) | (5,020) | (30,041) |
| At 30 June 2019 | 142,874 | 851,806 | 477,600 | (45,257) | (214,613) | 78,774 | 2,187 | 327,699 | (201,510) | 503,001 | 1,922,561 | 1,391,273 | 3,313,834 |

| | Unaudited Capital and reserves attributable to owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Contributed surplus RMB'000 | Merger reserve RMB'000 | Warrant reserve RMB'000 | Other reserve RMB'000 | Asset revaluation reserve RMB'000 | Available-for-sale investments revaluation reserve RMB'000 | Financial assets at fair value through other comprehensive income revaluation reserve RMB'000 | Statutory reserve funds RMB'000 | Exchange fluctuation reserve RMB'000 | Retained profits RMB'000 | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| Balance as at 31 December 2017 | 142,874 | 851,806 | 477,600 | (45,257) | 559 | (214,613) | 84,245 | 796 | – | 251,842 | (170,570) | 467,357 | 1,846,639 | 1,164,490 | 3,011,129 |
| Adjustment on adoption of HKFRS 9 | – | – | – | – | – | – | – | (796) | 796 | – | – | (832) | (832) | (322) | (1,154) |
| Adjustment on adoption of HKFRS 15 | – | – | – | – | – | – | – | – | – | – | – | 867 | 867 | 578 | 1,445 |
| Restated balance at 1 January 2018 | 142,874 | 851,806 | 477,600 | (45,257) | 559 | (214,613) | 84,245 | – | 796 | 251,842 | (170,570) | 467,392 | 1,846,674 | 1,164,746 | 3,011,420 |
| Profit for the period | – | – | – | – | – | – | – | – | – | – | – | 76,274 | 76,274 | 75,103 | 151,377 |
| Other comprehensive income | – | – | – | – | – | – | – | – | 865 | – | 13,061 | – | 13,926 | – | 13,926 |
| Total comprehensive income for the period, net of tax | – | – | – | – | – | – | – | – | 865 | – | 13,061 | 76,274 | 90,200 | 75,103 | 165,303 |
| 2017 final dividend paid | – | – | – | – | – | – | – | – | – | – | – | (24,701) | (24,701) | – | (24,701) |
| Total transactions with owners of the Company, recognised directly in equity | – | – | – | – | – | – | – | – | – | – | – | (24,701) | (24,701) | – | (24,701) |
| At 30 June 2018 | 142,874 | 851,806 | 477,600 | (45,257) | 559 | (214,613) | 84,245 | – | 1,661 | 251,842 | (157,509) | 518,965 | 1,912,173 | 1,239,849 | 3,152,022 |

The notes on pages 14 to 43 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Cash flows from operating activities** | | |
| Cash generated from operations | **266,015** | 68,007 |
| Income taxes paid | **(249,948)** | (157,916) |
| Net cash generated from/(used in) operating activities | **16,067** | (89,909) |
| **Cash flows from investing activities** | | |
| Interest received | **12,968** | 11,055 |
| Purchases of property, plant and equipment | **(91,589)** | (89,899) |
| Proceeds from disposal of property, plant and equipment | **412** | 514 |
| Dividend received from a joint venture | **5,497** | – |
| Increase in prepaid land lease payments | **–** | (680,774) |
| Increase in investment in joint ventures | **–** | (47,452) |
| Increase in investment in an associate | **(7,000)** | – |
| (Increase)/decrease in restricted bank balance | **(59)** | 23,571 |
| (Increase)/decrease in time deposits | **(4,260)** | 136,322 |
| Cash receipt from an associate | **–** | 65 |
| Cash receipt from a joint venture | **–** | 6 |
| Loan to an associate | **(7,500)** | – |
| Proceeds from disposal of securities measured at fair value through profit or loss | **236** | – |
| Net cash used in investing activities | **(91,295)** | (646,592) |

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Cash flows from financing activities** | | |
| Increase in restricted bank balance | **(6,363)** | (9,515) |
| New bank borrowings | **1,292,343** | 259,599 |
| Repayment of bank borrowings | **(515,414)** | – |
| Cash receipt from related companies | **472** | 567 |
| Cash repayment to related companies | **(207)** | (818) |
| Dividends paid to shareholders | **–** | (24,701) |
| Dividends paid to non-controlling shareholders | **(5,020)** | – |
| Interest paid | **(76,080)** | (72,552) |
| Amount due to a major shareholder | **9,565** | – |
| Repayment of lease liabilities (including interests) | **(5,578)** | – |
| Net cash generated from financing activities | **693,718** | 152,580 |
| **Net increase/(decrease) in cash and cash equivalents** | **618,490** | (583,921) |
| Cash and cash equivalents at beginning of period | **982,527** | 1,776,963 |
| Effect of foreign exchange rate changes, net | **10,353** | (14,704) |
| **Cash and cash equivalents at end of period** | **1,611,370** | 1,178,338 |

The notes on pages 14 to 43 form an integral part of this condensed consolidated interim financial information.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Zhuhai Holdings Investment Group Limited (the "Company") and its subsidiaries (together, the "Group") was engaged in the following principal activities:

- investment holding
- management of a holiday resort
- management of a theme park
- management of an amusement park
- operation of a golf club
- property development
- provision of financial information services, factoring services and internet financial information intermediary services
- provision of port facilities
- provision of ferry services
- construction of river-regulating facilities and provision of river maintenance service
- trading and distribution of fuel oil

The Company is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Units 3709-10, 37th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The Company has its listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 29 August 2019.

This condensed consolidated interim financial information has been reviewed by the Company's audit committee but not audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3 ACCOUNTING POLICIES

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new standards, amendments to standards and interpretation as set out below.

**(a)** The following new standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2019 and currently relevant to the Group:

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

The impact of the adoption of HKFRS 16, "Leases" is disclosed in Note 4 below.

Apart from aforementioned HKFRS 16, there are no other new standards, amendments to standards and interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

## 3 ACCOUNTING POLICIES (continued)

**(b)** The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

| | |
|---|---|
| Conceptual Framework for Financial Reporting 2018, "Revised Conceptual Framework for Financial Reporting" | 1 January 2020 |
| Amendments to HKFRS 3, "Definition of a Business" | 1 January 2020 |
| Amendments to HKAS 1 and HKAS 8, "Definition of Material" | 1 January 2020 |
| HKFRS 17, "Insurance Contracts" | 1 January 2021 |
| Amendments to HKFRS 10 and HKAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined |

## 4 CHANGES IN ACCOUNTING POLICIES

The following explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing recognition rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2018, but are recognised in the opening consolidated statement of financial position on 1 January 2019.

## 4 CHANGES IN ACCOUNTING POLICIES (continued)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.86%.

The impact of the reclassification on condensed consolidated statement of financial position is as follows:

| | RMB'000 |
|---|---|
| **Operating lease commitments disclosed as at 31 December 2018** | 30,497 |
| Less: lease commitments with commencement date later than 1 January 2019 | (5,892) |
| **Operating lease commitments to be recognised as lease liabilities** | 24,605 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | 18,801 |
| Less: short-term leases recognised on a straight-line basis as expense | (3,500) |
| **Lease liability recognised as at 1 January 2019** | 15,301 |
| Of which are: | |
| Current lease liabilities | 3,806 |
| Non-current lease liabilities | 11,495 |
| | 15,301 |

## 4 CHANGES IN ACCOUNTING POLICIES (continued)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

| | **As at 30 June 2019 RMB'000** | As at 1 January 2019 RMB'000 |
|---|---|---|
| Prepaid land lease payments | **353,641** | 360,237 |
| Properties | **6,496** | 3,287 |
| Port facilities | **20,466** | 22,019 |
| Vessels | **18,267** | – |
| **Total right-of-use assets** | **398,870** | 385,543 |

## 4 CHANGES IN ACCOUNTING POLICIES (continued)

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

| Condensed consolidated statement of financial position (extract) | As at 31 December 2018 As originally presented RMB'000 | Effects of adoption of HKFRS 16 RMB'000 | As at 1 January 2019 Restated RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Right-of-use assets | – | 385,543 | 385,543 |
| Deferred tax assets | 91,564 | 538 | 92,102 |
| Prepaid land lease payments | 360,237 | (360,237) | – |
| Rights to use port facilities | 12,176 | (12,176) | – |
| **Current liabilities** | | | |
| Lease liabilities | – | 3,806 | 3,806 |
| **Non-current liabilities** | | | |
| Lease liabilities | – | 11,495 | 11,495 |
| **Equity** | | | |
| Reserves | 1,803,921 | (1,449) | 1,802,472 |
| **Non-controlling interests** | 1,371,540 | (184) | 1,371,356 |

There is no significant impact on the Group's net profit after tax for the six months ended 30 June 2019 as a result of adoption of HKFRS 16.

## 4 CHANGES IN ACCOUNTING POLICIES (continued)

### (a) Impact on segment disclosures

Segment assets for June 2019 increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

| | As at 30 June 2019 RMB'000 |
|---|---|
| Jiuzhou Blue Sea Jet and Blue Marine Tourism | 19,867 |
| Tourist attraction | 2,079 |
| Public utilities | 7,586 |
| Financial investments | 235 |
| Corporate and others | 3,574 |
| | 33,341 |

## 4 CHANGES IN ACCOUNTING POLICIES (continued)

### (b) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 "Determining whether an Arrangement contains a Lease".

### (c) The Group's leasing activities and how these are accounted for

The Group leases various offices, port facilities and vessels. Rental contracts are typically made for fixed periods of 2 to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

## 4 CHANGES IN ACCOUNTING POLICIES (continued)

### (c) The Group's leasing activities and how these are accounted for (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 5 OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

## 5 OPERATING SEGMENT INFORMATION (continued)

Executive directors monitor the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax. The profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance expenses, and share of (losses)/profits of joint ventures and associates are excluded from such measurement.

No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the People's Republic of China ("PRC"), which is considered as one geographical location in an economic environment with similar risks and returns.

The Group is organised into business units based on their products and services and has eight reportable operating segments as follows:

(a) the Jiuzhou Blue Sea Jet and Blue Marine Tourism segment consists of the provision of ferry services;

(b) the hotel segment consists of the management of a holiday resort hotel;

(c) the tourist attraction segment consists of the management of a theme park and an amusement park;

(d) the property development segment consists of the development of properties for sale;

(e) the golf club operations segment consists of the provision of comprehensive golf club facilities;

(f) the public utilities segment consists of the provision of port facilities, trading and distribution of fuel oil, construction of river-regulating facilities and provision of river maintenance service;

(g) the financial investments segment consists of the provision of financial information services, provision of factoring services and internet financial information intermediary services; and

(h) the corporate and others segment comprises the Group's investment holding and trading of securities, together with corporate expense items.

## 5 OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue and results for the Group's operating segments for the periods ended 30 June 2019 and 2018.

| | | | Green Leisure Tourism and Composite Real Estate | | | | | | | | Public Utilities and Financial Investments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jiuzhou Blue Sea Jet and Blue Marine Tourism | | Hotel | | Tourist attraction | | Property development | | Golf club operations | | Public utilities | | Financial investments | | Corporate and others | | Inter-segment eliminations | | Consolidated | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Segment revenue:** | | | | | | | | | | | | | | | | | | | | |
| Sales to external customers | **270,287** | 335,707 | **62,505** | 75,364 | **9,103** | 8,619 | **42,268** | 714,737 | **16,530** | 13,523 | **4,115,313** | 1,527,778 | **29,320** | 13,719 | **–** | – | **–** | – | **4,545,326** | 2,689,447 |
| Inter-segment sales | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **44,909** | 42,064 | **–** | – | **–** | – | **(44,909)** | (42,064) | **–** | – |
| Total | **270,287** | 335,707 | **62,505** | 75,364 | **9,103** | 8,619 | **42,268** | 714,737 | **16,530** | 13,523 | **4,160,222** | 1,569,842 | **29,320** | 13,719 | **–** | – | **(44,909)** | (42,064) | **4,545,326** | 2,689,447 |
| **Segment results** | **96,883** | 154,324 | **1,826** | 7,580 | **(9,827)** | (10,564) | **770** | 129,730 | **(9,103)** | (8,899) | **37,096** | 36,137 | **23,327** | 11,302 | **(14,880)** | (14,326) | **(44,909)** | (42,064) | **81,183** | 263,220 |
| Interest income | | | | | | | | | | | | | | | | | | | **12,968** | 11,055 |
| Finance expenses | | | | | | | | | | | | | | | | | | | **(13,248)** | (4,752) |
| Share of (losses)/profits of: | | | | | | | | | | | | | | | | | | | | |
| Joint ventures | **(3,639)** | 291 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(3,639)** | 291 |
| Associates | **(6,186)** | 3,137 | **–** | – | **–** | – | **–** | – | **–** | – | **13** | (7) | **–** | – | **–** | – | **–** | – | **(6,173)** | 3,130 |
| Profit before tax | | | | | | | | | | | | | | | | | | | **71,091** | 272,944 |
| Income tax expense | | | | | | | | | | | | | | | | | | | **(40,067)** | (121,567) |
| Profit for the period | | | | | | | | | | | | | | | | | | | **31,024** | 151,377 |

## 5 OPERATING SEGMENT INFORMATION (continued)

Disaggregation of revenue:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Timing of revenue recognition | | |
| – At a point in time | **4,137,004** | 2,221,822 |
| – Over time | **373,707** | 447,211 |
| Revenue under HKFRS 15 | **4,510,711** | 2,669,033 |
| Revenue from other sources | **34,615** | 20,414 |
| | **4,545,326** | 2,689,447 |

## 6 PROFIT BEFORE TAX

An analysis of the amounts presented as operating items in the financial information is given below:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Net fair value (gains)/losses on securities measured at fair value through profit or loss | **(27)** | 114 |
| Depreciation of property, plant and equipment | **27,958** | 36,765 |
| Amortisation of prepaid land lease payments | **–** | 7,875 |
| Amortisation of rights to use port facilities | **–** | 288 |
| Depreciation and amortisation of right-of-use assets | **12,951** | – |
| (Gains)/losses on disposal of property, plant and equipment, net | **(117)** | 92 |
| Fair value gain on investment properties | **(780)** | – |

## 7 FINANCE EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Interest on bank loans and syndicated loan | **81,358** | 62,211 |
| Interest on lease liabilities | **609** | – |
| Less: Interest capitalised | **(68,719)** | (57,459) |
| | **13,248** | 4,752 |

## 8 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Current income tax: | | |
| – Hong Kong | **–** | 6 |
| – PRC corporate income tax and PRC withholding tax | **33,706** | 86,043 |
| – Current PRC land appreciation tax | **3,796** | 53,190 |
| Deferred income tax | **2,565** | (17,672) |
| | **40,067** | 121,567 |

No provision for Hong Kong profits tax has been made since there is no estimated assessable profit arising from Hong Kong for the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%).

The Group's subsidiaries located in Mainland China are subjected to the PRC income tax rate of 25% (six months ended 30 June 2018: 25%).

## 8 INCOME TAX EXPENSE (continued)

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land 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.

Pursuant to the PRC tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC.

## 9 DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Dividends paid/payable during the period | | |
| Final dividends payable in respect of the financial year ended 31 December 2018 | | |
| – HK2 cents (2017: HK2 cents) per ordinary share | **25,021** | 24,701 |

No interim dividend in respect of six months ended 30 June 2019 was proposed by the board of directors.

## 10 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares.

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately RMB6,088,000 (six months ended 30 June 2018: RMB76,274,000) and the weighted average number of ordinary shares in issue during the period of 1,427,797,174 (six months ended 30 June 2018: 1,427,797,174).

## 10 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2018, the Company had one category of dilutive potential ordinary shares which was warrants. The warrants of the Company had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. For the six months ended 30 June 2019, diluted earnings per share equals to basic earnings per share as the warrants were expired and there was no other potential dilutive ordinary share outstanding.

## 11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with a cost of RMB74,198,000 (six months ended 30 June 2018: RMB101,273,000). Property, plant and equipment with a net book value of RMB295,000 (six months ended 30 June 2018: RMB606,000) were disposed of during the period, resulting in gains on disposal of RMB117,000 (six months ended 30 June 2018: losses on disposal of RMB92,000).

## 12 INVESTMENT PROPERTIES

| | Six months ended 30 June | |
|---|---|---|
| | **2019**<br>**RMB'000** | 2018<br>RMB'000 |
| As at 1 January | **26,770** | – |
| Changes in fair value of investment properties | **780** | – |
| As at 30 June | **27,550** | – |

## 12 INVESTMENT PROPERTIES (continued)

### (a) Fair value measurement

As at 30 June 2019 and 30 June 2018, the fair value of the investment properties was measured at level 3 of fair value hierarchy using significant unobservable inputs.

There were no transfers between levels 1, 2 and 3 during the period.

### (b) Valuation process of investment properties

The Group engages an external, independent and qualified valuer, Knight Frank Petty Limited to determine the fair value of the investment properties at reporting date.

Discussion of valuation processes and results have been held between the management and the valuer in respect of the valuation as at 30 June 2019, and will be held at least once every six months going forward, in line with the Group's interim and annual reporting dates.

## 13 PROPERTIES UNDER DEVELOPMENT

| | As at 30 June 2019 RMB'000 | As at 31 December 2018 RMB'000 |
|---|---|---|
| Properties under development expected to be completed: | | |
| – Within one operating cycle included under current assets | **4,447,117** | 3,543,586 |
| – Beyond one operating cycle included under non-current assets | **2,590,657** | 2,813,285 |
| | **7,037,774** | 6,356,871 |
| Properties under development comprise: | | |
| – Capitalised interests | **829,684** | 776,600 |
| – Land use rights | **3,784,715** | 3,784,715 |
| – Construction costs and capitalised expenditures | **2,423,375** | 1,795,556 |
| | **7,037,774** | 6,356,871 |

## 14 TRADE RECEIVABLES

| | As at 30 June 2019 RMB'000 | As at 31 December 2018 RMB'000 |
|---|---|---|
| Trade receivables | **806,608** | 935,124 |
| Less: allowance for impairment of trade receivables | **(11,136)** | (11,978) |
| | **795,472** | 923,146 |

A defined credit policy is maintained within the Group. The general credit terms range from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 30 June 2019 and 31 December 2018, based on the invoice date, is as follows:

| | As at 30 June 2019 RMB'000 | As at 31 December 2018 RMB'000 |
|---|---|---|
| Current to 3 months | **799,186** | 927,349 |
| 4 to 6 months | **591** | 18 |
| 7 to 12 months | **486** | 253 |
| Over 12 months | **6,345** | 7,504 |
| | **806,608** | 935,124 |

## 15 FACTORING RECEIVABLES

Factoring receivables granted to customers are measured at amortised cost and are generally for a period of 30 to 180 days with interest rates range from 4.79% – 7.60% per annum (31 December 2018: 3.03% – 8.00% per annum). The balances are denominated in RMB and do not expose to foreign currency risk. As at 30 June 2019, none of the balance was overdue.

| | **As at 30 June 2019 RMB'000** | As at 31 December 2018 RMB'000 |
|---|---|---|
| Factoring receivables | **813,948** | 912,529 |
| Less: allowance for impairment of factoring receivables | **(1,827)** | (1,825) |
| | **812,121** | 910,704 |

The carrying amount of factoring receivables approximates their fair value.

## 16 TRADE AND BILL PAYABLES

An ageing analysis of the trade and bill payables as at 30 June 2019 and 31 December 2018, based on the invoice date, is as follows:

| | **As at 30 June 2019 RMB'000** | As at 31 December 2018 RMB'000 |
|---|---|---|
| Current to 3 months | **737,949** | 822,494 |
| 4 to 6 months | **2,179** | 277 |
| 7 to 12 months | **669** | 747 |
| Over 12 months | **5,512** | 5,393 |
| | **746,309** | 828,911 |
| Bill payables | **178,546** | 168,948 |
| Trade and bill payables | **924,855** | 997,859 |

(i) The trade payables are non-interest-bearing and are normally settled on 60-day terms and approximate their fair values.

(ii) The Group's trade and bill payables were denominated in RMB.

(iii) As at 30 June 2019, bill payables of RMB178,546,000 (31 December 2018: RMB168,948,000) were secured by restricted bank balances of RMB53,110,000 (31 December 2018: RMB61,759,000) and a corporate guarantee provided by a subsidiary of the Company.

## 17 INTEREST-BEARING BANK BORROWINGS

| | As at 30 June 2019 RMB'000 | As at 31 December 2018 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Bank loans and syndicated loan – secured (note (a)) | **2,395,633** | 2,146,549 |
| **Current** | | |
| Bank loans and syndicated loan – secured (note (a)) | **986,530** | 621,654 |
| Bank loans – unsecured | **257,509** | 80,000 |
| | **1,244,039** | 701,654 |
| | **3,639,672** | 2,848,203 |

Movements in borrowings are analysed as follows:

| | Six months ended 30 June | |
|---|---|---|
| | 2019 RMB'000 | 2018 RMB'000 |
| At beginning of the period | **2,848,203** | 2,768,282 |
| Proceeds of new borrowings | **1,292,343** | 259,599 |
| Repayments of borrowings | **(515,414)** | – |
| Exchange differences | **14,540** | (41,050) |
| At end of the period | **3,639,672** | 2,986,831 |

## 17 INTEREST-BEARING BANK BORROWINGS (continued)

At 30 June 2019 and 31 December 2018, the Group's borrowings were repayable as follows:

| | Bank loans and syndicated loan | |
|---|---|---|
| | **As at 30 June 2019 RMB'000** | As at 31 December 2018 RMB'000 |
| Within 1 year | **1,244,039** | 701,654 |
| Between 1 and 2 years | **657,204** | 860,480 |
| Between 2 and 5 years | **1,733,595** | 1,286,069 |
| Over 5 years | **4,834** | – |
| | **3,639,672** | 2,848,203 |

Notes:

(a) As at 30 June 2019, the Group's bank loan of RMB100,000,000 (31 December 2018: RMB100,000,000) were secured by its bank deposits.

As at 30 June 2019, the repayment obligation of the Company amounting to RMB1,584,456,000 (31 December 2018: RMB1,746,874,000) under the Syndicated Loan Facility was secured by guarantees executed by wholly-owned subsidiaries of the Company, namely Jiuzhou Tourist Development Company Limited ("JTD"), and Jiuzhou Tourism Property Company Limited ("JTP"), and a charge over a bank account of the Company in favour of the facility agent on behalf of the lenders.

As at 30 June 2019, Zhuhai Jiuzhou Holdings Group Co., Ltd. ("ZJ Holdings"), a major shareholder of the Company, and the Company have executed guarantees in respect of a loan of RMB1,175,000,000 ("Loan") (31 December 2018: RMB650,000,000) borrowed by Zhuhai Jiuzhou Holdings Property Development Co., Ltd. ("ZJ Development"), a subsidiary of the Group, up to RMB780,000,000 (31 December 2018: RMB780,000,000) and RMB1,170,000,000 (31 December 2018: RMB855,000,000) respectively. As at 30 June 2019, the repayment obligation of the Group under the Loan was also secured by certain properties under development of the Group of RMB1,214,460,000 (31 December 2018: RMB993,793,000).

As at 30 June 2019, the repayment obligation of the Company amounting to RMB175,840,000 (31 December 2018: RMB174,122,000) under the term loan facility was secured by guarantees executed by JTD and JTP.

As at 30 June 2019, bank borrowings of RMB179,560,000 (31 December 2018: RMB11,174,000) were secured by guarantees executed by the Zhuhai High-speed Passenger Ferry Co., Ltd, a non-wholly owned subsidiary of the Company.

## 17 INTEREST-BEARING BANK BORROWINGS (continued)

Notes: (continued)

As at 30 June 2019, the Company has executed guarantees in respect of a bank loan of RMB137,307,000 (31 December 2018: RMB86,033,000) borrowed by Zhuhai Jiuzhou Property Development Limited, a wholly-owned subsidiary of the Company. As at 30 June 2019, the repayment obligation was also secured by leasehold buildings with carrying amount of approximately RMB49,916,000 (31 December 2018: RMB52,000,000).

As at 30 June 2019, bank borrowings of RMB30,000,000 (31 December 2018: Nil) were secured by all rights and income under service concession arrangement.

(b) The fair value of borrowings approximates their carrying amount.

(c) Borrowings bear average coupons of 0.5% – 6.65% per annum (2018: 0.5% – 5.94% per annum). The capitalisation rate of borrowings for assets under construction was 4.70% (six months ended 30 June 2018: 3.81%) for the six months ended 30 June 2019.

## 18 CONTRACT ASSETS

As at 30 June 2019, the balance of contract assets related to a service concession agreement under financial asset model in which requires the Group to construct river-regulating facilities in the first two years and provide river maintenance service for the subsequent thirteen years in Zhuhai City.

When the construction progress is certified and the Group has an unconditional right to receive cash or other financial assets from the local government, the contract assets would be reclassified and measured as receivables under service concession arrangement accordingly.

## 19 SHARE CAPITAL

| | As at 30 June 2019 RMB'000 | As at 31 December 2018 RMB'000 |
|---|---|---|
| **Shares** | | |
| Authorised: | | |
| 4,000,000,000 ordinary shares of HK$0.10 each | **376,170** | 376,170 |
| Issued and fully paid: | | |
| 1,427,797,174 (2018: 1,427,797,174) ordinary shares of HK$0.10 each | **142,874** | 142,874 |

## 20 WARRANTS

Pursuant to a subscription agreement entered into with LIM Asia Special Situations Master Fund Limited (the "Subscriber") on 25 November 2013, the Company issued 70,000,000 ordinary shares at HK$1.52 each and 30,000,000 unlisted warrants (the "Warrants") at the warrant issue price of HK$0.023 per warrant to the Subscriber in 2013.

The Warrants give the holder of the Warrants the rights to subscribe for 30,000,000 new shares of the Company's ordinary shares. The initial subscription price of the Warrants is HK$1.80 per share, subject to adjustments, at any time during the period from 25 November 2013 to 24 November 2018.

The warrant reserve amounting to HK$690,000 (approximately RMB559,000) recognised in 2013 was transferred to retained profits upon the expiry of the Warrants on 24 November 2018.

## 21 RELATED PARTY TRANSACTIONS

The Company's major shareholder is ZJ Holdings, which is a state-owned enterprise established in the PRC. As at 30 June 2019, ZJ Holdings' equity interest in the Company is 42.20% (31 December 2018: 41.70%). The transactions with related parties were conducted in the ordinary and usual course of business in accordance with terms agreed between the Group and its related parties.

**(a)** In addition to those disclosed elsewhere in this condensed consolidated interim financial information, the Group had the following material transactions with related parties during the period:

| Name | Relationship with the Company | Nature | Six months ended 30 June<br>2019<br>RMB'000 | <br>2018<br>RMB'000 |
|---|---|---|---|---|
| Zhuhai Wanshan Port Co., Ltd. | A joint venture of a major shareholder | Commission expenses | **5,696** | 4,497 |
| Zhuhai Jiuzhou Property Management Co., Ltd | A subsidiary of a major shareholder | Cleaning expense | **1,718** | – |
| 三亞藍色幹線旅遊發展有限公司 | An associate | Rental income | **3,746** | 4,270 |
| 珠海市珠澳輸渡有限公司 | A joint venture | Purchase of vessel | **2,405** | – |
| Zhuhai Jiuzhou Travel Transport Co., Ltd. | An associate of a major shareholder | Sales of diesel and petrol | **1,817** | 2,092 |
| ZJ Holdings | A major shareholder | Interest expense and repayment of lease liabilities | **1,249** | – |
| | | Rental expenses | **2,927** | 2,132 |
| | | Management fees | **861** | – |
| Zhuhai Jiuzhou Shipping Co., Ltd | A subsidiary of a major shareholder | Interest expense and repayment of lease liabilities | **3,607** | – |
| | | Rental expense | **5,663** | – |
| Zhuhai Jiuzhou Passenger Port and Development Co., Ltd | A subsidiary of a major shareholder | Expenses for port service | **4,210** | 6,335 |
| | | Interest expense and repayment of lease liabilities | **702** | – |
| Zhuhai Jiuzhou Cultural Industries Investment Development Co., Ltd | A subsidiary of a major shareholder | Interest expense and repayment of lease liabilities | **546** | – |

## 21 RELATED PARTY TRANSACTIONS (continued)

### (b) Other transactions with related parties

In addition, pursuant to various agreements, Jiuzhou Port Company, a subsidiary of the Group, was granted by ZJ Holdings, the rights to use the port facilities at the Jiuzhou Port for a period up to 27 March 2040 at a lump sum payment of approximately RMB33,000,000. The port facilities include certain buildings and structures erected at the Jiuzhou Port.

Rights to use port facilities of RMB12,176,000 have been reclassified to right-of-use assets on 1 January 2019 upon the adoption of HKFRS 16 (Note 4) and amortisation expense of RMB288,000 were recognised during the six months ended 30 June 2019.

### (c) Key management compensation

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Salaries, allowances and benefits in kind | **1,281** | 1,022 |
| Pension costs – defined contribution plans | **100** | 62 |
| | **1,381** | 1,084 |

## 22 CONTINGENT LIABILITIES

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities as at the dates below:

| | **As at 30 June 2019 RMB'000** | As at 31 December 2018 RMB'000 |
|---|---|---|
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties | **3,194,768** | 3,013,078 |

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owned by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantees period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

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

## 23 CAPITAL COMMITMENTS

As at 30 June 2019, the Group had the following contracted, but not provided for, commitments:

**(a)** In respect of acquisition of property, plant and equipment of RMB1,056,020,000 (31 December 2018: RMB1,032,412,000).

**(b)** In respect of construction works related to properties under development of RMB1,334,381,000 (31 December 2018: RMB1,602,991,000).

**(c)** In respect of construction works related to service concession arrangement of RMB432,180,000 (31 December 2018: Nil).

The Group entered into an agreement with an independent third party to pay an annual management fee of RMB24,000,000 for a period of 90 months for management of the property development project of the Group. At the end of the reporting period, total management fee commitment falling due was as follows:

| | **As at 30 June 2019 RMB'000** | As at 31 December 2018 RMB'000 |
|---|---|---|
| Within one year | **24,000** | 24,000 |
| In the second to fifth years, inclusive | **24,000** | 36,000 |
| | **48,000** | 60,000 |

## 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

### Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

## 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

The following table presents the Group's financial assets measured and recognised at fair value at 30 June 2019 and 31 December 2018 on a recurring basis:

| At 30 June 2019 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through other comprehensive income (FVOCI) | | | | |
| – Equity investments of a listed entity in HK | **8,973** | **–** | **–** | **8,973** |
| Securities measured at fair value through profit or loss | | | | |
| – Trading securities of a listed entity in HK | **321** | **–** | **–** | **321** |
| | **9,294** | **–** | **–** | **9,294** |

| At 31 December 2018 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at FVOCI | | | | |
| – Equity investments of a listed entity in HK | 8,412 | – | – | 8,412 |
| Securities measured at fair value through profit or loss | | | | |
| – Trading securities of a listed entity in HK | 529 | – | – | 529 |
| | 8,941 | – | – | 8,941 |

## 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. There were no transfer of financial assets in the fair value hierarchy classification during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In the first half of 2019, affected by the rise of international unilateralism and protectionism, China's economy experienced a tremendous downward pressure associated with slower growth momentum in global economy, accompanied by the escalating Sino-US trade frictions. In spite of fluctuation of the general economic conditions, Zhuhai Holdings Investment Group Limited (the "Company") and its subsidiaries (collectively, referred to as the "Group") continued to advance steadily on a pragmatic basis, with a dedication to improving the business structure and team building, while continuing to deepen business integration so as to ensure a properly diversified and specialised flexible business model and lay a solid foundation for the beginning of the second half of the year. For the six months ended 30 June 2019 (the"Period Under Review"), the unaudited consolidated revenue of the Group was approximately RMB4,545.3 million (six months ended 30 June 2018: RMB2,689.4 million), representing an increase of 69%. The gross profit of the Group for the Period Under Review was approximately RMB212.2 million (six months ended 30 June 2018: RMB407.8 million), representing a decrease of 48%. The unaudited consolidated profit of the Group for the Period Under Review was approximately RMB31.0 million (six months ended 30 June 2018: RMB151.4 million), representing a decrease of 80%. Furthermore, the unaudited consolidated profit attributable to owners of the Company was approximately RMB6.1 million (six months ended 30 June 2018: RMB76.3 million), representing a decrease of 92%.

During the Period Under Review, the increase in revenue was mainly due to increase in revenue in Public Utilities and Financial Investments, arising from increase in transaction volume of trading and distribution of fuel oil. The decrease in the profit attributable to owners of the Company was primarily attributable to the significant decrease in revenue recognised in the property development segment of the Group as a result of the significant decrease in the number of units delivered regarding the sales of the Zhuhai Cuihu Xiangshan High-end Tourism Real Estate Project ("Cuihu Xiangshan Project") and substantial decrease in gross profit of the Group's ferry business in the operation of Hong Kong-Zhuhai ferry lines due to the opening of the Hong Kong-Zhuhai-Macao Bridge (the "Bridge").

The Company's principal business includes Jiuzhou Blue Sea Jet and Blue Marine Tourism, Green Leisure Tourism and Composite Real Estate, and Public Utilities and Financial Investments. Please refer to note 5 to the condensed consolidated interim financial information.

## 1. Jiuzhou Blue Sea Jet and Blue Marine Tourism

### 1.1 Jiuzhou Blue Sea Jet

During the Period Under Review, Zhuhai High-speed Passenger Ferry Co., Ltd.* (珠海高速客輪有限公司) (the "Ferry Company", a non-wholly owned subsidiary of the Company) and its subsidiaries (collectively, the "Ferry Group") leveraged the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the launch of the Hong Kong-Zhuhai-Macao Bridge and Zhuhai's unique coastal tourism resources to consolidate its traditional businesses, develop water tourism and advance its external projects during its transition from "traditional maritime transportation" to "maritime transportation + tourism". Its traditional businesses rendered various performances under the impact of the opening of the Bridge, while the newly launched water tourism business achieved a good start, with the external projects steadily advanced.

During the Period Under Review, under the impact of the launch of the Guangzhou-Shenzhen-Hong Kong High Speed Rail Service, the Hong Kong-Zhuhai-Macao Bridge and the Sino-US trade war, the overall passenger volume of maritime transportation between Guangdong and Hong Kong declined by approximately 51%, showing a downward trend. The island routes will also face intensified competition, with the Ferry Company delivering various performance. In face of the continuous decline of the passenger volume of the urban route, airport route and Tuen Mun route in Hong Kong which has almost reached the bottom following the launch of the Bridge, the Ferry Group managed to restore the passenger volume through the Blue Card Frequent Passenger Programme, the escalated fare, the special-discount ticket package and the vessel-bus connected package. At the same time, with the launch of the Bridge, the demand for transportation and tourism in Zhuhai has increased significantly, resulting in a two-digit increase in the passenger volume of domestic routes. Among them, the passenger volume of the Shekou route increased by approximately 9% year-on-year. Due to Zhuhai government's vigorous promotion of the "Land-island public transportation", the passenger volume of the island route has increased by approximately 23% year-on-year, resulting in a significant increase in the costs. The newly launched route "Viewing Zhuhai from the Sea" has achieved a good start and received a total of about 100,000 tourists.

During the Period Under Review, Changsha Water Project, Sanya Blue Sea Jet, Taizhou Rongyuan Project, Zhuhai Sailboat Station Project and Guishan Island Homestay Project were continuously launching new offerings, aiming to establish branded products, attract more tourists and boost up performance.

Zhuhai Yuegong Xinhai Transportation Co., Ltd.* (珠海粵拱信海運輸有限責任公司), a company in which the Group has equity interests, participated in the tender for the project in respect of shuttle bus operators for the boundary crossing facilities on the Hong Kong-Zhuhai-Macao Bridge (the "Shuttle Bus Project"), and was confirmed as the successful tenderer in August 2017, making it the sole operator of shuttle bus services for the boundary crossing facilities on the Hong Kong-Zhuhai-Macao Bridge. Zhuhai Yuegong Xinhai Transportation Co., Ltd.* (珠海粵拱信海運輸有限責任公司) scheduled regular safety checks on vehicle conditions and strengthened driver training to ensure safety. During the Period Under Review, it carried a total of 7.43 million passengers, among which, 610,000 passengers were carried during the Chinese New Year, with a daily passenger volume of up to 118,000.

### 1.2 Blue Marine Tourism

The surrounding area, where Zhuhai Jiuzhou Cruises Co., Ltd.* (珠海市九洲郵輪有限公司) ("Jiuzhou Cruises Company", a wholly-owned subsidiary of the Ferry Company) is located, is continuously affected by the municipal renovation project, whereby the government has funded the upgrade of the parking lot, which solved some problems and improved the quality of the foreign guest reception service of the tourist terminal. Accordingly, Jiuzhou Cruises Company is actively expanding its new tourism offerings while strengthening the management of its business premises, aiming to improve service quality. It strives to create a characteristic tourism atmosphere featuring traditional holidays by joining hands with the CCTV media in shooting TV programmes such as the "Go China! under the Challenging the Impossible Series – A Bird's View on the Hong Kong-Zhuhai-Macao Bridge", aiming to demonstrate the brand image and tourism characteristics of Jiuzhou Cruises Company. Leveraging the favourable opportunities arising from the launch of the Hong Kong-Zhuhai-Macao Bridge, Jiuzhou Cruises Company is making remarkable efforts to develop the bridge-related tourism market with increasing advertising efforts, while optimising the online-ticketing system and vigorously promoting network distribution channels. During the Period Under Review, Jiuzhou Cruises Company received total passenger volume of 508,000, representing an increase of 174,000 passengers, or 52.1%, compared with 334,000 for the same period of last year.

In order to completely implement the strategy of "Blue Marine Tourism" with an aim to establish a marine-related business segment, the Ferry Company entered into a strategic co-operation framework agreement ("Guishan Framework Agreement") with the People's Government of Guishan Town, Zhuhai (珠海市桂山鎮人民政府) in 2015 in relation to the possible co-operation in the investment, construction and operation of a project on Guishan Island (桂山島), Zhuhai of the PRC, involving the featured cultural industry and homestay tourism industry ("Guishan Island Project"). During the Period Under Review, the new phase of the homestay renovation project was completed successfully, with additional facilities such as leisure bars added, and the scale of operations further expanded. The homestay business has been designed to cater for the traditional festivals and island seasons, which has held eight sessions of theme activities, with the occupancy rate constantly increasing. While focusing on high-quality leisure marine tourism and entertainment services, the Guishan Island Project strengthened its marketing efforts. During the period, it joined in the government-organised tourism product promotion road shows in Hong Kong, Macao, Beijing, Hangzhou, Changsha and Heihe, and initially established its promotion channels. The Guishan Island Project is of great significance to the extension of the Group's industrial chain towards the "Blue Marine Tourism".

In 2015, Zhuhai Haichang Investment Company Limited* (珠海海昌投資有限公司) entered into a preliminary co-operation agreement with a subsidiary of a state-owned enterprise in Zhuhai in relation to the development of "Zhuhai Sailboat Station Project" in Zhuhai, the PRC. The project will comprise water sports (including but not limited to sailboats, yachts, kayaks and motor boats) and the operation of the marine restaurant business and marine culture memorial, etc. The area of future projects will be built into maritime tourism, water sports, land area business, etc. For details of the Zhuhai Sailboat Station Project, please refer to the Company's announcement dated 15 June 2015.

## 2. Green Leisure Tourism and Composite Real Estate

### 2.1 Zhuhai Holiday Resort Hotel

During the Period Under Review, in face of the increasingly intensive competition in hotel industry in China, affected by some unfavourable factors such as the continuous increase in the number of hotels in Zhuhai and the upgrading of internal facilities of the hotels, Zhuhai Holiday Resort Hotel Company Limited* (珠海度假村酒店有限公司) ("Zhuhai Holiday Resort Hotel"), a wholly-owned subsidiary of the Company, through online marketing, introduced cultural-themed restaurant layout, celebrity chefs, signature dishes promotion and cultural-themed rooms and villas, which has enhanced hotel brand name and pushed forward the property management, wedding, travel agency and other businesses by extending the industrial chain to increase revenue for the Company. Zhuhai Holiday Resort Hotel has been awarded the title of "Innovation Enterprise Regarding Zhuhai Enterprise Culture Construction at the 40th Anniversary of China's Reform and Opening Up", "Trustworthy Model Enterprise in Guangdong Province" (廣東省誠信示範企業) for thirteen consecutive years (2006-2018) and the "Zhuhai Best Hotel in Gold List" (珠海金牌酒店). The average occupancy rate of Zhuhai Holiday Resort Hotel during the Period Under Review was approximately 55.04%, representing a decrease of 5.54% as compared to same period last year, and its average room rate was RMB568, representing a decrease of 2.4% as compared to the same period last year.

## 2.2 New Zhuhai Holiday Resort Hotel Renovation Project (the "New Hotel Project")

Zhuhai Jiuzhou Property Development Limited* (珠海九洲置業開發有限公司) ("JPD", a wholly-owned subsidiary of the Company), as the investor and developer of the New Hotel Project, is making every effort to promote the progress of the project in various aspects. The civil works of Phase 1 new hotel are almost completed, and the refined decoration of the ancillary sports stadium has completed 90% of the overall workload. Currently, the engineering team for refined decoration of the New Hotel Project is making its best to push forward the construction of the project, and striving to put trial operation during the year. The general contractor which has undertaken ancillary commercial construction under the New Hotel Project has commenced its work and strived to complete the pile foundation construction and earthwork excavation project during the year. With respect to Phase 2 commercial and office complex (the "Commercial Complex"), the planning and design plan was considered and approved and the Planning Permit for Construction Works was granted, the inspection for construction blueprint was passed and the tendering of construction general contracting work was completed, and the construction of the Commercial Complex is about to kick off. With the acceleration of the construction of New Hotel Project, the existing hotel and related supporting resources have been also upgraded and renovated so as to simultaneously enhance the level of management, service quality and brand value of Zhuhai Holiday Resort Hotel, while building Zhuhai Holiday Resort Hotel as a quality theme hotel celebrating the comprehensive quality.

## 2.3 The New Yuanming Palace

During the Period Under Review, the number of visitors of the New Yuanming Palace theme park operated by the New Yuanming Palace Tourist Co., Ltd. of Zhuhai S.E.Z.* (珠海經濟特區圓明新園旅遊有限公司) ("New Yuanming Palace"), a wholly-owned subsidiary of the Company, was approximately 1,980,000, which increased by 7.99% as compared to the same period last year. During the Period Under Review, a 1st May performance themed as "The Most Beautiful Workers" offered by the Art Troupe under the Provincial General Union as well as some influential social activities such as "Jinmei Teresa Teng Concert (金梅鄧麗君演唱會)" held by Quzhou Chamber of

Commerce in Zhejiang and the "Zhuhai Grand Final for a Talent Show titled as 'Sing! China'" were introduced by New Yuanming Palace, which has achieved good economic and social benefits. Through the tendering and bidding, the New Yuanming Palace successfully organised the staff-oriented "1st May Caring Show" which was warmly welcomed by the staff and praised by the General Union and the Workers' Cultural Palace.

### 2.4 The Fantasy Water World

The Fantasy Water World operated by Zhuhai Water Entertainment Company Limited* (珠海市水上娛樂有限公司), a wholly-owned subsidiary of the Company, operates for six months from May to October each year. For the remaining months of a calendar year, it only opens partially for the operation of winter events. The number of visitors recorded a decrease due to the bad weather caused by rain and thunderstorms in majority of this year. During the Period Under Review, the number of visitors of the Fantasy Water World was approximately 35,000. In the first half of the year, in responding to the "Children's Day" and the Dragon Boat Festival holiday, the special performance for Children's Day and a customised ticket promotion package for the Dragon Boat Festival were launched, which boosted the popularity of the Fantasy Water World and achieved good promotional results.

### 2.5 Jiuzhou • Greentown – Cuihu Xiangshan Project

Zhuhai Jiuzhou Holdings Property Development Co., Ltd. (珠海九控房地產有限公司) ("ZJ Development Company", a non wholly-owned subsidiary of the Company) developed the Cuihu Xiangshan Project at full speed. During the Period Under Review, it continued to accelerate the construction of various phases of the projects while stepping up the project completion and acceptance filing and delivery, advancing multi-batch property sales in an orderly manner, accelerating the sales efforts for the Town Commercial Centre Project, and steadily advancing the design and tendering of the reserved land parcels. Among them, the main body and initial installation of the kindergarten project have all been completed, and the primary school is in the stage of completion acceptance and is expected to be delivered within the year.

With the gradual advancement and delivery of the projects, the establishment of the community commercial circle is particularly important. Accordingly, the Company will carefully select the brands to cater for and strive to build a high-end commercial town that matches the class of the Cuihu Xiangshan Project. The main commercial elements include life and leisure elements such as supermarket, restaurants, community hospital, library, cultural and sports college, cinema, postpartum care centre, and five-star laundry centres, which will lay a solid foundation for brand development and subsequent marketing for the Cuihu Xiangshan Project.

## 2.6 Zhuhai Lakewood Golf Club ("Lakewood Club")

During the Period Under Review, the Lakewood Golf Club operated by Zhuhai Jiuzhou Holdings Sports Management Co., Ltd.* (珠海市九控體育管理有限公司) (formerly known as Zhuhai International Circuit Golf and Country Club Limited* (珠海國際賽車場高爾夫俱樂部有限公司)), a non wholly-owned subsidiary of the Company, officially launched its 27-hole operation and upgraded the quality of the Norman Golf Course, with the number of players hitting 24,062, representing an increase of 3,929 compared with the same period last year. Following the introduction of "Internet + Service", its "Online Golf Club" platform achieved remarkable results, with the number of followers reaching 2,219 as at the end of the period, representing an increase of 24% over that of the same period last year. The Company also launched a series of multi-level and multi-channel promotion programmes such as the "2019 Spring and Summer Golf Promotion Package", "Spring and Summer Group Promotion Discount", "Cuihu Online Platform Booking Promotion", and "Xiangshan Must-try Card Promotion", which were widely recognised and sought after by its fans in the market.

## 3. Public Utilities and Financial Investments

### 3.1 Jiuzhou Passenger Port ("Jiuzhou Port")

During the Period Under Review, Jiuzhou Port, operated by Zhuhai Jiuzhou Port Passenger Traffic Services Co., Ltd.* (珠海九洲港客運服務有限公司) ("Jiuzhou Port Company"), a non-wholly owned subsidiary of the Company, recorded a decrease in passenger flow volume by 6.49% as compared with the same period of last year due to the impact of the opening of the Hong Kong-Zhuhai-Macao Bridge. The Jiuzhou Port Company was dedicated in promoting a new route of "Viewing Zhuhai from the Sea" in an effort to reduce the impact of the operation of the Hong Kong-Zhuhai-Macao Bridge on port businesses, whereby attracting a large number of tourists. In order to support the multimodal traffic of Guangdong-Hong Kong-Macao Greater Bay Area, Jiuzhou Port Company has been working over the opening of more ferry lines in Shenzhen, which would provide an additional maritime transportation service with easy accessibility for passengers from Shenzhen and Zhuhai. Despite the tremendous impact on the Company's operations exerted by the operation of the Hong Kong-Zhuhai-Macao Bridge coupled with the downturn in the macro-economy, the Jiuzhou Port Company focused on improving the travel experience of passengers through new technologies and new means such as the Internet and WeChat, strengthening marketing efforts and improving the function of passenger transport system to enhance the loyalty of our fans, greatly reducing the adverse effects of the external environment.

### 3.2 City Energy Supply

During the Period Under Review, the demand for domestic refined oil market was gradually shrinking, the competition for refined oil products was fierce, the main business of petrol-filling stations was diversified, and the development of alternative energy sources such as electricity was accelerating, which has led to a severe operating situation for petrol-filling stations. The sales and price cuts have become the norm, and the retail profits of petrol-filling stations were under constant pressure. The operational pressure faced by Zhuhai Jiuzhou Energy Co., Ltd.* (珠海九洲能源有限公司) ("Jiuzhou Energy Company") for its various businesses was increasing. Continuously consolidating and expanding the wholesale trade of refined oil products in Shandong, Jiangsu, Fujian, Hunan, Jiangxi, and Liaoning, Jiuzhou Energy Company meticulously planned to make a considerable achievement in its business scope of bulk trade in refined oil, coal and rare metals, providing a useful complement to the future business and sustainable growth. Cooperating with PetroChina and Sinopec, the Jiuzhou Energy Company aimed at enhancing its brand recognition and performance.

Subsequent to the release of the Company's announcement dated 7 December 2018, the internal restructuring has been progressing satisfactorily pursuant to which Jiuzhou Energy Company and its subsidiaries would no longer be held by the Ferry Company but would be held by another company under the same shareholding structure of the Ferry Company, where the Group will continue to hold a 49% equity interest in Jiuzhou Energy Company and its subsidiaries and consolidate Jiuzhou Energy Company and its subsidiaries as non wholly-owned subsidiaries.

### 3.3 Financial Investments

During the Period Under Review, Shenzhen Jiuzhou Holdings Finance Lease Co., Ltd.* ("深圳市九控融資租賃有限公司") ("Jiuzhou Holdings Finance Lease Company"), a wholly-owned subsidiary of the Company, promoted business growth in an all-round way. With business situation being on the bright side, the Company achieved a milestone for its commercial factoring business and factoring business for commercial bills, spurring it to actively explore commodity trading business and steadily advance the business development of financial investment segment. Complying with risk system management and control system, Jiuzhou Holdings Finance Lease Company strictly puts risks under control while promoting business development. In the future, Jiuzhou Holdings Finance Lease Company will further expand the commodity trading business, facilitate diversified business development, continue to expand its customer base, actively seek for new financing channels, and strive to achieve synergy with financial institutions to minimise cost of investment and optimise corporate efficiency.

## ENTERING INTO A REFINANCE FACILITY AGREEMENT FOR A SYNDICATED LOAN OF HK$2 BILLION

On 28 July 2015, the Company, as borrower, entered into a facility agreement ("2015 Facility Agreement") with, among other parties, Malayan Banking Berhad, pursuant to which a term loan facility up to HK$2 billion was granted by the relevant lenders ("2015 Lenders") to the Company for a term of four years from the date of the 2015 Facility Agreement subject to the terms and conditions contained therein ("2015 Facility").

On 15 August 2017, in order to refinance the 2015 Facility in full, the Company, as borrower, entered into a refinance facility agreement ("2017 Facility Agreement") with Wing Lung Bank, Limited ("Wing Lung") as original mandated lead arranger and bookrunner, Wing Lung and twelve other banks as the lenders ("2017 Lenders"), Wing Lung as agent and Jiuzhou Tourist Development Company Limited ("JTD"), Jiuzhou Tourism Property Company Limited ("JTP"), as guarantors, pursuant to which a term loan facility ("2017 Facility") of an aggregate of HK$2 billion was agreed to be granted by the 2017 Lenders to the Company for a term of 48 months from the date of the 2017 Facility Agreement and subject to the terms and conditions of the 2017 Facility Agreement. The interest rate of the 2017 Facility is relatively lower than that of the 2015 Facility. The 2017 Facility has been used in full for the prepayment of the 2015 Facility, and it is expected that it will reduce the Group's finance expenses, increase the Group's economic benefits, and it is believed from which, the Group will be able to gain exposure to utilising offshore financial instruments and thereby promoting its corporate image and supporting the rapid development of the Group's core businesses and the advancement of its projects.

For details of the 2015 Facility Agreement and the 2017 Facility Agreement, please refer to the Company's announcements dated 28 July 2015 and 15 August 2017, respectively.

## LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDER

As disclosed in the announcement of the Company dated 28 July 2015, pursuant to the 2015 Facility Agreement, the Company has covenanted and undertaken to the 2015 Lenders (among other terms and conditions) that: (1) at least 30% of its entire issued share capital shall remain to be beneficially owned (directly or indirectly) by Zhuhai Jiuzhou Holdings Group Co., Ltd.* (珠海九洲控股集團有限公司) ("ZJ Holdings"), the controlling shareholder of the Company; (2) ZJ Holdings shall remain as the single largest beneficial shareholder of the Company; and (3) ZJ Holdings shall have management control over the Company. The above obligations lapsed upon such repayment of the 2015 Facility during the financial year ended 31 December 2017 ("FY2017").

Save as disclosed above, pursuant to the 2017 Facility Agreement, the Company has covenanted and undertaken to the Lenders (among other terms and conditions) that: (1) at least 30% of its entire issued share capital shall remain to be beneficially owned (directly or indirectly) by ZJ Holdings; (2) ZJ Holdings shall remain as the single largest beneficial shareholder of the Company; and (3) ZJ Holdings shall have management control over the Company. If any of such events of default occurs and continues, the loan, amounts payable under the 2017 Facility Agreement together with any accrued interest may immediately become due and payable on demand.

On 28 March 2018, the Company, as borrower, entered into a term loan facility agreement ("March Facility Agreement") with a bank, pursuant to which the bank has agreed to grant to the Company a term loan facility of up to HK$200 million having the final maturity date falling 36 months from the date of the March Facility Agreement. Pursuant to the March Facility Agreement, the Company has covenanted and undertaken to the bank, among others that: (1) at least 30% of the entire issued share capital of the Company shall remain to be beneficially owned (directly or indirectly) by ZJ Holdings; (2) ZJ Holdings shall remain as the single largest beneficial shareholder of the Company; and (3) ZJ Holdings shall have management control over the Company.

On 28 February 2019, the Company, as borrower, entered into a revolving loan facility agreement ("February Facility Agreement") with a bank, pursuant to which the bank has agreed to grant to the Company a revolving loan facility of up to HK$250 million having the final maturity date falling 3 years from the date of the February Facility Agreement. Under the February Facility Agreement, the Company has covenanted and undertaken to the bank, among others, that: (1) at least 30% of the entire issued share capital of the Company shall remain to be beneficially owned (directly or indirectly) by ZJ Holdings; (2) ZJ Holdings shall remain as the single largest beneficial shareholder of the Company; and (3) ZJ Holdings shall have management control over the Company.

For details of the 2017 Facility Agreement, the March Facility Agreement and February Facility Agreement, please refer to the Company's announcements dated 15 August 2017, 28 March 2018 and 28 February 2019, respectively.

## OUTLOOK

During the Period Under Review, the Company strengthened its capital operation, boosted financial management and control, strived to broaden financing and market channels, enhanced operation effectiveness, project quality and attracting investment, refined products, strictly controlled cost, prioritised efficiency, and emphasised on scale at the same time in an effort to promote the upgrade and development of the group companies. In terms of continuing business, the Group will strive to maintain its growth momentum and continue to expand diversified and stable income stream.

## 1. Jiuzhou Blue Sea Jet and Blue Marine Tourism

In response to the impact of the operation of the Hong Kong-Zhuhai-Macao Bridge, the Ferry Company will introduce a series of measures to increase revenue and reduce expenditure. Hunan Jiuzhou Longxiang Marine Tourism Passenger Transport Company Limited* (湖南九洲龍驤水上客運有限責任公司) will promote the "Internet+" sales model and roll out "New Products" while maintaining its efforts in product development and iterative upgrade so as to maintain customer loyalty with diversified operations. Sanya BlueSeajet Tourist Development Co., Ltd.* (三亞藍色幹線旅遊發展有限公司) will continue to advance the construction of a new type of high-speed passenger ship, aiming to fully revitalise the terminal resources with the "route operation + wedding photography base" model and increase the Company's operating income. Jiuzhou Blue Marine Tourism Development Co., Ltd.* (九洲藍色海岸旅遊開發有限公司) has developed and completed the renovation of the new phase of homestay, while establishing additional ancillary facilities, further increasing operational scale. The company increased its marketing efforts by conducting or fully participating in various theme activities. With the establishment of the joint venture company, the Zhuhai Sailing Station Project has commenced operation. Taizhou Rongyuan Transportation Co., Ltd* (台州市榮遠客運有限公司) has been promoting the tourism resources of Dachen Island and optimising the allocation of its transportation capacity and route design. Zhuhai Yuegong Xinhai Transportation Co., Ltd.* (珠海粵拱信海運輸有限責任公司), an investment enterprise under the Company, will purchase a total of 57 new buses in succession, of which 40 are sightseeing double-deckers and 17 are ordinary tourist buses, with the view of improving its ancillary facilities. Jiuzhou Cruises Company will build an inland river passenger ship and a coastal passenger ship to supplement the transportation capacity for sightseeing tours, aiming at forging and enhancing the branded route of sea sightseeing and tourism.

## 2. Green Leisure Tourism and Composite Real Estate

Zhuhai Holiday Resort Hotel will soon complete the construction of a new hotel in the Liju area and its ancillary health care centre, and the renovation project of the old main building and villa will further enhance the comprehensive competitiveness of hotel business. JPD forged ahead with the decoration of the new hotel, ensuring the safety, quality and progress of the project and completing the preparatory work for the opening of the new hotel. Aiming to seize the opportunity arising from the operation of the Hong Kong-Zhuhai-Macao Bridge, the Company grabbed a share of the market, achieving excellent performance, making the 35th anniversary of the resort hotel a greater success. JPD has been advancing the completion of construction, delivery and use of the new hotel project in accordance with the plan, and accelerating the construction of Phase 2 composite project at the same time. The New Yuanming Palace has further carried out special rectifications in the scenic spot in stages to create a "clean, tidy, safe and beautiful" environment, aiming to improve the appearance and enhance the overall image of the scenic spot, and establish a long-term mechanism for the management of the scenic spot. The overall environment of the Fantasy Water World has been upgraded to enhance the experience in the scenic area, aiming to further consolidate the brand influence of the Fantasy Water World. The Lakewood Club will be further opened to improve the utilisation rate of Norman Golf Course, aiming to accommodate more team events and commercial activities, and thus enhance service quality and enrich marketing strategies. ZJ Development Company will vigorously promote the design work of the ultra-luxury boutique hotel "AHN LUH Hotel" while finalising the construction of the commercial facilities and educational facilities for the surrounding community as well as the entrusted construction of projects such as Gaolan Port to increase the revenue of the Company.

### 3. Public Utilities and Financial Investments

Jiuzhou Port Company has taken a number of measures to broaden the income stream associated with Jiuzhou Port properties and continued to expand the value-added services and benefits of its WeChat official account, actively participating in the development of new products such as the Tour to Hong Kong-Zhuhai-Macao Bridge. It further strengthened the staff training and service consciousness, enhanced service quality, optimised the service process, and improved the facilities in the waiting lounge, aiming to constantly improve the competitiveness of Jiuzhou Port by means of improving the soft power, so as to cope with the challenges brought by the operation of the Hong Kong-Zhuhai-Macao Bridge to our operating environment.

Jiuzhou Energy Company will give full play to its brand influence, seeking valuable business partners on the premise of ensuring the safety of working capital and business risks under control to steadily expand business coverage. It will focus on market demand, enhance its business sensibility, and take firm steps to increase the scope of business while standardising its business operations, exploring prospective oil products for the expansion of its wholesale business of oil products, in an effort to increase the competitiveness of the Company.

Jiuzhou Holdings Finance Lease Company will carry out its financial leasing business on an ongoing basis and expand its customer base to promote the diversified development of its business. It will also expand the financing channels and reduce financing costs to increase its revenue, aggressively explore the customer development and management tactics which is beneficial for its business development and successful competition, and establish multi-level customer maintenance models, develop new customers in a well-planned and targeted manner to expand its customer base.

## UPDATES ON DISPUTES IN RESPECT OF THE EARNEST MONEY PAID BY THE GROUP

A letter of intent ("Letter of Intent") in relation to the possible acquisition of 80% of the issued share capital in a company ("Target Company") was entered into in August 2008 (as amended and supplemented) by the Group with a possible vendor ("Possible Vendor", being an independent third party of the Company). The Target Company then owned a wholly foreign-owned enterprise established in the PRC. Pursuant to the Letter of Intent, earnest money ("Earnest Money") in the amount of RMB26 million was paid by the Company to the Possible Vendor. The repayment of the Earnest Money was secured by, among others, certain pledge created by the Possible Vendor over certain shares of the Target Company ("2008 Share Charge") and a loan assignment executed by a company owned and controlled by the Possible Vendor, both in favour of the Company.

Since the Company could not reach agreement with the Possible Vendor on the terms of the proposed acquisition after undertaking detailed due diligence review on the Target Company, the Company decided not to proceed with the proposed acquisition and the Letter of Intent was terminated accordingly. However, the Possible Vendor refused to refund the Earnest Money to the Company. As such, legal proceedings were instituted against the Possible Vendor for the refund of the Earnest Money. In this connection, receivers ("Receivers") were also appointed by the Company under the 2008 Share Charge.

Trial of the case was conducted in the Court of First Instance of the High Court of Hong Kong in May 2012. Judgment ("CFI Judgment") was delivered on 7 June 2012. Written reasons for the CFI Judgment were handed down on 19 June 2012. The CFI Judgment was awarded in favour of the Company.

In June 2012, the Possible Vendor and related parties ("Appellants") applied for appeal against the CFI Judgment. The appeal was heard before the Court of Appeal on 10 September 2013 and judgment ("CA Judgment") was handed down on 27 September 2013. Save for an order in the CFI Judgment be substituted with an order that the Company be paid HK$30 million (instead of the Hong Kong dollars equivalent of RMB26 million) with interest at the best lending rate of Hong Kong banks from 27 May 2009 to 7 June 2012, the appeal was dismissed with costs in the Company's favour and the CFI Judgment was upheld.

No further appeal against the CA Judgment was filed by the Appellants. For the financial year ended 31 December 2013, a total sum of approximately HK$40.8 million was received by the Company in partial satisfaction of the CA Judgment, which includes (1) full payment of the Earnest Money with interest thereon and (2) partial payment of agreed costs and interest thereon payable by the Appellants to the Company. For the financial year ended 31 December 2014, a further total sum of approximately HK$2.2 million was received by the Company as partial payment of agreed costs and interest thereon payable by the Appellants to the Company. The Company will soon proceed to assess its damages against the Appellants pursuant to the CFI Judgment and the CA Judgment. Based on the legal advice obtained from its legal advisers, they will liaise with the Receivers when necessary and will proceed to fix the assessment of damages hearing as and when appropriate.

The Company was informed that the Possible Vendor commenced legal proceedings in the PRC against the Receivers for personal liabilities in the sale of certain assets which indirectly belonged to the Target Company. Judgment of such proceedings was given in favour of the Receivers in the first round, and an appeal made by the Possible Vendor was also dismissed.

The Company was also informed that in August 2013, the Target Company commenced proceedings in Hong Kong against the Receivers for recovery of loss in respect of the sale of the assets of the Target Company as mentioned above.

So far as the Company is aware, the Company has not been named as a party to any such proceedings brought against the Receivers. However, the Company cannot preclude the possibility of being subsequently named as a party to any of such proceedings. The Company has received requests from the Receivers to seek indemnity from the Company for certain liability (including costs) falling upon the Receivers in connection with the exercise of their powers under the 2008 Share Charge. As advised by the Company's legal counsel, the Receivers have yet to substantiate its demand for such indemnity from the Company, the Company therefore believes that no provision has to be made in such connection for the time being.

For details of the above matters, please refer to the Company's announcements dated 10 September 2008, 20 July 2009, 21 June 2012, 2 October 2013 and 24 January 2014 respectively, and the Company's annual reports for 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018.

The Company will closely monitor the development of the matter. Where necessary, the Company will make announcement to inform shareholders and investors of any material development.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and bank borrowings provided by its principal bankers.

As disclosed in the section headed "Management Discussion and Analysis – Entering into a Refinance Facility Agreement for a Syndicated Loan of HK$2 billion" of the annual report in 2018, the Company entered into the 2015 Facility Agreement with the 2015 Lenders pursuant to which the 2015 Facility was agreed to be granted by the 2015 Lenders to the Company for a term of four years from the date of the 2015 Facility Agreement, subject to the terms and conditions contained therein.

On 15 August 2017, the Company, as borrower, entered into the 2017 Facility Agreement with the 2017 Lenders and JTD, JTP, as guarantors, pursuant to which the 2017 Facility was agreed to be granted by the 2017 Lenders to the Company for a term of 48 months from the date of the 2017 Facility Agreement and subject to the terms and conditions of the 2017 Facility Agreement for refinance of the 2015 Facility. The 2017 Facility is secured and with a floating interest rate. As at the date of the interim report in 2017, the Company has drawn down HK$2,000 million from the 2017 Facility and prepaid for the 2015 Facility in full. For details of the 2015 Facility Agreement and the 2017 Facility Agreement, please refer to the Company's announcements dated 28 July 2015 and 15 August 2017, respectively.

On 18 July 2017, JPD entered into a project facility loan agreement ("Project Facility Agreement") with a bank in the PRC as lender ("Bank Lender"), pursuant to which a project facility ("Project Facility") of up to RMB300 million was agreed to be granted by the Bank Lender to JPD for a term of twelve years from the date of the Project Facility Agreement. The Project Facility is secured and with a floating interest rate. As at 30 June 2019, JPD has drawn down RMB137.3 million from the Project Facility.

The Group's time deposits and cash and cash equivalents as at 30 June 2019 amounted to approximately RMB1,615.6 million (31 December 2018: RMB982.5 million), of which approximately RMB1,463.5 million (31 December 2018: RMB766.4 million) were denominated in RMB, and approximately RMB152.0 million (31 December 2018: RMB216.1 million) were denominated in Hong Kong dollars.

As at 30 June 2019, trade receivables amounted to approximately RMB795.5 million (31 December 2018: RMB923.1 million). Decrease in trade receivables was mainly due to the strengthening of credit control over relevant trade receivables of fuel wholesale business under the city energy supply segment.

In addition, the Group held securities measured at fair value through profit or loss of approximately RMB0.3 million as at 30 June 2019 (31 December 2018: RMB0.5 million), all of which RMB0.3 million were denominated in Hong Kong dollars (31 December 2018: RMB0.5 million). The securities measured at fair value through profit or loss comprised some listed securities in Hong Kong.

During the Period Under Review, the Group has subscribed for wealth management products of Xiamen International Bank, Zhuhai Branch ("Xiamen International Bank Wealth Management Products") in an aggregate amount of RMB250 million, wealth management products of China Citic Bank, Zhuhai Branch ("China Citic Bank Wealth Management Products") in an aggregate amount of RMB160 million, wealth management products of China Everbright Bank, Zhuhai branch ("China Everbright Bank Wealth Management Product") in an aggregate amount of RMB50 million and wealth management products of Bank of China, Zhuhai branch ("Bank of China Wealth Management Product") in an aggregate amount of RMB8 million. As at 30 June 2019, RMB50 million of the China Everbright Bank Wealth Management Products and RMB4 million of the Bank of China Wealth Management Products remain outstanding, as the terms of which have not ended in accordance with their respective agreements prior to 30 June 2019. Interests received from the Xiamen International Bank Wealth Management Products, China Citic Bank Wealth Management Products, China Everbright Bank Wealth Management Product and Bank of China Wealth Management Product amounted to approximately RMB2.2 million. Please refer to the Company's announcements dated 7 May 2019 for information in relation to the Xiamen International Bank Wealth Management Products and China Citic Bank Wealth Management Products.

On 28 February 2019, the Company, as borrower, entered into a revolving loan facility agreement ("February Facility Agreement") with a bank, pursuant to which the bank has agreed to grant to the Company a revolving loan facility of up to HK$250 million having the final maturity date falling 3 years from the date of the February Facility Agreement. Please refer to the Company's announcement dated 28 February 2019 relating to the February Facility Agreement and the Company's disclosure pursuant to Rule 13.18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") for information.

Total interest-bearing bank borrowings amounted to approximately RMB3,639.7 million as at 30 June 2019 (31 December 2018: RMB2,848.2 million).

The Group's gearing ratio was 0.64 as at 30 June 2019 (31 December 2018: 0.64), which is net debt divided by total shareholders' equity plus net debt. Net debt included interest-bearing bank borrowings, trade and bill payables, accrued liabilities and other payables, construction payables, amounts due to a major shareholder and related companies less restricted bank balances, time deposits and cash and cash equivalents.

As at 30 June 2019, the Group had a current ratio of 1.28 (31 December 2018: 1.29) and net current assets of approximately RMB2,077.0 million (31 December 2018: RMB1,724.6 million).

As at 30 June 2019, interest-bearing bank borrowings that were outstanding amounted to RMB3,639.7 million (31 December 2018: RMB2,848.2 million), which mainly comprised of (1) principal amount of RMB1,244.0 million with the final maturity date falling due in June 2020; (2) principal amount of RMB657.2 million with the final maturity date falling due in June 2021; (3) principal amount of RMB1,624.2 million with the final maturity date falling due in June 2022; (4) principal amount of RMB32.7 million with the final maturity date falling due in June 2023; (5) principal amount of RMB38.2 million with the final maturity date falling due in June 2024; (6) principal amount of RMB38.5 million with the final maturity date falling due in June 2025; and (7) principal amount of RMB4.9 million with the final maturity date falling due in June 2026.

## CONTINGENT LIABILITIES

As at 30 June 2019, the Group had contingent liabilities in respect of financial guarantees on mortgage facilities for certain purchasers of the Group's properties amounted to approximately RMB3,194.8 million (31 December 2018: RMB3,013.1 million). Except for these financial guarantees as disclosed above, the Group had no material contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2019, the Group had no future plans for material investments or capital assets except for those disclosed under the heading "Management Discussion and Analysis and Other Information – Outlook" as stated aforesaid.

## CHARGES ON ASSETS

As at 30 June 2019, certain properties under development of lot S4 of Cuihu Xiangshan Project with an aggregate carrying value of approximately RMB1,214.5 million (31 December 2018: certain properties under development of lot S4 of Cuihu Xiangshan Project with an aggregate carrying value of approximately RMB993.8 million) were pledged (together with the Company's guarantee given for part of the repayment obligation) in favour of an independent third party (the "Third Party") to secure a loan of up to approximately RMB1,175 million (31 December 2018: RMB650 million) from the Third Party pursuant to the loan and collateral agreements dated 7 November 2017 entered into between, among others, ZJ Development Company and the Third Party.

As at 30 June 2019, the repayment obligation of the Company under the 2017 Facility was secured by a charge over a bank account of the Company in favour of Wing Lung as the 2017 Facility agent on behalf of the 2017 Lenders.

As at 30 June 2019 and up to the date of this interim report, properties comprising 76 blocks of villa, a recreational complex, a health centre, a shopping arcade, a basement car park and various ancillary facilities of Zhuhai Holiday Resort Hotel with a total gross floor areas of approximately 30,136.19 sqm and an aggregate carrying value of approximately RMB49.9 million included in property, plant and equipment were pledged (together with the Company's guarantee given for part of the repayment obligation) by JPD in favour of the Bank Lender to secure the Project Facility from the Bank Lender pursuant to the Project Facility Agreement and collateral agreement dated 18 July 2017 entered into between, among others, JPD and the Bank Lender.

## FOREIGN EXCHANGE EXPOSURE

Most of the businesses of the Group are operated in Mainland China, and most of the revenues and costs were denominated in RMB or Hong Kong dollars. And the assets and liabilities of the Group are mostly denominated in RMB or Hong Kong dollars. The management does not expect significant exposure to foreign exchange fluctuations. The Group currently does not have a formal hedging policy and has not entered into any foreign exchange contracts or derivative transactions to hedge the foreign exchange risk.

## CAPITAL STRUCTURE

As at 30 June 2019, the number of issued ordinary shares was 1,427,797,174 shares (31 December 2018: 1,427,797,174 shares) in aggregate and the shareholders' equity of the Group was approximately RMB1,922.6 million (31 December 2018: RMB1,946.8 million). The decrease in the shareholders' equity of the Group during the Period Under Review was mainly attributable to the final dividend declared for the year ended 31 December 2018, which exceeded the profit attributable to owners of the Company.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

During the Period Under Review, there was no significant investment held, material acquisition or disposal of investment, subsidiary or associated company, except for those disclosed under the heading "Management Discussion and Analysis and Other Information" as stated aforesaid.

## NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2019, the Group had approximately 2,330 employees. Remuneration of employees is determined and reviewed annually with reference to the market standard, individual performance and working experience, and certain staff is entitled to commission and share options. In addition to the basic salaries, the Group also provides, depending on the results of the Group and individual performance, staff benefits including discretionary bonus, contributory provident fund or mandatory provident fund, and professional tuition/training subsidies in order to retain quality employees.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period Under Review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") was adopted by ordinary resolution passed by the shareholders of the Company on 28 May 2012. Under the Share Option Scheme, the directors of the Company may grant options to subscribe for shares of the Company to eligible participants, including but not limited to employees of the Group, directors of the Company and its subsidiaries.

During the Period Under Review, no share options were granted, exercised, cancelled or had lapsed under the Share Option Scheme. Moreover, the Company had no share options outstanding under the Share Option Scheme as at 30 June 2019 and 31 December 2018.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the directors and chief executive of the Company in shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that were recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of HK$0.10 each of the Company:

| Name of director | Number of ordinary shares directly and beneficially owned | Approximate percentage of the Company's issued ordinary share capital *(Note 1)* |
|---|---|---|
| Mr. Huang Xin | 720,000 | 0.05% |
| Mr. Jin Tao | 1,742,000 | 0.12% |
| Mr. Ye Yuhong | 700,000 | 0.05% |
| Mr. Kwok Hoi Hing | 203,170,000 *(Note 2)* | 14.23% |
| Mr. Chu Yu Lin, David | 2,700,000 | 0.19% |
| Mr. Albert Ho | 250,000 | 0.02% |

Note 1 The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2019 (i.e., 1,427,797,174 shares).

Note 2 Mr. Kwok Hoi Hing held 203,170,000 shares of the Company of which 29,780,000 shares were held through his wholly-owned subsidiary, Surpassing Investment Limited.

Save as disclosed above, as at 30 June 2019, none of the directors or chief executive of the Company had any interests and short positions in the shares and underlying shares of the Company or any of its associated corporations that were recorded in the register pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the following persons/parties (other than the directors and chief executive of the Company, whose interests have been disclosed in the above section headed as "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations") had interests of 5% or more in the shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and as to knowledge of the Company:

Long positions in ordinary shares of the Company:

| Name of substantial shareholders | Number of ordinary shares | Nature of interest | Approximate percentage of the Company's issued ordinary share capital *(Note 1)* |
|---|---|---|---|
| Zhuhai Jiuzhou Holdings Group Co., Ltd. ("ZJ Holdings") *(Note 2)* | 602,598,000 | Beneficial owner and interest of controlled corporation | 42.20% |
| Longway Services Group Limited ("Longway") *(Note 2)* | 367,398,000 | Beneficial owner | 25.73% |
| Dragon Hill Corporation Limited ("Dragon Hill") *(Note 3)* | 142,603,909 | Beneficial owner | 9.99% |
| Intellplace Holdings Limited ("IHL") *(Note 3)* | 142,603,909 | Interest of controlled corporation | 9.99% |
| LBS Bina Group Berhad ("LBS Group") *(Note 3)* | 142,603,909 | Interest of controlled corporation | 9.99% |
| Gaterich Sdn Bhd ("Gaterich") *(Note 3)* | 142,603,909 | Interest of controlled corporation | 9.99% |
| Tan Sri Lim Hock San *(Note 3)* | 142,603,909 | Interest of controlled corporation | 9.99% |

Note 1 The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2019 (i.e., 1,427,797,174 shares).

Note 2 Out of the 602,598,000 shares of the Company held by ZJ Holdings, 367,398,000 shares are owned by Longway, a wholly-owned subsidiary of ZJ Holdings. The remaining 235,200,000 shares are owned by ZJ Holdings.

Note 3 Dragon Hill held interest in the 142,603,909 shares in which IHL, LBS Group, Gaterich and Tan Sri Lim Hock San were deemed to be interested in by virtue of SFO because:

– Dragon Hill is 100% owned by IHL which in turn is owned by LBS Group;

– LBS Group is 40.7% owned by Gaterich; and

– Gaterich is 50% owned by Tan Sri Lim Hock San.

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any persons (other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above), who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## CORPORATE GOVERNANCE

Throughout the Period Under Review, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules in all other respects except that under code provision A.4.1 which requires non-executive directors of the Company should be appointed for a specific term subject to re-election – the Company's directors including non-executive directors and independent non-executive directors, were not appointed for a fixed term of office. The reason for the deviation was that all those directors are subject to retirement by rotation and re-election at least once every three years in accordance with the Company's bye-laws and accordingly, every director shall retire and his appointment being terminated if he is not so re-elected once every three years.

Save as disclosed above, the Company had complied with the code provisions set out in the CG Code during the six months ended 30 June 2019.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

## AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 and 3.22 of the Listing Rules for the purpose of, among other duties and functions, reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Albert Ho (Chairman), Mr. Hui Chiu Chung and Mr. Chu Yu Lin, David. The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 has been reviewed by the audit committee and the Company's auditors, PricewaterhouseCoopers.

## INTERIM DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change of directors' information since the publication of the Company's 2018 annual report is set out below:

| Director | Details of changes |
|---|---|
| Mr. Jin Tao | Resigned as chairman of board of directors and legal representative of the Ferry Company in 1 July 2019 |

By Order of the Board of Directors
**Huang Xin**
*Chairman*

Hong Kong, 29 August 2019