



珠光控股

ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 1176



2020 Interim Report



* For identification purposes only

CONTENTS

	<i>Pages</i>
Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Condensed Consolidated Statement of Profit or Loss	53
Condensed Consolidated Statement of Comprehensive Income	54
Condensed Consolidated Statement of Financial Position	55
Condensed Consolidated Statement of Changes in Equity	58
Condensed Consolidated Statement of Cash Flows	60
Notes to Interim Financial Information	62
Other Information	115



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

Mr. Chan Chit Ming, Joeie

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISORS ON HONG KONG LAW

LCH Lawyers LLP
Room 702, 7/F.
Admiralty Centre Tower One
18 Harcourt Road
Admiralty
Hong Kong

LEGAL ADVISORS ON BERMUDA LAW

Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

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

WEBSITE

www.zhuguang.com.hk

STOCK CODE

1176



The board (“Board”) of directors (“Directors”) of Zhuguang Holdings Group Company Limited (“Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (“Period Under Review”) together with the comparative figures for the corresponding period in 2019 as follows:

FINANCIAL HIGHLIGHTS

RESULTS

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Revenue by operating segment:		
– Property development	240,023	1,606,812
– Property investment	83,894	86,864
– Project management services	1,015,498	509,022
Fair value (loss)/gain on investment properties, net	(49,830)	14,515
Profit for the period	117,357	347,802
Profit for the period attributable to equity holders of the parent	121,474	358,124
	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Total assets	39,284,235	35,843,685
Total liabilities	31,690,359	28,279,591
Total equity	7,593,876	7,564,094

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Property Development and Sales

During the Period Under Review, the Group continued its focus on the first-tier and key second-tier cities in the People’s Republic of China (“PRC”) with potential growth in demand for properties. The Group has achieved contracted sales of approximately HK\$520,126,000 and contracted gross floor area (“GFA”) of approximately 48,721 square meters (“sqm”) during the Period Under Review, representing decreases of approximately 65.8% and 51.6% respectively, compared to those in the corresponding period in 2019. The details of the property sales contracted and the contracted GFA sold during the Period Under Review are set out below:



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Projects	Contracted sales (HK\$'000)	Contracted GFA sold (sqm)
Pearl Xincheng Yujing ("Xincheng Yujing")	115,867	15,381
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	198,662	14,423
Pearl Yunling Lake	34,177	2,832
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	1,261	141
Pearl Yijing	76,264	8,779
Project Tian Ying	23,787	2,154
Yujing Yayuan	57,753	3,986
	507,771	47,696
Car Parks	12,355	1,025
	520,126	48,721

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

As at 30 June 2020, the Group owned the following property development projects, the details of which are as follows:

Yujing Scenic Garden **100% interest**

“Yujing Scenic Garden” is located at Provincial Highway G105 (“Highway G105”) line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. Yujing Scenic Garden is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which is being developed into a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 758,403 sqm, which comprises four phases of development. District II of Phase IV with a total GFA available for sale of approximately 94,444 sqm is still under construction and will be delivered in the second half of 2020. Apart from the properties developed for sale under Phases I to IV, Yujing Scenic Garden also comprises properties with a total GFA of approximately 3,652 sqm, which are held by the Group for investment purposes.

Properties with a total GFA of approximately 2,761 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$198,662,000 with GFA of approximately 14,423 sqm were recorded with respect to Yujing Scenic Garden.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Tianhu Yujing 100% interest

“Tianhu Yujing” is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm. The land of this project is located adjacent to Yujing Scenic Garden, and the Group has developed this land together with Yujing Scenic Garden to expand the Group’s development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 186,895 sqm. The development is divided into two phases. The total GFA available for sale under Phase I and Phase II is approximately 97,183 sqm and 89,712 sqm respectively.

The aggregate GFA delivered under Phase I was approximately 92,774 sqm, of which approximately 733 sqm was delivered during the Period Under Review. The aggregate GFA delivered under Phase II was approximately 44,347 sqm, of which approximately 869 sqm was also delivered during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$1,261,000 with GFA of approximately 141 sqm were recorded with respect to Tianhu Yujing.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Pearl Yunling Lake 100% interest

“Pearl Yunling Lake” is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou. The project site area is approximately 200,083 sqm and the total GFA is expected to be approximately 126,827 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 42,884 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,943 sqm. Phase I with a total GFA available for sale of approximately 39,046 sqm and Phase II with a total GFA available for sale of approximately 56,084 sqm were launched for sale in the first and third quarters of the financial year ended 31 December 2017 (“FY2017”) respectively, whilst the hotel has been retained as a long-term asset of the Group.

The aggregate GFA delivered under Phase I was approximately 20,654 sqm, of which approximately 421 sqm was delivered during the Period Under Review. The aggregate GFA delivered under Phase II was approximately 13,926 sqm, of which approximately 3,238 sqm was delivered during the Period Under Review. The remaining GFA available for sale under Phase I and Phase II is expected to be delivered in the second half of 2020. During the Period Under Review, contracted sales of approximately HK\$34,177,000 with GFA of approximately 2,832 sqm were recorded with respect to Pearl Yunling Lake.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Xincheng Yujing 100% interest

“Xincheng Yujing” was acquired by the Group in September 2016. It is located at Zhong Su Shang Wei* (種王上圍), Sunshine Village* (陽光村), Tang Nan Town* (湯南鎮), Fengshun County* (豐順縣), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for its hot spring resources which is a major tourism attraction. The project site area is approximately 280,836 sqm and a total GFA of approximately 354,476 sqm is expected to be developed. The project is being developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project is divided into three phases. Phase I with a total GFA available for sale of approximately 57,312 sqm commenced pre-sale during FY2017 with delivery commencing in the financial year ended 31 December 2018 (“FY2018”). Phase II commenced pre-sale in FY2017 which was completed with delivery commencing in the financial year ended 31 December 2019 (“FY2019”). During the Period Under Review, an aggregate GFA of approximately 380 sqm was delivered under Phase I and an aggregate GFA of approximately 718 sqm was delivered under Phase II. Phase III is currently under development and is expected to be completed in 2020 to 2021. The ancillary commercial building plus a basement with a total GFA of approximately 10,084 sqm were leased out during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$115,867,000 with GFA of approximately 15,381 sqm were recorded with respect to Xincheng Yujing.

** English name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Pearl Yijing 100% interest

“Pearl Yijing” is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 63,044 sqm and a total GFA available for sale of approximately 164,628 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. A total GFA available for sale of approximately 73,009 sqm under Phase I was delivered, and the remaining part of Phase I with a total GFA available for sale of approximately 1,025 sqm is expected to be completed in the second half of 2020. A total GFA available for sale of approximately 67,899 sqm under Phase II was delivered. A total GFA of approximately 6,378 sqm under Phase I and Phase II was delivered during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$76,264,000 with GFA of approximately 8,779 sqm were recorded with respect to Pearl Yijing.

Project Tian Ying 100% interest

“Project Tian Ying” is located in Jiang Pu Street, Conghua, Guangzhou, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project will be developed into a stylish low-density residential complex with a commercial podium and certain public facilities. The project was completed in FY2019. The aggregate GFA delivered was approximately 26,641 sqm, of which a total GFA of approximately 1,386 sqm was delivered during the Period Under Review. During the Period Under Review, contracted sales of approximately HK\$23,787,000 with GFA of approximately 2,154 sqm were recorded with respect to Project Tian Ying.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Zhukong International 80% interest

“Zhukong International” is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, at the junction of Guangzhou Avenue* (廣州大道) and Huang Pu Da Dao* (黃埔大道), which is a 35-storey high-rise commercial complex, including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The complex was completed in 2015 with a site area of approximately 10,449 sqm and a total GFA (including carpark areas) available for sale and leasing of approximately 109,738 sqm. The aggregate GFA of the office building and carparks sold during the period from 2014 to FY2019 was approximately 62,686 sqm, and GFA of approximately 3,134 sqm of this property is still available for sale or leasing. The Group has designated GFA of approximately 43,918 sqm of this property as investment properties held for long-term investment purpose.

Central Park 100% interest

“Central Park” is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC with a site area of approximately 3,430 sqm, and a total GFA available for sale of approximately 28,908 sqm thereof has been developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. The aggregate GFA available for sale of the service apartments delivered was approximately 23,631 sqm. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties held for long-term investment purpose.

** English name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Nansha Scenic 100% interest

“Nansha Scenic” is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC, which is the central business district in Nansha. As at 30 June 2020, the project was completed and all GFA available for sale was delivered.

Hua Cheng Yujing Garden 100% interest

“Hua Cheng Yujing Garden” was acquired by the Group in FY2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm, and the total GFA available for development that belongs to the Group is approximately 108,497 sqm. Out of the GFA of approximately 108,497 sqm, a GFA of approximately 48,138 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 60,359 sqm is attributable to a commercial complex which comprises car parks, shopping malls and office premises.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Meizhou Chaotang Project 100% interest

“Meizhou Chaotang Project” is located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, the PRC. The site area and the GFA available for development under Phase I of the project are approximately 46,793 sqm and approximately 55,248 sqm, respectively. Phase I of the project will be developed into a number of different types of villas in addition to a hotel. Pre-sale of ten blocks of villas with a GFA of approximately 2,936 sqm has commenced in the fourth quarter of 2019. The Group has designated the hotel with GFA of approximately 7,389 sqm as an investment property held for long-term investment purpose.

Yujing Yayuan 50% interest

“Yujing Yayuan” is located at Guoji, Fuyong, Nanqu, Zhongshan City, the PRC. The site area and the GFA available for development of this project are approximately 15,745 sqm and approximately 50,471 sqm, respectively. This project which will be developed into five blocks of modern residential buildings, a street-level commercial podium and an underground car park, has commenced pre-sale in March 2019. During the Period Under Review, contracted sales of approximately HK\$57,753,000 with GFA of approximately 3,986 sqm were recorded with respect to Yujing Yayuan.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. During the Period Under Review, the Group did not acquire any additional land but certain potential projects were under negotiation. As at 30 June 2020, the Group and its joint venture had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 1,173,653 sqm. The Group will continue to explore new opportunities in cities in the PRC in which the Group has already invested, as well as new cities in the PRC with growth potential and the best investment value.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Investments

As at 30 June 2020, the Group owned (1) certain floors of Royal Mediterranean Hotel (“RM Hotel”) located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, with GFA of approximately 18,184 sqm (31 December 2019: 18,184 sqm); (2) “Zhukong International” with GFA of approximately 43,918 sqm (31 December 2019: 43,918 sqm); (3) certain floors of a commercial complex in Hua Cheng Yujing Garden with GFA of approximately 32,051 sqm (31 December 2019: 32,051 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, the PRC, with GFA of approximately 7,389 sqm (31 December 2019: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 18,459 sqm (31 December 2019: 18,459 sqm) as investment properties. During the Period Under Review, RM Hotel, Zhukong International and the commercial properties were partially leased out with total rental income of approximately HK\$83,894,000 generated, representing a decrease of approximately 3.4% as compared to that of approximately HK\$86,864,000 for the same period in 2019. The existing investment properties held by the Group are intended to be held for medium-term to long-term investment purposes. The Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows to the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Project Management Services

During the Period Under Review, the Group provided funding and project management services to its customers for property development projects and urban redevelopment projects. The Group is entitled to project management services income based on the terms of the entrusted construction and management service agreements entered into with these customers and such income enables the Group to broaden its income source. The Group recorded project management services segment results of approximately HK\$901,273,000 for the Period Under Review, comparing to those of approximately HK\$898,505,000 for the same period in 2019. The increase in the revenue generated from this business segment was mainly attributable to the increase in the number of property development projects and urban redevelopment projects entered into by the Group during the Period Under Review. The Group will continue to utilise its expertise in project management in order to maintain a steady income stream in the future.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Significant Investment

As at 30 June 2020, the Group's investment in an associate, Silver Grant International Holdings Group Limited ("Silver Grant"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code: 0171, was the only significant investment held by the Group which represented 5% or more of the Group's total assets. As at 30 June 2020, the Group held 681,240,022 ordinary shares of Silver Grant, representing 29.56% of the equity interest of Silver Grant, which were acquired by the Group for an aggregate cash consideration of approximately HK\$2,058,415,000 during FY2018. Silver Grant and its subsidiaries ("Silver Grant Group") are principally engaged in property leasing and investments. As at 30 June 2020, the carrying amount of this investment was HK\$2,110,201,000 (31 December 2019: HK\$2,182,785,000), representing approximately 5.37% of the total assets of the Group as at 30 June 2020. During the Period Under Review, no dividend income was received from this investment and the Group recorded a share of loss from this investment of approximately HK\$44,680,000, as compared with a share of profit from that of approximately HK\$13,692,000 for the same period in 2019. As disclosed in the 2020 interim results announcement of Silver Grant dated 28 August 2020, (i) a joint venture of Silver Grant ("ZHYQ JV") would make the requisite filing with the government and seek its shareholders' approval to facilitate the implementation of certain development plans as soon as possible, which would include the construction of production equipment for high-end lubricating oil products, with an aim to expand and improve a series of lubricant products and high-performance production equipment for the polyolefin products of ZHYQ JV; (ii) the Silver Grant Group would use polyolefins as raw materials to extend its industrial chain to downstream end products; (iii) in the second half of 2020, the Silver Grant Group would speed up its progress on the disposal of its investments in non-performing debt assets, while seizing the opportunities in relation to investments in individual restructuring projects available in the current market environment to increase the sources of its income; (iv) the Silver Grant Group would adopt an asset-light strategy and carry out exploration and innovation in relation to investments in large-scale business, while keeping the risks in check; and (v) the Silver Grant Group also intends to develop its financial services business, such as credit enhancement business and supply chain finance, for individuals and small, medium and micro enterprises. The Group will continue to hold this investment as a long-term investment.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

OUTLOOK

Looking into the second half of 2020, as the instability and volatility of the global economy and the COVID-19 pandemic persist, the Group's businesses may be adversely affected. To cope with the uncertainties, the Group will cautiously review and adjust its business strategies from time to time. With the real estate industry being one of the most important sectors of the Chinese economy, it is expected that the PRC government will continue to steadily implement its control policies in relation to the property market and will establish a long-term operation mechanism for the real estate industry.

In view of the above external factors that affect the real estate industry, the Group will continue to actively participate in urban renewal projects and construction projects in the first-tier cities in the PRC and the Guangdong-Hong Kong-Macao Greater Bay Area. In the second half of 2020, the Group's inventory for sale will still be its completed projects in Guangzhou, and the Group will continue to step up its efforts to market its projects in the Conghua area in Guangzhou. As at the date of this interim report, the Group's saleable inventory in the Conghua area is relatively abundant. As a result, Conghua will still be a focused sales area of the Group in the second half of 2020, where the Group will continue to pay close attention to the sales in this market.

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW

Revenue

During the Period Under Review, the Group's revenue by operating segment included revenue from property development, property investment and project management services. The total revenue of the Group for the Period Under Review was approximately HK\$1,339,415,000 (six months ended 30 June 2019: HK\$2,202,698,000), which represented a decrease of approximately 39.2% as compared to that for the same period in 2019.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Gross profit and margin

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

Fair value loss on investment properties, net

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

Other income and gains

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Administrative expenses and selling and marketing expenses

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

Other expenses

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Share of loss of an associate

For the Period Under Review, the Group recorded a share of loss of an associate of approximately HK\$44,680,000 (six months ended 30 June 2019: share of profit of HK\$13,692,000), which represented the Group's share of the loss from its associate, Silver Grant, the shares of which are listed on the Main Board of the Stock Exchange with stock code: 0171. Silver Grant Group is principally engaged in property leasing and investments. The Group completed the acquisitions of approximately 29.56% interest of the issued share capital of Silver Grant on 31 October 2018 and Silver Grant has become an associate of the Group since then.

Share of profit of a joint venture

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

** English name is translated for identification purpose only*



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Finance costs

Finance costs for the Period Under Review were approximately HK\$804,444,000 (six months ended 30 June 2019: HK\$752,904,000), which were made up of interest expenses incurred during the Period Under Review after deduction of the interest expenses capitalised to development costs. The increase in finance costs was mainly due to the increase in the costs of borrowings of the Group during the Period Under Review as compared to those for the same period in 2019.

Income tax expense

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Profit for the period

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

Treasury and funding policies

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Cash position

As at 30 June 2020, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK\$2,625,329,000 (31 December 2019: HK\$3,889,815,000). The cash and cash equivalents of the Group were mainly denominated in RMB, United States dollar ("US\$") and HK\$.

Borrowings, charges on group assets and gearing ratio

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (a) As at 30 June 2020, the Group's total borrowings were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans and a margin loan; and (iv) lease liabilities. Out of these borrowings, approximately HK\$1,210,225,000 (31 December 2019: HK\$1,270,973,000), approximately HK\$14,727,697,000 (31 December 2019: HK\$13,467,953,000) and approximately HK\$3,330,537,000 (31 December 2019: HK\$3,467,091,000) were denominated in HK\$, RMB and US\$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 3% to 12% (31 December 2019: 3% to 12%). Approximately 97.07% (31 December 2019: 97.40%) of the bank loans carried fixed interest rates ranging from 2.35% to 14.25% (31 December 2019: 2.97% to 14.25%) while the remaining 2.93% (31 December 2019: 2.60%) of the bank loans carried floating interest rates.
- (b) The gearing ratio of the Group is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, term deposits with initial terms of over three months and restricted cash) over the total capital (total equity plus net debt) of the Group. As at 30 June 2020, the gearing ratio of the Group was 69% (31 December 2019: 65%).



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (c) As at 30 June 2020, the Group had outstanding secured bank loans of approximately HK\$4,454.3 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's properties under development and completed properties held for sale; (iii) the Group's term deposits; (iv) the entire equity interest of the Company's subsidiaries, namely, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*) and 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*); (v) the entire equity interest of a subsidiary of Guangdong Zhuguang Group Company Limited ("Guangdong Zhuguang Group"); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; and (vii) the personal guarantees executed by the executive Directors, namely Mr. Chu Hing Tsung and Mr. Liao Tengjia. The secured bank loans comprised (1) a bank loan in the principal amount of RMB120 million repayable by instalments within 3 years with the last instalment due in July 2020; (2) a bank loan in the principal amount of US\$11.05 million due in November 2020; (3) a bank loan in the principal amount of RMB127 million repayable by instalments within 3 years with the last instalment due in December 2020; (4) a bank loan in the principal amount of US\$11.11 million due in March 2021; (5) a bank loan in the principal amount of HK\$3.17 million due in May 2021; (6) a revolving bank loan in the principal amount of HK\$53.58 million with the final maturity date falling due in June 2021; (7) a bank loan in the principal amount of RMB50 million due in June 2021; (8) a bank loan in the principal amount of US\$11.28 million due in June 2021; (9) a bank loan in the principal amount of RMB5 million due in August 2021; (10) a bank loan in the principal amount of RMB2,500 million due in August 2021; (11) bank loans in the principal amount of HK\$198.56 million due in September 2021; (12) a bank loan in the principal amount of HK\$349 million due in October 2021; (13) a bank loan in the principal amount of RMB300 million repayable by instalments within 3 years with the last instalment due in November 2021; (14) a bank loan in the principal amount of RMB750 million due in January 2022; and (15) a bank loan in the principal amount of RMB1 million due in November 2022.

** English name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (d) As at 30 June 2020, the Group had an outstanding unsecured and guaranteed bank loan of approximately HK\$468.8 million, which was guaranteed by (i) the corporate guarantees executed by the Company, Guangdong Zhuguang Group and a subsidiary of Guangdong Zhuguang Group; and (ii) the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed bank loan had a principal amount of RMB600 million repayable by instalments within 4 years with the last instalment due in October 2021.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

- (f) As at 30 June 2020, the Group had outstanding secured other borrowings of approximately HK\$11,031.8 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's assets under construction under property and equipment; (iii) the Group's investment properties; (iv) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*) and 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*); (v) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vi) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (vii) 425,000,000 Shares owned by Rong De; and (viii) 681,240,000 shares in Silver Grant owned by the Company. The secured other borrowings comprised (1) a margin loan in the principal amount of HK\$360 million due in October 2020; (2) a loan in the principal amount of RMB629.6 million repayable by instalments within 4 years with the last instalment due in December 2020; (3) a loan in the principal amount of RMB450 million repayable by instalments within 3 years with the last instalment due in January 2021; (4) a loan in the principal amount of RMB1,104.3 million repayable by instalments within 4 years with the last instalment due in June 2021; (5) a loan

* English name is translated for identification purpose only



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

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

in the principal amount of RMB1,200 million due in July 2021; (6) a loan in the principal amount of RMB1,200 million due in July 2021; (7) loans in the principal amount of RMB165.5 million repayable by instalments within 2 years with the last instalment due in November 2021; (8) a loan in the principal amount of RMB58.5 million repayable by instalments within 2 years with the last instalment due in November 2021; (9) a loan in the principal amount of RMB2,500 million due in May 2022; (10) a loan in the principal amount of RMB2,550 million due in December 2022; (11) a loan in the principal amount of RMB551 million repayable by instalments within 8 years with the last instalment due in November 2024; and (12) a loan in the principal amount of RMB636 million due in April 2026.

- (g) As at 30 June 2020, the Group had outstanding unsecured and guaranteed other borrowings of HK\$225 million, which were guaranteed by the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung. The unsecured and guaranteed other borrowings comprised (1) a loan in the principal amount of HK\$25 million due in July 2020; and (2) a loan in the principal amount of HK\$200 million due in September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF THE LISTING RULES

2019 Senior Notes and 2019 Warrants

The conditional note purchase agreement (“2019 Note Purchase Agreement”) dated 22 September 2019 (as amended and supplemented by a deed of adherence dated 30 June 2020 executed by Quan Xing Holdings Limited (荃興控股有限公司) (“Quan Xing”) and the Amendment Deed to Terms and Conditions) was entered into among (a) the Company as the issuer; (b) Rong De as the controlling Shareholder; (c) Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi (collectively as the “Ultimate Shareholders”) as personal guarantors; and (d) Blooming Rose Enterprises Corp. (“Blooming Rose”), Heroic Day Limited (“Heroic Day”), CCB International Overseas Limited (“CCB”) and China Cinda (HK) Asset Management Co., Limited (“Cinda”, together with Blooming Rose, Heroic Day and CCB, collectively as “Investors”) as investors, pursuant to which (aa) the Company shall conditionally issue to the Investors the 2019 Senior Notes of an aggregate principal amount of US\$410,000,000 (equivalent to approximately HK\$3,198,000,000); and (bb) in consideration of the agreement to subscribe for the 2019 Senior Notes by the Investors and entering into other transactions contemplated under the relevant transaction documents, the Company shall issue warrants (“2019 Warrants”) to the Investors pursuant to a warrant instrument dated 27 November 2019 executed by the Company, representing an aggregate amount of the exercise moneys of US\$61,500,000 (equivalent to approximately HK\$479,700,000), under the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 21 November 2019, further details of which are set out in the announcements of the Company dated 22 September 2019 and 21 November 2019, and the circular of the Company dated 5 November 2019.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2019 Senior Notes and 2019 Warrants *(continued)*

Pursuant to the 2019 Note Purchase Agreement, Rong De was required to create a charge (“2019 Share Charge”) over 3,361,112,000 Shares that it held in the Company in favour of The Bank of New York Mellon, Hong Kong Branch (“BNY HK”) and each of the Ultimate Shareholders has entered into a personal guarantee (collectively, the “2019 Guarantees”) in favour of BNY HK in relation to the 2019 Senior Notes. The 2019 Share Charge, which subsisted during the Period Under Review and as at the date of this interim report, is discloseable pursuant to Rule 13.17 of the Listing Rules. The 2019 Guarantees subsisted during the Period Under Review and as at the date of this interim report.

The conditions of the 2019 Senior Notes, which subsisted during the Period Under Review and as at the date of this interim report, also contain certain conditions imposing specific performance obligations on Rong De (the controlling Shareholder) and the Ultimate Shareholders, which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2019 Senior Notes and 2019 Warrants *(continued)*

It is an event of default under the conditions of the 2019 Senior Notes, if amongst others:

- (i) Rong De ceases to beneficially own at least 3,670,000,000 Shares;
- (ii) Rong De ceases to (a) control the Company, or (b) beneficially own at least 51% of the total issued share capital of the Company on a fully-diluted basis;
- (iii) the Ultimate Shareholders cease to (a) control the Company, or (b) effectively and beneficially own in aggregate at least 51% of the total issued share capital of the Company on a fully-diluted basis;
- (iv) the Ultimate Shareholders cease to (a) control Rong De, or (b) legally and beneficially own in aggregate at least 76.03% of the total issued share capital of Rong De on a fully-diluted basis; and
- (v) any of the Ultimate Shareholders ceases to be a Director.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2019 Senior Notes and 2019 Warrants *(continued)*

Upon the occurrence of an event of default, the 2019 Senior Notes shall become immediately due and repayable in accordance with the conditions of the 2019 Senior Notes.

The 2019 Senior Notes constituted direct, unconditional, secured, guaranteed, unsubordinated and general obligations of the Company and ranked equally and without any preference amongst themselves, and the payment obligations of the Company under the 2019 Senior Notes would (subject to any obligations preferred by mandatory provision of applicable laws and regulations) rank at least pari passu with all other present and future direct, unconditional, unsecured, unsubordinated and general obligations issued, created or assumed by the Company. On 22 September 2019, the Company issued the 2019 Senior Notes in the aggregate principal amount of US\$410,000,000 (equivalent to approximately HK\$3,198,000,000) due on 21 September 2022.

On 27 November 2019, the 2019 Warrants representing aggregate exercise moneys of US\$61,500,000 were issued to the Investors.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2019 Senior Notes and 2019 Warrants *(continued)*

If the subscription rights attached to the 2019 Warrants are exercised in full at the initial strike price of HK\$1.6148, the 2019 Warrants will entitle the holders thereof (“2019 Warrantholders”) to subscribe for up to 297,064,651 Shares (“Warrant Shares”, each a “Warrant Share”) (of an aggregate nominal value of HK\$29,706,465.1). The initial strike price of HK\$1.6148 per Warrant Share represents a premium of approximately 46.8% over the closing price per Share of HK\$1.1 as quoted on the Stock Exchange on 20 September 2019, being the last trading day immediately before the entering into of the 2019 Note Purchase Agreement. The Warrant Shares to be allotted and issued upon the exercise of the subscription rights attached to the 2019 Warrants, when allotted and issued, will rank *pari passu* with the existing issued Shares as at the date of allotment, and they will be allotted and issued pursuant to the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 21 November 2019. The subscription rights attached to the 2019 Warrants will expire on the date falling 36 months from the issue date of the 2019 Warrants. Further details of the 2019 Warrants are set out in the announcements of the Company dated 22 September 2019 and 21 November 2019, and the circular of the Company dated 5 November 2019.

The subscription money payable by a 2019 Warrantholder upon the exercise of the subscription rights, may be satisfied in the following manner at such 2019 Warrantholder’s election:

- (1) by setting off an amount of the exercise moneys equal to the aggregate strike price against the outstanding principal amount of any 2019 Senior Notes held by such 2019 Warrantholder (“Set-off”);

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2019 Senior Notes and 2019 Warrants *(continued)*

- (2) by payment in cash to such bank account as designated by the Company as notified in writing to the 2019 Warrantholder three business days in advance;
- (3) by a combination of payment in cash and by way of Set-off as set forth in the foregoing (1) and (2); or
- (4) by such other method of payment as the Company and such 2019 Warrantholder may reasonably agree.

Assuming the 2019 Warrants with an aggregate amount of exercise moneys of US\$61,500,000 are issued and all exercise moneys of the subscription rights attached to the 2019 Warrants will be settled by the 2019 Warrantholders with the Company in cash, the Company will receive gross proceeds of approximately HK\$479.7 million, and the net proceeds of approximately HK\$478 million in this regard. The Company currently intends to use the net proceeds from the issue of the 2019 Warrants to repay the 2019 Senior Notes. Assuming the full exercise of the subscription rights attached to the 2019 Warrants, the net price to the Company of each Warrant Share, which is calculated by dividing the aggregate net proceeds from the issue of the Warrant Shares and the exercise of the subscription rights by the 2019 Warrantholders by the total number of the Warrant Shares, is approximately HK\$1.6091. None of these 2019 Warrants have been exercised as at 30 June 2020.

The Board considered that the issue of the 2019 Senior Notes and the 2019 Warrants represented an opportunity to raise funds for the Company to repay the 2016 Indebtedness (as defined below).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2019 Senior Notes and 2019 Warrants *(continued)*

As intended, the Company has used the entire amount of the proceeds received from the issue of the 2019 Senior Notes, to repay the principal amount of the loan (to the extent such principal amount has not been set-off or settled as contemplated under the 2019 Note Purchase Agreement) payable to the 2016 Creditors (as defined below) in relation to the 2016 Indebtedness.

For the purpose of the above, the defined terms used above shall have the following meanings:

“2016 Creditors” means all creditors who are entitled to any payment under the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants, including the 2016 Noteholders;

“2016 Indebtedness” means all outstanding indebtedness incurred by the 2016 Obligors under the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants (including the 2016 Note Indebtedness but excluding the 2016 Warrants Indebtedness) as at 22 September 2019;

“2016 Noteholders” means all registered holders of the outstanding 2016 Senior Notes as at 22 September 2019;



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2019 Senior Notes and 2019 Warrants *(continued)*

“2016 Note Indebtedness”	means all outstanding indebtedness incurred by the 2016 Obligor under the 2016 Senior Notes as at 22 September 2019;
“2016 Obligor”	means the parties to the transaction documents in connection with the issue by the Company of the 2016 Senior Notes and the 2016 Warrants, other than the 2016 Noteholders, BNY HK, the other 2016 Creditors and ABCI Securities Company Limited;
“2016 Senior Notes”	the senior secured guaranteed notes in the aggregate principal amount of up to US\$500,000,000 due 2019 issued by the Company as constituted by the note certificates and the terms and conditions in relation thereto (as amended and supplemented from time to time), further details of which are set out in the announcements of the Company dated 3 August 2016, 23 September 2016, 11 October 2016 and 2 August 2019, and the circular of the Company dated 23 September 2016;
“2016 Warrant Instrument”	the warrant instrument dated 14 October 2016 executed by way of a deed poll by the Company in relation to the 2016 Warrants;

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2019 Senior Notes and 2019 Warrants *(continued)*

“2016 Warrants”

the warrants with an aggregate amount of exercise moneys of up to US\$75,000,000 of the Company which entitle holders thereof to subscribe for Shares at the initial strike price of HK\$1.9995 (as adjusted from time to time in accordance with the 2016 Warrant Instrument) with the current adjusted strike price of HK\$1.79, as constituted by the 2016 Warrant Instrument and warrant certificates issued to all registered holders of the outstanding 2016 Warrants as at 22 September 2019, further details of which are set out in the announcements of the Company dated 3 August 2016, 22 August 2016, 23 September 2016, 11 October 2016, 14 November 2016 and 9 January 2019 and the circular of the Company dated 23 September 2016;



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

2019 Senior Notes and 2019 Warrants *(continued)*

“2016 Warrants Indebtedness”	all amounts payable to all registered holders of the outstanding 2016 Warrants as at 22 September 2019 under the 2016 Warrant Instrument as at 22 September 2019; and
“Amendment Deed to Terms and Conditions”	means the amendment deed to terms and conditions dated 24 August 2020 to amend and supplement the terms and conditions attached to the certificates of the 2019 Senior Notes, entered into among the Company, the Investors, Quan Xing, Rong De, the Ultimate Shareholders, All Flourish, Ai De, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fresh International, Fully Wise, Pacific Win, Polyhero International, Profaitch International, South Trend, Talent Wide, Top Asset, Top Perfect, Vanco Investment, World Sharp and Zhuguang Group

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

CCBIS Margin Loan

On 25 October 2018, Splendid Reach Limited (“Splendid”), a wholly-owned subsidiary of the Company, as borrower, and CCB International Securities Limited (建銀國際證券有限公司) (“CCBIS”), as lender, entered into a margin loan confirmation (“CCBIS Margin Loan Confirmation”) (as amended and supplemented by an amendment and restatement deed dated 24 April 2019 entered into between Splendid and CCBIS and a second amendment and restatement deed dated 1 November 2019 entered into between Splendid and CCBIS), under which CCBIS agreed to make available to Splendid a margin loan (“CCBIS Margin Loan”) over the term (“Term”) commencing from (and including) the first drawdown date of the CCBIS Margin Loan (“First Drawdown Date”) and maturing on 30 October 2020 (provided that if such date does not fall on a business day, then the next business day) (“Maturity Date”), in the principal amount of up to HK\$750,000,000 (for the first five business days of the Term), HK\$550,000,000 (from and including the sixth (6th) business day of the Term to 29 April 2019), HK\$510,000,000 (from and including 30 April 2019 to 30 May 2019), HK\$490,000,000 (from and including 31 May 2019 to 30 July 2019), HK\$450,000,000 (from and including 31 July 2019 to 30 October 2019), HK\$430,000,000 (from and including 31 October 2019 to 30 January 2020), HK\$400,000,000 (from and including 31 January 2020 to 29 April 2020) and HK\$360,000,000 (from and including 30 April 2020 to the Maturity Date). The interest of the CCBIS Margin Loan which is payable quarterly, shall accrue (i) from and including the First Drawdown Date to 31 March 2019 at a simple interest rate of 7.75% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; (ii) from and including 1 April 2019 to 30 October 2019 at a simple interest rate of 9% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan; and (iii) from and including 31 October 2019 up to and including the date of full principal repayment at a simple interest rate of 10% per annum on the relevant outstanding principal amount of the CCBIS Margin Loan. Further details of the CCBIS Margin Loan are set out in the announcements of the Company dated 25 October 2018 and 1 November 2019. As at 30 June 2020, the amount of HK\$360,000,000 was outstanding under the CCBIS Margin Loan.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

CCBIS Margin Loan *(continued)*

Pursuant to the CCBIS Margin Loan Confirmation, (a) Rong De (the controlling Shareholder) was required to enter into a charge dated 25 October 2018 (“SL Rong De Charge”), in favour of CCBIS, over a margin securities trading account opened by Rong De with CCBIS (“SL Rong De Account”), into which Rong De shall deposit, among other assets, no less than 100,000,000 Shares held by Rong De before the First Drawdown Date (“SL Rong De Charged Shares First Batch”) and no less than 150,000,000 Shares held by Rong De on or before the 60th day of the Term (“SL Rong De Charged Shares Second Batch”, together with the SL Rong De Charged Shares First Batch, collectively as the “Aggregate SL Rong De Charged Shares”); and (b) the Company, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi were required to enter into a continuing guarantee dated 25 October 2018 (“CCBIS Continuing Guarantee”), in favour of CCBIS, to guarantee the settlement of all liabilities and obligations of Splendid under the CCBIS Margin Loan. The SL Rong De Charge, which subsisted during the Period Under Review and as at the date of this interim report, is disclosable pursuant to Rule 13.17 of the Listing Rules. As at 30 June 2020, out of the Shares deposited by Rong De into the SL Rong De Account, 425,000,000 Shares were in relation to the CCBIS Margin Loan. The CCBIS Continuing Guarantee subsisted during the Period Under Review and as at the date of this interim report.

The conditions of the CCBIS Margin Loan which subsisted during the Period Under Review and as at the date of this interim report, also contain certain specific performance obligations on Rong De (the controlling Shareholder), which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

CCBIS Margin Loan *(continued)*

Under the CCBIS Margin Loan Confirmation, Splendid shall procure Rong De to:

- (i) deposit the SL Rong De Charged Shares First Batch into the SL Rong De Account prior to the First Drawdown Date;
- (ii) deliver the SL Rong De Charge prior to the First Drawdown Date;
- (iii) deposit the SL Rong De Charged Shares Second Batch into the SL Rong De Account on or before the 60th day of the Term;
- (iv) maintain its deposit of the Aggregate SL Rong De Charged Shares in the SL Rong De Account, and shall procure Rong De not to charge, mortgage, pledge, or otherwise permit any encumbrance to be created over the Aggregate SL Rong De Charged Shares (other than the encumbrance created pursuant to the SL Rong De Charge or otherwise agreed by CCBIS);
- (v) not to apply for registration as a non-Hong Kong company pursuant to Part 16 of the Companies Ordinance without having obtained the prior written consent of CCBIS;



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

CCBIS Margin Loan *(continued)*

- (vi) in the event that Rong De has obtained the prior written consent to apply for registration as a non-Hong Kong Company as set out in (v) above, Rong De shall procure that the prescribed particulars of the SL Rong De Account together with the SL Rong De Charge be delivered to the Companies Registry of Hong Kong for the registration of the SL Rong De Charge and promptly deliver the certificate of such registration of the SL Rong De Charge to CCBIS;
- (vii) promptly after execution of the SL Rong De Charge, instruct its registered agent to enter particulars as required by the BVI Business Companies Act 2004 of the British Virgin Islands (“BVI Act”), as amended, of the security created pursuant to the SL Rong De Charge in the Rong De’s Register of Charges (“Rong De Register of Charges”);
- (viii) enter particulars as required by the BVI Act of the security created pursuant to the SL Rong De Charge in the Rong De Register of Charges and, immediately after entry of such particulars have been made, provide CCBIS with a certified true copy of the updated Rong De Register of Charges;
- (ix) effect registration, or assist CCBIS in effecting registration, of the SL Rong De Charge with the Registrar of Corporate Affairs pursuant to the BVI Act; and
- (x) immediately on receipt, deliver or procure to be delivered to CCBIS, the certificate of registration of charge issued by the Registrar of Corporate Affairs evidencing that the requirements of Part VIII of the BVI Act as to registration have been complied with and the filed stamped copy of the application containing the relevant particulars of charge.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

CCBIS Margin Loan *(continued)*

A breach of any of the above acts by Rong De shall constitute an event of default, which shall cause the CCBIS Margin Loan to become immediately due and repayable in accordance with the conditions of the CCBIS Margin Loan.

REDEMPTION OF 2017 SENIOR NOTES

The conditional note purchase agreement dated 30 November 2017 (“2017 Note Purchase Agreement”) (as amended and supplemented by a consent letter dated 22 January 2020 entered into among the Company, Rong De, China Huarong Macau (HK) Investment Holdings Limited (“China Huarong Macau”) and the Ultimate Shareholders) was entered into among (a) the Company as the issuer; (b) Rong De as the controlling Shareholder; (c) China Huarong Macau as first tranche investor; and (d) the Ultimate Shareholders as personal guarantors, pursuant to which the Company shall conditionally agree to issue to China Huarong Macau (as the first tranche investor) and any other person(s) (including if agreed by China Huarong Macau) being persons not connected persons of the Company who shall purchase the second tranche of the 2017 Senior Notes (as defined below) at the closing of the issue and purchase of the second tranche of the 2017 Senior Notes (as the second tranche investor), in two tranches, the senior secured guaranteed notes (“2017 Senior Notes”) of an aggregate principal amount of up to US\$80,000,000 (equivalent to approximately HK\$624,000,000), further details of which are set out in the announcements of the Company dated 30 November 2017 and 22 January 2020.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

REDEMPTION OF 2017 SENIOR NOTES *(continued)*

Pursuant to the 2017 Note Purchase Agreement, Rong De was required to execute a share charge in favour of China Huarong Macau in respect of 100,000,000 Shares beneficially held by Rong De (“2017 Share Charge”), and each of the Ultimate Shareholders was required to enter into a personal guarantee in favour of China Huarong Macau in relation to the 2017 Senior Notes (collectively, the “2017 Guarantees”).

During the Period Under Review, the Company fully redeemed the 2017 Senior Notes after having repaid the outstanding principal amount of the 2017 Senior Notes of US\$42,000,000 (equivalent to approximately HK\$327,600,000) which was funded by the internal resources of the Group. The 2017 Senior Notes were cancelled after their full redemption by the Company during the Period Under Review. As at 30 June 2020, none of the 2017 Senior Notes remained outstanding and the 2017 Share Charge and the 2017 Guarantees created to secure the payment obligations under the 2017 Senior Notes had been released.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES *(continued)*

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

Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2020, the Group had no future plans for material investments or capital assets except for those disclosed in the section headed “MATERIAL ACQUISITIONS AND DISPOSALS” in the section headed “OTHER INFORMATION” in this interim report.

FOREIGN EXCHANGE RATE

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital expenditures contracted for but not provided for in its financial statements in respect of properties under development and acquisition of land use rights of approximately HK\$673,073,000 (31 December 2019: HK\$1,906,936,000) in aggregate, the details of which are set out in note 23 to the Interim Financial Information. It is expected that these capital expenditures will be settled by cash through the Group's internal resources and debt financing raised by the Group. Other than the capital commitments as disclosed, the management of the Group does not expect there to be any plans for material capital expenditures in the coming six months.

CAPITAL STRUCTURE

As at 30 June 2020, the number of issued ordinary shares of the Company was 7,194,417,247 shares (31 December 2019: 7,194,417,247 shares) in aggregate and the shareholders' equity of the Company was approximately HK\$7,486,073,000 (31 December 2019: HK\$7,465,574,000). The increase in the shareholders' equity of the Company during the Period Under Review was mainly attributable to the profit attributable to the equity holders of the Company of approximately HK\$121,474,000 for the Period Under Review, as compared to the profit attributable to the equity holders of the Company of approximately HK\$358,124,000 for the corresponding period in 2019.

As at 30 June 2020, the capital structure of the Group mainly consisted of shareholders' equity, bank loans, senior notes and other borrowings. There is no material seasonality of borrowing requirements for the Group.

As at 30 June 2020, the Company had warrants representing an aggregate amount of exercise moneys of US\$61,500,000 outstanding, all being the 2019 Warrants.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CAPITAL STRUCTURE *(continued)*

During the Period Under Review and up to the date of this interim report, no subscription notice has been received by the Company in respect of the exercise of the subscription rights attached to the 2019 Warrants.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 429 employees in Hong Kong and the PRC as at 30 June 2020 (31 December 2019: 476). During the Period Under Review, the level of the Group's overall staff cost was approximately HK\$86,123,000 (six months ended 30 June 2019: HK\$51,654,000). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	5	1,339,415	2,202,698
Cost of sales		(155,299)	(1,130,271)
Gross profit		1,184,116	1,072,427
Fair value (loss)/gain on investment properties, net	13	(49,830)	14,515
Other income and gains	5	148,632	216,555
Selling and marketing expenses		(9,623)	(32,880)
Administrative expenses		(152,324)	(99,126)
Other expenses		(235,493)	(135,377)
Change in fair value of financial assets at fair value through profit or loss		140,753	389,483
Share of (loss)/profit of an associate		(44,680)	13,692
Share of profit of a joint venture		20,264	—
PROFIT FROM OPERATIONS		1,001,815	1,439,289
Finance costs	6	(804,444)	(752,904)
PROFIT BEFORE TAX	7	197,371	686,385
Income tax expense	8	(80,014)	(338,583)
PROFIT FOR THE PERIOD		117,357	347,802
Attributable to:			
Equity holders of the parent		121,474	358,124
Non-controlling interests		(4,117)	(10,322)
		117,357	347,802
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	11	1.35	4.65

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property and equipment	12	338,764	348,513
Investment properties	13	4,569,419	4,709,808
Intangible assets		10,150	11,583
Goodwill		203,548	207,571
Investments in joint ventures		1,684,066	2,739
Investments in an associate		2,110,201	2,182,785
Prepayments, deposits and other assets	15	11,801,308	7,884,171
Financial assets at fair value through profit or loss	16	2,946,497	1,654,097
Deferred tax assets		97,458	82,736
Total non-current assets		23,761,411	17,084,003
CURRENT ASSETS			
Properties under development		1,920,373	1,704,873
Completed properties held for sale		4,792,732	5,011,693
Trade and other receivables	14	652,127	1,581,007
Prepayments, deposits and other assets	15	1,759,103	4,086,657
Prepaid income tax		206,836	200,644
Financial assets at fair value through profit or loss	16	795,442	2,284,993
Restricted cash		1,106,584	994,217
Term deposits with initial terms of over three months		1,360,339	2,541,890
Cash and cash equivalents		158,406	353,708
Total current assets		15,522,824	18,759,682
Assets of a disposal group classified as held for sale	9	2,770,882	—
Total current assets		15,522,824	18,759,682



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
CURRENT LIABILITIES			
Contract liabilities		2,983,162	2,573,047
Trade and other payables	17	5,351,627	3,392,904
Interest-bearing bank and other borrowings	19	4,005,301	4,037,192
Amount due to the ultimate holding company	24(b)	344,288	351,550
Current income tax payables		2,189,956	2,125,764
Derivative financial instruments	18	30,962	40,134
Total current liabilities		14,905,296	12,520,591
NET CURRENT ASSETS		617,528	6,239,091
TOTAL ASSETS LESS CURRENT LIABILITIES		24,378,939	23,323,094
NON-CURRENT LIABILITIES			
Other payables	17	24,290	33,239
Interest-bearing bank and other borrowings	19	15,263,158	14,168,825
Deferred tax liabilities		1,497,615	1,556,936
Total non-current liabilities		16,785,063	15,759,000
Net assets		7,593,876	7,564,094

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	20	719,442	719,442
Perpetual capital securities	21	880,416	856,416
Reserves		5,952,045	5,889,716
Amounts recognised in other comprehensive income and accumulated in equity relating to a disposal group classified as held for sale		(65,830)	—
		7,486,073	7,465,574
Non-controlling interests		107,803	98,520
Total equity		7,593,876	7,564,094



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(Unaudited)	Attributable to owners of the parent												Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Exchange fluctuation reserve	Contributed surplus	Statutory reserves	Capital reserve	Asset revaluation reserve	Retained profits	Perpetual capital securities	Subscription monies received	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	642,441	4,640,287	(101,922)	(617,528)	239,404	6,668	(25,738)	5,649	132,243	800,000	1,001,000	6,722,504	125,603	6,848,307
Profit for the period	-	-	-	-	-	-	-	-	358,124	-	-	358,124	(10,322)	347,802
Other comprehensive income/(loss) for the period:														
Exchange differences on translation of foreign operations	-	-	-	40,050	-	-	-	-	-	-	-	40,050	(251)	39,799
Share of other comprehensive loss of an associate	-	-	-	(6,692)	-	-	-	749	-	-	-	(7,943)	-	(7,943)
Total comprehensive income/(loss) for the period	-	-	-	31,358	-	-	-	749	358,124	-	-	390,231	(10,573)	379,658
Issuance of shares	77,001	923,999	-	-	-	-	-	-	-	-	(1,001,000)	-	-	-
Distribution to holders of perpetual capital securities	-	-	-	-	-	-	-	-	(32,416)	32,416	-	-	-	-
At 30 June 2019 (unaudited)	719,442	5,564,286	(101,922)	(586,170)	239,404	6,668	(25,738)	6,398	457,951	832,416	-	7,112,735	115,230	7,227,965

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 30 June 2020

(Unaudited)	Attributable to owners of the parent													
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Contributed surplus HK\$'000	Statutory reserves HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits HK\$'000	Amounts recognised in other comprehensive income and accumulated in equity relating to a disposal group classified as held for sale HK\$'000	Perpetual capital securities HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020 (audited)	719,442	5,564,286*	(101,922)*	(619,705)*	239,404*	6,668*	(25,738)*	3,671*	823,052*	-	856,416	7,465,574	98,520	7,564,094
Profit for the period	-	-	-	-	-	-	-	-	121,474	-	-	121,474	(4,117)	117,357
Other comprehensive loss for the period:														
Exchange differences on translation of foreign operations	-	-	-	(73,071)	-	-	-	-	-	-	-	(73,071)	(16,154)	(89,225)
Share of other comprehensive loss of an associate	-	-	-	(23,540)	-	-	-	(4,364)	-	-	-	(27,904)	-	(27,904)
Total comprehensive income/(loss) for the period	-	-	-	(96,611)	-	-	-	(4,364)	121,474	-	-	20,499	(20,271)	228
Transfer to amounts recognised in other comprehensive income and accumulated equity relating to a disposal group classified as held for sale	-	-	-	65,830	-	-	-	-	-	(65,830)	-	-	-	-
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	-	29,554	29,554
Distribution to holders of perpetual capital securities	-	-	-	-	-	-	-	-	(24,000)	-	24,000	-	-	-
At 30 June 2020 (unaudited)	719,442	5,564,286*	(101,922)*	(650,466)*	239,404*	6,668*	(25,738)*	(693)*	920,526*	(65,830)	880,416	7,486,073	107,803	7,593,876

* These reserve accounts comprise the consolidated reserves of HK\$5,952,045,000 (31 December 2019: HK\$5,889,716,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	197,371	686,385
Total non-cash adjustments	550,905	(341,891)
Total working capital adjustments	(530,271)	(2,821,067)
Cash generated from/(used in) operations	218,005	(2,476,573)
Interest paid	(705,659)	(747,537)
Corporate income tax paid	(46,046)	(101,277)
Net cash flows used in operating activities	(533,700)	(3,325,387)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances paid for urban redevelopment projects	(3,600,476)	—
Deposits paid for acquisition of equity interests in property development projects	—	(102,568)
Refund of deposits for acquisition of equity interests in property development projects	—	285,996
Repayment of cash advances by related parties	957,879	110,045
Interest received	50,805	272,382
Deposit received for disposal of a subsidiary	1,654,020	—
Acquisition of a joint venture	(1,157,814)	—
Purchases of items of property and equipment	(1,755)	(10,020)
Additions of investment properties	—	(65,779)
Decrease in financial assets at fair value through profit or loss	260,514	295,215
Decrease in term deposits with initial terms of over three months	1,181,551	2,325,113
Increase in restricted cash	(185,573)	—
Net cash flows (used in)/from investing activities	(840,849)	3,110,384

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	3,013,175	738,920
Repayment of bank and other borrowings	(1,673,301)	(783,506)
Principal portion of lease payments	(3,990)	—
Capital contribution from a non-controlling shareholder	29,554	—
(Repayment to)/advances from related parties	(87,565)	489,614
Net cash flows from financing activities	1,277,873	445,028
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(96,676)	230,025
Cash and cash equivalents at beginning of period	353,708	544,610
Effect of foreign exchange rate changes	(98,608)	28,149
CASH AND CASH EQUIVALENTS AT END OF PERIOD	158,424	802,784
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	158,406	802,784
Cash and cash equivalents included in a disposal group classified as held for sale	18	—
	158,424	802,784



NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2020

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

2. BASIS OF PRESENTATION

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

In preparing the interim financial information, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2020, the Group had interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK\$4,005 million which are due to be repaid within one year from the end of the reporting period. Furthermore, the Group had capital and other commitments contracted but not provided for in the interim financial information of approximately HK\$673 million as set out in note 23 to the financial statements.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

2. BASIS OF PRESENTATION *(Continued)*

Nevertheless, the interim financial information has been prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 30 June 2020, after taking into consideration the following:

- (i) the available credit facilities of the Group; and
- (ii) the estimated cash flows of the Group for the next twelve months from the end of the reporting period, in particular, with (a) the consideration of the upcoming plan for realisation of assets, sales of its completed properties held for sale and pre-sale of its properties under development; and (b) the Group's plan to obtain alternative funding including offshore loans under cross-border guarantee arrangements.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

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

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

The accounting policies adopted in the preparation of the interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (the "HKFRSs") for the first time for the current period's financial information.

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



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

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

(Continued)

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

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

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

(Continued)

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

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



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

4. OPERATING SEGMENT INFORMATION

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

- (a) the property development segment engages in the development and sale of properties;
- (b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation; and
- (c) the project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects.

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

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

NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

4. OPERATING SEGMENT INFORMATION (Continued)

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

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

For the six months ended 30 June 2020

(Unaudited)	Property development HK\$'000	Property investment HK\$'000	Project management services HK\$'000	Total HK\$'000
Segment revenue: (note 5)				
Sales to external customers	240,023	83,894	1,015,498	1,339,415
Segment results	94,133	21,846	901,273	1,017,252
<i>Reconciliation:</i>				
Fair value gain on derivative financial instruments, net				8,979
Share of loss of an associate				(44,680)
Share of profit of a joint venture				20,264
Finance costs				(804,444)
Profit before tax				197,371
Income tax expense				(80,014)
Profit for the period				117,357



NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

4. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2019

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

4. OPERATING SEGMENT INFORMATION *(Continued)*

30 June 2020

(Unaudited)

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



NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

4. OPERATING SEGMENT INFORMATION (Continued)

31 December 2019

(Audited)

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

Geographical information

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

5. REVENUE, OTHER INCOME AND GAINS

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

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



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2020

	Property development (Unaudited) HK\$'000
Type of goods or services	
Sale of properties	240,023
Timing of revenue recognition	
Goods transferred at a point in time	190,618
Goods transferred over time	49,405
Total revenue from contracts with customers	240,023

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(continued)*

Disaggregated revenue information *(continued)*

For the six months ended 30 June 2019

	Property development (Unaudited) HK\$'000
<hr/>	
Type of goods or services	
Sale of properties	1,606,812
<hr/>	
Timing of revenue recognition	
Goods transferred at a point in time	1,523,903
Goods transferred over time	82,909
<hr/>	
Total revenue from contracts with customers	1,606,812
<hr/>	



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

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

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

7. PROFIT BEFORE TAX

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

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2020 and 2019. Taxes on profits assessable in the Mainland China have been calculated at the rates of tax prevailing in the cities in which the majority of the Group's subsidiaries operate.

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current:		
PRC corporate income tax	93,968	140,558
PRC land appreciation tax	10,078	116,235
	104,046	256,793
Deferred	(24,032)	81,790
Total tax charge for the period	80,014	338,583



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

9. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 April 2020, the Group entered into a sale and purchase agreement with, among others, an independent third party, pursuant to which the Group has agreed to sell the entire equity interest of Guangzhou Yuhong Investment Company Limited* (廣州御宏投資有限公司) ("Yuhong"), a then non-wholly owned subsidiary of the Company, at the consideration of RMB1,500 million (equivalent to approximately HK\$1,665 million) and the loan advanced to Yuhong at the face value of the loan. As at 30 June 2020, the assets of Yuhong attributable to the Group to be sold within 12 months had been classified as assets of a disposal group held for sale and were separately presented in the condensed consolidated statement of financial position. The assets of Yuhong classified as held for sale as at 30 June 2020 were mainly other receivables with third parties for urban redevelopment projects. Further details of the disposal are set out in the announcements of the Company dated 22 April 2020 and 17 July 2020 and the circular of the Company dated 24 June 2020.

10. DIVIDENDS

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

** English name is translated for identification purpose only*

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

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

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

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

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

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



NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

12. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property and equipment of HK\$1,755,000 (six months ended 30 June 2019: HK\$10,020,000).

13. INVESTMENT PROPERTIES

(Unaudited)	Completed HK\$'000	Under construction HK\$'000	Total HK\$'000
Carrying amount at 1 January 2020	4,709,808	—	4,709,808
Net loss from fair value adjustments	(49,830)	—	(49,830)
Exchange realignment	(90,559)	—	(90,559)
Carrying amount at 30 June 2020	4,569,419	—	4,569,419
Carrying amount at 1 January 2019	2,988,388	1,022,596	4,010,984
Additions	—	65,779	65,779
Transfer from completed properties held for sale	106,592	—	106,592
Net gains from fair value adjustments	9,724	4,791	14,515
Exchange realignment	(11,937)	(4,112)	(16,049)
Carrying amount at 30 June 2019	3,092,767	1,089,054	4,181,821

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

13. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties were revalued on 30 June 2020 and 2019 based on valuations performed by Greater China Appraisal Limited, an independent professionally qualified valuer.

The valuations of completed investment properties were based on either (i) the term and reversionary approach by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties, which is positively correlated to the market rental growth rate, and negatively correlated to term yields and reversion yields; or (ii) the direct comparison method by reference to comparable market transactions, which is positively correlated to the market unit sale rate.

The valuations of investment properties under construction were based on the residual approach, which is positively correlated to the estimated annual rental value per square meter and the development profit, and negatively correlated to the capitalisation rate.

At 30 June 2020 and 2019, the fair value measurement of all the Group's investment properties used significant unobservable inputs (Level 3) as defined in HKFRS 13.

In the opinion of the Directors, for all investment properties that are measured at fair value, the current use of the properties is their highest and best use.

During the period, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfer into or out of Level 3 (six months ended 30 June 2019: Nil).



NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

14. TRADE AND OTHER RECEIVABLES

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

14. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

15. PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Other receivables with related parties for urban redevelopment projects	(a)	12,016,426	8,011,938
Other receivables with third parties for urban redevelopment projects	(a)	3,496,896	3,096,005
Prepayments or deposits to related parties for acquisition of equity interests in property development projects	(b)	766,332	781,445
Prepaid construction costs and others		221,042	199,047
Prepaid business taxes and other levies		103,799	94,484
Cost of obtaining contracts		28,226	28,226
Others		54,738	18,978
		16,687,459	12,230,123
Impairment allowance		(356,184)	(259,295)
		16,331,275	11,970,828
Assets included in assets of a disposal group classified as held for sale		(2,770,864)	—
		13,560,411	—
Portion classified as non-current assets		(11,801,308)	(7,884,171)
Current portion		1,759,103	4,086,657

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

15. PREPAYMENTS, DEPOSITS AND OTHER ASSETS

(Continued)

Notes:

- (a) The Group has entered into project management agreements with related parties and third parties for urban redevelopment projects. According to the project management agreements, the Group agreed to provide funds and project management services to the urban redevelopment projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funds provided and a variable income for certain projects which is determined with reference to the performance of the underlying projects subject to constraint.
- (b) As at 30 June 2020, deposits of HK\$766,332,000 (31 December 2019: HK\$781,445,000) were paid to Guangdong Zhuguang Group Company Limited and its subsidiaries (related parties of the Group) as authorised agents of the Group for the proposed acquisitions of equity interests of certain entities which own certain land use rights or property development projects in the PRC.

NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Other receivables, at fair value	(a)	3,647,385	3,870,580
Other unlisted investments, at fair value	(b)	94,554	68,510
		3,741,939	3,939,090
Portion classified as current assets		(795,442)	(2,284,993)
Non-current portion		2,946,497	1,654,097

Notes:

- (a) As at 30 June 2020, the other receivables of HK\$3,647,385,000 (31 December 2019: HK\$3,870,580,000) at fair value represented funds provided to certain related parties for property project development in the PRC which are classified as financial assets at fair value through profit or loss. Pursuant to the relevant project management service agreements, the Group agreed to provide funds and management service to certain property development projects. In return, the Group is entitled to a fixed income being a certain percentage of the total funds provided and a variable bonus which is determined with reference to the operating performance of the projects. The fair value of the other receivables is determined based on the discounted cash flow projections on the expected future cash flows from the property development projects estimated by management. The discount rates applied to the cash flow projections ranged from 16.34% to 16.44% (31 December 2019: ranged from 12.7% to 12.9%).

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

- (b) At 30 June 2020, the Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK\$94,554,000 (31 December 2019: HK\$68,510,000). The investment funds are managed with expected return equal to prevailing one-year savings interest rate quoted by the People's Bank of China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

17. TRADE AND OTHER PAYABLES

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

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

17. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

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

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

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

- (b) The amounts due to related companies are unsecured, interest-free and repayable on demand.
- (c) Other payables and accruals and other taxes payables are non-interest-bearing and are expected to be settled within one year.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

18. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
2019 Warrants	30,962	40,134

The above warrants were measured at their fair values on 30 June 2020 and 31 December 2019. The fair values (categorised as level 3 measurement under HKFRS 13) of the warrants were based on a valuation, using trinomial tree method, carried out by an independent qualified professional valuer and approved by the Directors. The significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

19. BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	951,609	1,401,733
In the second year	3,970,387	3,735,156
In the third to fifth years, inclusive	1,132	1,117
	4,923,128	5,138,006
Other borrowings repayable:		
Within one year or on demand	2,776,490	2,036,786
In the second year	6,544,347	4,428,068
In the third to fifth years, inclusive	1,246,123	2,634,683
Over five years	689,849	567,197
	11,256,809	9,666,734
Senior notes:		
Within one year or on demand	270,513	592,281
In the second year	270,513	239,361
In the third to fifth years, inclusive	2,530,378	2,549,393
	3,071,404	3,381,035
Lease liabilities repayable:		
Within one year or on demand	6,689	6,392
In the second year	7,269	7,000
In the third to fifth years, inclusive	3,160	6,850
	17,118	20,242
Portion classified as current liabilities	19,268,459 (4,005,301)	18,206,017 (4,037,192)
Non-current portion	15,263,158	14,168,825

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

19. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

- (a) Certain of the Group's bank and other borrowings are secured or guaranteed by:
 - (i) pledges over the Group's property and equipment with an aggregate carrying amount at the end of the reporting period of approximately HK\$317,208,000 (31 December 2019: HK\$322,309,000);
 - (ii) pledges over the Group's investment properties with an aggregate carrying amount at the end of the reporting period of approximately HK\$3,204,264,000 (31 December 2019: HK\$3,304,217,000);
 - (iii) pledges over the Group's properties under development with an aggregate carrying amount at the end of the reporting period of approximately HK\$1,156,690,000 (31 December 2019: HK\$1,054,227,000);
 - (iv) pledges over the Group's completed properties held for sale with an aggregate carrying amount at the end of the reporting period of approximately HK\$1,674,078,000 (31 December 2019: HK\$1,746,219,000);
 - (v) pledges over the Group's term deposits with initial terms of over three months with an aggregate carrying amount at the end of the reporting period of approximately HK\$950,274,000 (31 December 2019: HK\$764,700,000);
 - (vi) pledges over the Group's investment in an associate with an aggregate carrying amount at the end of the reporting period of approximately HK\$2,110,201,000 (31 December 2019: HK\$2,182,785,000);



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

19. BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

- (vii) pledges over the Company's equity interest executed by the Company's ultimate holding company for borrowings of the Group amounting to HK\$364,796,000 (31 December 2019: HK\$433,691,000) at the end of the reporting period;
- (viii) pledges over the equity interests of the Group's certain subsidiaries for borrowings of the Group amounting to HK\$6,339,883,000 (31 December 2019: HK\$6,869,061,000) at the end of the reporting period;
- (ix) corporate guarantees executed or security provided by the Company's ultimate holding company for the senior notes of the Group amounting to HK\$3,071,404,000 (31 December 2019: HK\$3,381,035,000) at the end of the reporting period;
- (x) corporate guarantees executed by the Company for borrowings of the Group amounting to HK\$12,709,169,000 (31 December 2019: HK\$10,338,600,000) at the end of the reporting period; and
- (xi) personal guarantee executed by certain directors for borrowings of the Group amounting to HK\$11,868,527,000 (31 December 2019: HK\$10,520,403,000) at the end of the reporting period.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

19. BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

- (b) On 13 December 2017, the Company issued 2-year secured and guaranteed senior notes (the “2017 Senior Notes”), with an aggregate principal amount of US\$50,000,000. The net proceeds, after deducting the issuance costs, amounted to US\$48,474,000 (equivalent to approximately HK\$378,412,000). The 2017 Senior Notes are denominated in US\$, due on 12 December 2019, and with an interest rate at 8% per annum. The maturity date of the outstanding 2017 Senior Notes with an aggregate principal amount of US\$42,000,000 was extended to 12 December 2020 pursuant to a consent letter signed on 22 January 2020. The 2017 Senior Notes were fully redeemed in April 2020.
- (c) On 22 September 2019, the Company issued 3-year secured guaranteed senior notes (the “2019 Senior Notes”) with an aggregate principal amount of US\$410,000,000 for settlement of the senior notes issued in 2016. The Company, at its option, can redeem all or a portion of the 2019 Senior Notes at any time after twelve months from the issue date and from time to time prior to the maturity date at the redemption price plus accrued and unpaid interest up to the redemption date. The Company shall, on the date falling twelve months after the issue date, redeem 10% of the then outstanding principal amount, and shall, on the date falling twenty four months after the issue date, redeem 10% of the then outstanding principal amount. The remaining outstanding principal amount of the 2019 Senior Notes is due on 21 September 2022. The 2019 Senior Notes are denominated in US\$ with an interest rate at 11% per annum.

Concurrent with the issuance of the 2019 Senior Notes, nil-paid warrants (the “2019 Warrants”) representing a total amount of exercise monies of US\$61,500,000 (the exchange rate to be used for the purchase of HK\$ with US\$ shall be HK\$7.8 per US\$1.0) were granted by the Company to these investors to subscribe for 297,064,651 ordinary shares of the Company at an initial exercise price of HK\$1.6148 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. The 2019 Warrants are exercisable at any time up to 36 months from the issue date of such warrants.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

19. BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

- (d) The Group's bank and other borrowings with carrying amounts of HK\$1,210,225,000 (31 December 2019: HK\$1,270,974,000), HK\$14,727,697,000 (31 December 2019: HK\$13,467,953,000) and HK\$3,330,537,000 (31 December 2019: HK\$3,467,090,000) are denominated in HK\$, RMB and US\$, respectively.

20. SHARE CAPITAL

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Authorised 10,000,000,000 shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid 7,194,417,247 ordinary shares of HK\$0.1 each	719,442	719,442

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

21. PERPETUAL CAPITAL SECURITIES

On 29 October 2018, the Company issued perpetual capital securities with a principal amount of HK\$800,000,000.

The securities confer the holders a right to receive distributions at the applicable distribution rate of 6% per annum from and including 29 October 2018, payable semi-annually on 20 June and 20 December of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. Unless and until the Company satisfies in full all outstanding arrears of distribution and any additional distribution amount, the Company shall not declare or pay any dividends, distributions or make payment on, and will procure that no dividend or other payment is made on or redeem, reduce, cancel, buy-back or acquire for any consideration any share capital thereof. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the Directors, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments of the Company.



NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

22. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at the end of the reporting period:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Guarantees in respect of the mortgage facilities provided to certain purchasers of the Group's properties	3,545,706	3,671,035

As at 30 June 2020, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any auction banks, net of any auction proceeds as described below.

Pursuant to the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, in the event of default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

22. FINANCIAL GUARANTEES *(Continued)*

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees at initial recognition and the expected credit losses allowance are not significant as the Directors consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.

23. COMMITMENTS

The Group had the following capital and other commitments as at the end of the reporting period:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted, but not provided for:		
Properties under development	616,101	734,768
Acquisition of land use rights	—	1,172,168
Investment in a joint venture	56,972	—
	673,073	1,906,936



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

24. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Rong De	Ultimate holding company of the Company
Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)	Major shareholder of Rong De, the chairman of the Company's board of directors (the "Board"), the Company's executive director, and a member of key management personnel of the Company
Mr. Liao Tengjia	Major shareholder of Rong De, deputy chairman of the Board, the Company's executive director and a member of key management personnel of the Company
Guangdong Zhuguang Group Company Limited ("GD Zhuguang Group")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Investment Company Limited ("GZ Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Conghua Zhuguang Investment Company Limited ("GZ Conghua Zhuguang Investment")	Mr. Liao Tengjia is considered to have significant influence in this company

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

24. RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
Guangzhou Zhuguang Property Development Company Limited ("GZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Shenzhen Zhuguang Property Company Limited ("SZ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Beijing Zhuguang Property Development Company Limited ("BJ Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Yifa Industrial Development Co., Ltd ("Yifa Industrial")	Mr. Liao Tengjia is considered to have significant influence in this company
Qingyuan Qingxin District Huilihao Real Estate Company Limited ("Qingyuan Huilihao")	Mr. Liao Tengjia is considered to have significant influence in this company
Sanya Lantian Investment Co., Ltd ("Sanya Lantian")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Development Automobile City Co., Ltd. ("AEC")	Joint venture of the Group
Beijing Quan Ying Property Development Company Limited ("BJ Quan Ying")	Mr. Liao Tengjia is considered to have significant influence in this company



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

24. RELATED PARTY TRANSACTIONS *(Continued)*

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

Name	Relationship
Guangdong Deer Lake Spa Holiday Hotel Company Limited ("GD Deer Lake Hotel")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Royal Star Apartment Company Limited ("Royal Star Apartment")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Yueju Property Development Company Limited ("GZ Yueju Property")	Mr. Liao Tengjia is considered to have significant influence in this company
Guangzhou Zhuguang Property Management Company Limited ("GZ Zhuguang Property Management")	Mr. Liao Tengjia is considered to have significant influence in this company
Xianghe Zhuguang Property Development Company Limited ("Xianghe Zhuguang Property")	Mr. Liao Tengjia is considered to have significant influence in this company

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

24. RELATED PARTY TRANSACTIONS *(Continued)*

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

In addition to the transactions and balances detailed elsewhere in the interim financial information, the Group had the following transactions with related parties during the period:

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000
Finance component of income from urban redevelopment projects from GD Zhuguang Group and its subsidiaries	(i)	678,853	509,022
Interest income from GD Zhuguang Group	(ii)	46,684	48,765
Service income from a joint venture	(iii)	3,676	—
Service income from GD Zhuguang Group and its subsidiaries	(iii)	33,882	—
Property management service fees to GZ Zhuguang Property Management	(iii)	2,202	1,641



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

24. RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes:

- (i) The finance component of income was derived from the other receivables related to urban redevelopment projects in accordance with the terms of the underlying agreements.
- (ii) The interest income was derived from the deposit for acquisition of equity interest in a property development project at a mutually agreed rate.
- (iii) The above transactions were conducted in accordance with the terms of the underlying agreements.
- (iv) GD Zhuguang Group has provided pledges and guarantees for the Group's bank and other borrowings of HK\$11,523,374,000 at 30 June 2020 (31 December 2019: HK\$10,203,971,000).
- (v) Rong De has provided pledges and guarantees for the Group's senior notes of HK\$3,071,404,000 (31 December 2019: HK\$3,381,035,000) and warrants of HK\$30,962,000 (31 December 2019: HK\$40,134,000) at 30 June 2020.
- (vi) During the six months ended 30 June 2020 and 2019, the Group's principal place of business in the PRC was provided by GD Zhuguang Group for which no charge was made.
- (vii) In the opinion of the Directors, the related party transactions were conducted in the ordinary course of business.

NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

24. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

As at 30 June 2020 and 31 December 2019, the Group had the following material balances with related parties:

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Amounts due from related parties included in trade receivables:			
— Qingyuan Huilihao	14, 24(b)(iii)	—	8,981
Amounts due from related parties included in other receivables			
— GZ Conghua Zhuguang Investment	24(b)(v)	—	948,898
— BJ Quan Ying	24(b)(iv)	3,848	7,442
— Yifa Industrial	24(b)(iv)	14,464	17,452
— GD Deer Lake Hotel	24(b)(iv)	—	1,786
— Royal Star Apartment	24(b)(iv)	—	2,680
— Sanya Lantian	24(b)(iv)	6,569	—
— GZ Yueju Property	24(b)(iv)	5,474	—
— Xianghe Zhuguang Property	24(b)(iv)	3,284	—
— AEC	24(b)(iv)	7,298	—
	14	40,937	978,258

NOTES TO INTERIM FINANCIAL INFORMATION (Continued)

30 June 2020

24. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties: (Continued)

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Other receivables with related parties included in prepayments, deposits and other assets			
— GD Zhuguang Group		2,814,807	1,356,292
— GZ Zhuguang Property		5,035,631	3,701,072
— GZ Conghua Zhuguang Investment		3,714,014	2,571,663
— SZ Zhuguang Property		451,974	382,911
	15	12,016,426	8,011,938
Amounts due from related parties included in prepayments and deposits			
— GD Zhuguang Group	15	766,332	781,445

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

24. RELATED PARTY TRANSACTIONS *(Continued)*

(b) **Outstanding balances with related parties:** *(Continued)*

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Amounts due from related parties included in financial assets at fair value through profit or loss			
— BJ Zhuguang Property		1,805,718	1,985,333
— Yifa Industrial		1,841,667	1,885,247
	16(a)	3,647,385	3,870,580
Amounts due to related parties included in other payables			
— GD Zhuguang Group	24(b)(i)	118,761	205,543
— GZ Conghua Zhuguang Investment	24(b)(i)	252	257
	17	119,013	205,800
Amounts due to the ultimate holding company (Rong De)	24(b)(ii)	344,288	351,550



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

24. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties: *(Continued)*

Notes:

- (i) Amounts due to related parties included in other payables are unsecured, interest-free and repayable on demand.
- (ii) Amounts due to the ultimate holding company are unsecured, interest-free and repayable on demand.
- (iii) An amount due from Qingyuan Huilihao included in trade receivables was derived from the provision of project management services, which was settled in accordance with mutually agreed terms.
- (iv) Amounts due from related parties included in other receivables were derived from the provision of management services, which would be settled in accordance with mutually agreed terms.
- (v) Amounts due from GZ Conghua Zhuguang Investment included in other receivables were unsecured, interest-free and repayable on demand.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

24. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel of the Group

In the opinion of the Directors, the directors and the chief executive officer of the Company represented the key management personnel of the Group and the compensation of the key management personnel are set out as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Fees	720	720
Other emoluments:		
Salaries, allowances and benefits in kind	11,163	9,882
Pension scheme contributions	30	107
	11,193	9,989
	11,913	10,709



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments as at 30 June 2020 and 31 December 2019 approximated to their fair values.

Management has assessed that the fair values of trade and other receivables, deposits, restricted cash, cash and cash equivalents, term deposits, trade and other payables and current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The carrying amounts of the non-current portion of bank and other borrowings approximate to their fair values. The fair values of the non-current portion of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 30 June 2020 and 31 December 2019 were assessed to be insignificant.

The Group has estimated the fair value of unlisted PRC investment funds by using a discounted cash flow valuation model based on the market interest rate of instruments with similar terms and risks.

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of derivative financial instruments are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
(Unaudited)				
Financial assets				
Financial assets at fair value through profit or loss	–	–	3,741,939	3,741,939
Financial liabilities				
Derivative financial instruments	–	–	30,962	30,962



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

As at 31 December 2019

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
(Audited)				
Financial assets				
Financial assets at fair value through profit or loss	—	—	3,939,090	3,939,090
Financial liabilities				
Derivative financial instruments	—	—	40,134	40,134

NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*
30 June 2020

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The movements in fair value measurements of financial assets within Level 3 is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Financial assets at fair value through profit or loss:		
At beginning of period/year	3,939,090	5,320,075
Change in fair value during the period/year	140,753	662,507
Disposal during the period/year	(260,514)	(966,374)
Transfer to financial assets at amortised cost	—	(948,898)
Exchange realignment	(77,390)	(128,220)
At end of period/year	3,741,939	3,939,090

The details of the valuation technique and the inputs used in the fair value measurement of financial assets at fair value through profit or loss and derivative financial instruments have been disclosed in note 16 and note 18 to the interim financial information, respectively.

Save as disclosed above, during the period/year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.



NOTES TO INTERIM FINANCIAL INFORMATION *(Continued)*

30 June 2020

26. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved and authorised for issue by the board of directors on 28 August 2020.

OTHER INFORMATION

INTERIM DIVIDEND

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

All Flourish holds 100% of the equity interests of Pacific Win and Pacific Win in turn holds 51% of the equity interests of the Guangzhou Project Company, which holds interests in the AEC Project known as “Zhuguang Financial Town One* (珠光金融城壹號)”, which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC.

* English name is translated for identification purpose only



MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

(a) *(continued)*

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

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

* English name is translated for identification purpose only



MATERIAL ACQUISITIONS AND DISPOSALS *(continued)*

(b) *(continued)*

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

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

** English name is translated for identification purpose only*

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

- (a) As at 30 June 2020, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (ii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director/ chief executive of the Company	Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company (Note 2)
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of a controlled corporation (Note 1)	4,825,791,289	67.08%
Liao Tengjia	Interest of a controlled corporation (Note 1)	4,825,791,289	67.08%
Huang Jiajue	Beneficial owner	13,330,000	0.19%



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

(a) *(continued)*

Notes:

1. 4,825,791,289 Shares were held by Rong De, which was owned as to 34.06% by Mr. Chu Hing Tsung and as to 36.00% by Mr. Liao Tengjia. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO. To the best knowledge of the Directors, out of the aforesaid 4,825,791,289 Shares, 425,000,000 Shares, 3,361,112,000 Shares and 200,000,000 Shares have been pledged by Rong De to CCBIS, BNY HK and China Huarong Asset Management Company Limited, Guangdong Branch ("CHAMCLGDBR"), respectively. Mr. Liao Tengjia is a director of Rong De.
2. The total number of the issued Shares as at 30 June 2020 (i.e. 7,194,417,247 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

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

(a) *(continued)*

Interest in shares of the Company's associated corporations

Name of Director/ chief executive of the Company	Name of associated corporation	Capacity	Total number of ordinary shares	Approximate percentage of interest
Chu Hing Tsung (alias Zhu Qing Yi)	Rong De	Beneficial owner	68,120	34.06%
Chu Muk Chi (alias Zhu La Yi)	Rong De	Beneficial owner	59,888	29.94%
Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Huang Jiajue	Silver Grant	Beneficial owner	5,690,000	0.25%

(b) Save as disclosed in this interim report, as at 30 June 2020, none of the Directors or the chief executive of the Company had any interest and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (ii) were required, pursuant to the Code, to be notified to the Company and the Stock Exchange.



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

- (a) As at 30 June 2020, so far as it is known to the Directors or the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO:

Interests of substantial Shareholders

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest	Number of underlying Shares	Approximate percentage of total issued share capital the Company (Note 9)
Rong De (Note 1)	Beneficial owner	4,825,791,289 (L)	67.08%	—	—

Interests of other persons

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest	Number of underlying Shares	Approximate percentage of total issued share capital the Company (Note 9)
CCBIS (Note 1)	Security interest	425,000,000 (L)	5.91%	—	—

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

(a) *(continued)*

Interests of other persons *(continued)*

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest	Number of underlying Shares	Approximate percentage of total issued share capital the Company (Note 9)
Central Huijin Investment Limited ("Central Huijin") (Notes 2 and 3)	Interest of controlled corporations	—	—	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	—	—
Agricultural Bank of China Limited ("ABCL") (Note 2)	Interest of controlled corporations	—	—	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	—	—
Ministry of Finance of the People's Republic of China ("MOF") (Note 2)	Interest of controlled corporations	—	—	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	—	—

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

(a) *(continued)*

Interests of other persons *(continued)*

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest	Number of underlying Shares	Approximate percentage of total issued share capital the Company (Note 9)
China Construction Bank Corporation ("CCB") (Note 3)	Interest of controlled corporations	—	—	19,608,938 (L)	0.27%
	Security interest	3,361,112,000 (L)	46.72%	—	—
The Bank of New York Mellon Corporation ("BNY") (Note 4)	Interest of a controlled corporation	3,361,788,000 (L)	46.73%	—	—
China Orient Asset Management Co., Ltd. ("COAM") (Note 5)	Interest of controlled corporations	3,361,112,000 (L)	46.72%	144,909,586 (S)	2.01%
Cheung Fong Wing (Note 6)	Interest of a controlled corporation	418,500,000 (L)	5.82%	1,449,095 (L)	0.02%
	Security interest	3,361,112,000 (L)	46.72%	—	—

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

(a) *(continued)*

Interests of other persons *(continued)*

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest	Number of underlying Shares	Approximate percentage of total issued share capital the Company (Note 9)
Quan Xing (Note 6)	Beneficial owner	418,500,000 (L)	5.82%	1,449,095 (L)	0.02%
	Security interest	3,361,112,000 (L)	46.72%	—	—
中國華融資產管理股份有限公司 ("CHAMCL") (Note 7)	Interest of controlled corporations	220,216,000 (L)	3.06%	—	—
	Security interest	1,586,000,000 (L)	22.04%	—	—
China Cinda Asset Management Co., Ltd. ("CCAM") (Note 8)	Interest of controlled corporations	3,361,112,000 (L)	46.72%	86,221,203 (L)	1.20%

(L) Long position

(S) Short position



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

(a) *(continued)*

Interests of other persons *(continued)*

Notes:

1. The Shares comprised the 4,825,791,289 Shares beneficially owned by Rong De as stated under "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures – Long position in the Shares". To the best knowledge of the Directors, out of the aforesaid 4,825,791,289 Shares, 425,000,000 Shares, 3,361,112,000 Shares and 200,000,000 Shares have been pledged by Rong De to CCBIS, BNY HK and CHAMCLGDBR respectively. Mr. Liao Tengjia is a director of Rong De.
2. According to the disclosure of interest notices filed by ABCL and Heroic Day on 15 October 2019, Heroic Day held direct interest in 3,361,112,000 Shares and 50,718,355 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited ("ABCIIM"). ABCIIM is a wholly-owned subsidiary of ABC International Holdings Limited ("ABCIH"). ABCIH is a wholly-owned subsidiary of ABCL. According to the disclosure of interest notice filed by Central Huijin on 16 October 2019 and MOF on 15 October 2019, ABCL is in turn owned as to 40.03% by Central Huijin and as to 35.29% by MOF. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and the underlying Shares held by Heroic Day by virtue of the provisions of the SFO.
3. According to the disclosure of interest notice filed by CCB on 27 September 2019, CCB International Overseas Limited ("CCBIO") held direct interest in 3,361,112,000 Shares and 19,608,938 underlying Shares, and is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH"). CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited ("CCBFH"). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited ("CCBIG"). CCBIG is a wholly-owned subsidiary of CCB. According to the disclosure of interest notice filed by Central Huijin on 16 October 2019, CCB is owned as to 57.11% by Central Huijin. Accordingly, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the Shares and the underlying Shares held by CCBIO by virtue of the provisions of the SFO.

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

(a) *(continued)*

Interests of other persons *(continued)*

Notes: *(continued)*

4. According to the disclosure of interest notice filed by BNY on 24 September 2019, the Bank of New York Mellon held direct interest in 3,361,788,000 Shares and a lending pool of consisting of 588,000 Shares, and is wholly-owned by BNY. Accordingly, BNY is deemed to be interested in the Shares held by the Bank of New York Mellon by virtue of the provisions of the SFO.

5. According to the disclosure of interest notice filed by COAM on 28 November 2019, Blooming Rose held direct interest in 3,361,112,000 Shares and short positions in 144,909,586 underlying Shares, and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"). COAM International is held as to 50% by Wise Leader Assets Ltd ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares and the underlying Shares held by Blooming Rose by virtue of the provisions of the SFO.

6. According to the disclosure of interest notice filed by Quan Xing on 30 June 2020, Quan Xing, which is wholly-owned by Mr. Cheung Fong Wing, held direct interest in 3,779,612,000 Shares and 1,449,095 underlying Shares. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares and the underlying Shares held by Quan Xing by virtue of the provisions of the SFO.



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

(a) *(continued)*

Interests of other persons *(continued)*

Notes: *(continued)*

7. According to the disclosure of interest notice filed by CHAMCL on 13 May 2020 ("CHAMCL Notice"), Beyond Steady Limited ("Beyond Steady"), a wholly-owned subsidiary of Linewear Assets Limited ("Linewear"), held direct interest in 220,216,000 Shares. Linewear is a wholly-owned subsidiary of Huarong International Financial Holdings Limited ("Huarong International"). Huarong International is held as to 51% by Camellia Pacific Investment Holding Limited ("Camellia Pacific"), which in turn is a wholly-owned subsidiary of China Huarong International Holdings Limited ("CHIH"). CHIH is held as to 1.8% by Huarong Zhiyuan Investment & Management Co., Ltd. ("HZY"), 13.36% by Huarong Real Estate Co., Ltd. ("HRE") and 84.84% by CHAMCL. Each of HZY and HRE is a wholly-owned subsidiary of CHAMCL. Accordingly, Linewear, Huarong International, Camellia Pacific, CHIH, HZY, HRE and CHAMCL are deemed to be interested in the Shares held by Beyond Steady by virtue of the provisions of the SFO. According to the CHAMCL Notice, CHAMCLGDBR held direct interest in 1,586,000,000 Shares and is a wholly-owned subsidiary of CHAMCL. Accordingly, CHAMCL is deemed to be interested in the Shares held by CHAMCLGDBR by virtue of the provisions of the SFO.
8. According to the disclosure of interest notice filed by CCAM on 29 November 2019, Cinda held direct interest in 3,361,112,000 Shares and 86,221,203 underlying Shares, and is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited ("CCHK"), which is in turn wholly-owned by CCAM. Accordingly, CCHK and CCAM are deemed to be interested in the Shares and the underlying Shares held by Cinda by virtue of the provisions of the SFO.
9. The total number of issued Shares as at 30 June 2020 (i.e. 7,194,417,247 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

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

- (b) Save as disclosed above, the Directors and the chief executive officer of the Company are not aware of any other persons (not being Directors or chief executive of the Company) as at 30 June 2020, who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and were required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

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

Code Provision E.1.2 of the CG Code requires that the chairman of the Board ("Chairman") should attend the annual general meeting of the Company ("AGM"). Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Chairman, did not attend the AGM held on 15 June 2020 due to his prior engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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



AUDIT COMMITTEE

The audit committee of the Board (“Audit Committee”) comprises three independent non-executive Directors. The Audit Committee has reviewed with the management, the accounting principles and policies adopted by the Group and discussed with the management regarding auditing, internal controls and financial reporting matters, including the review of the unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 and this interim report, which is of the opinion that they comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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

This interim report for the six months ended 30 June 2020 of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.zhuguang.com.hk, and will be despatched to the Shareholders in due course.

APPRECIATION

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

On behalf of the Board

Zhuguang Holdings Group Company Limited

Chu Hing Tsung

Chairman

Hong Kong, 28 August 2020