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珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED
珠光控股集團有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1176)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The board ("Board") of directors ("Directors") of Zhuguang Holdings Group Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011 together with the comparative figures for the previous year as follows:—

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Turnover	2	**57,899**	7,855
Rental outgoings		**—**	(3,081)
Gross profit		**57,899**	4,774
Other income		**6,922**	3,097
Fair value gains on investment properties		**41,719**	24,920
Selling and marketing expenses		**(3,796)**	(6,765)
Administrative expenses		**(23,008)**	(16,031)
Other operating expenses	3	**(51,155)**	(1,477)
Profit from operations		**28,581**	8,518
Finance costs	4	**(10,356)**	(58)
Profit before tax		**18,225**	8,460
Income tax	5	**(10,267)**	(3,319)
Profit for the year	6	**7,958**	5,141
Attributable to:			
Owners of the Company		**16,659**	5,141
Non-controlling interests		**(8,701)**	—
		7,958	5,141
Basic earnings per share	8	**0.68 cents**	0.23 cents

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**7,958**	5,141
Other comprehensive income for the year, net of tax		
Exchange differences on translating foreign operations	**34,174**	12,757
Total comprehensive income for the year	**42,132**	17,898
Attributable to:		
Owners of the Company	**51,677**	17,898
Non-controlling interests	**(9,545)**	—
	42,132	17,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**1,619**	2,094
Investment properties		**1,095,966**	839,317
Prepayment for properties acquisition		**—**	15,000
		1,097,585	856,411
Current assets			
Properties under development		**2,058,149**	330,201
Accounts receivable	9	**24,917**	4,797
Prepayments, deposits and other receivables		**140,144**	11,066
Current tax assets		**18,231**	8,262
Restricted bank deposits		**55,911**	124,418
Bank and cash balances		**393,830**	17,733
		2,691,182	496,477
Current liabilities			
Accounts payable	10	**532,643**	1,058
Proceeds received from pre-sale of properties		**522,580**	223,039
Accruals and other payables		**167,793**	28,266
Amount due to the ultimate holding company		**100,500**	—
Bank and other borrowings		**65,623**	—
Finance lease payables		**363**	347
Current tax liabilities		**8,616**	2,286
		1,398,118	254,996
Net current assets		**1,293,064**	241,481
Total assets less current liabilities		**2,390,649**	1,097,892
Non-current liabilities			
Amount due to a non-controlling shareholder of a subsidiary		**342,367**	—
Bank and other borrowings		**721,030**	81,199
Finance lease payables		**383**	746
Deferred tax liabilities		**73,842**	55,679
		1,137,622	137,624
NET ASSETS		**1,253,027**	960,268
Capital and reserves			
Share capital		**246,882**	243,059
Reserves		**847,831**	717,209
Equity attributable to owners of the Company		**1,094,713**	960,268
Non-controlling interests		**158,314**	—
TOTAL EQUITY		**1,253,027**	960,268

Notes:

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. TURNOVER AND SEGMENT INFORMATION

The Group has two reportable segments as follows:

Property sales — property development and sales

Property rental — property investment and property rental activities

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

Segment profits or losses do not include corporate income and expenses. Segment assets include all tangible assets and current assets but do not include corporate assets which are managed on a central basis. Segment liabilities include accruals and other payables, current and deferred tax liabilities managed directly by the segments.

Information regarding the Group's reportable segments is presented below.

2. TURNOVER AND SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities

	Property sales *HK$'000*	Property rental *HK$'000*	Total *HK$'000*
Year ended 31 December 2011			
Revenue from external customers (Note)	**—**	**57,899**	**57,899**
Segment (loss)/profit	**(58,329)**	**86,525**	**28,196**
Other information			
Interest revenue	**339**	**—**	**339**
Interest expense	**2,080**	**—**	**2,080**
Depreciation	**389**	**—**	**389**
Fair value gains on investment properties	**—**	**41,719**	**41,719**
Other material items of income and expense: Land premium late payment charges	**42,729**	**—**	**42,729**
Income tax	**—**	**10,267**	**10,267**
Additions to segment non-current assets	**77**	**—**	**77**
At 31 December 2011			
Segment assets	**2,650,651**	**1,136,354**	**3,787,005**
Segment liabilities	**2,047,616**	**165,007**	**2,212,623**

Note: The Group's turnover represents rental income generated, net of business tax, during the year.

2. TURNOVER AND SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities *(continued)*

	Property sales *HK$'000*	Property rental *HK$'000*	Total *HK$'000*
Year ended 31 December 2010			
Revenue from external customers	—	7,855	7,855
Segment (loss)/profit	(12,005)	26,606	14,601
Other information			
Interest revenue	1,773	1,233	3,006
Depreciation	216	—	216
Fair value gains on investment properties	—	24,920	24,920
Income tax	—	3,319	3,319
Additions to segment non-current assets	1,852	—	1,852
At 31 December 2010			
Segment assets	492,146	859,114	1,351,260
Segment liabilities	312,548	77,523	390,071

2. TURNOVER AND SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment profit or loss, assets and liabilities

	2011	2010
	HK$'000	*HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**28,196**	14,601
Unallocated amounts		
Other corporate expenses*	**(20,238)**	(9,460)
Consolidated profit for the year	**7,958**	5,141
Assets		
Total assets of reportable segments	**3,787,005**	1,351,260
Unallocated amounts		
Other corporate assets	**1,762**	1,628
Consolidated total assets	**3,788,767**	1,352,888
Liabilities		
Total liabilities of reportable segments	**2,212,623**	390,071
Unallocated amounts		
Other corporate liabilities	**323,117**	2,549
Consolidated total liabilities	**2,535,740**	392,620

* Other corporate expenses include the following:

	2011	2010
	HK$'000	*HK$'000*
Other income	**—**	(65)
Unallocated administration and finance costs	**20,238**	9,525
	20,238	9,460

Geographical information

All the revenue generated by the Group for the two years ended 31 December 2011 and 2010 were attributable to customers based in the People's Republic of China (the "PRC"). In addition, majority of the Group's non-current assets are located in the PRC. Accordingly, no geographical analysis is presented.

Revenue from major customers

During the year ended 31 December 2011, the Group's total revenue was derived from one customer of the Group's property rental segment.

During the year ended 31 December 2010, revenues derived from the Group's largest three customers which accounted for 10% or more of the Group's total revenue amounted to approximately HK$3,666,000, HK$2,749,000 and HK$1,440,000 respectively. These revenues are attributable to the property rental segment.

3. OTHER OPERATING EXPENSES

	2011 *HK$'000*	2010 *HK$'000*
Land premium late payment charges	**42,729**	—
Other taxes	**8,327**	1,292
Others	**99**	185
	51,155	1,477

4. FINANCE COSTS

	2011 *HK$'000*	2010 *HK$'000*
Finance lease charges	**41**	58
Interest on bank loans wholly repayable within five years	**9,559**	2,851
Interest on Senior Notes wholly repayable within five years	**2,055**	—
Total borrowings costs	**11,655**	2,909
Amount capitalised	**(1,299)**	(2,851)
	10,356	58

5. INCOME TAX

	2011 *HK$'000*	2010 *HK$'000*
Current tax		
PRC Enterprise Income Tax	**6,095**	827
Deferred tax		
PRC Enterprise Income Tax	**4,172**	2,492
	10,267	3,319

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years.

Subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at 25% (2010: 25%) based on existing legislation, interpretation and practices in respect thereof.

According to the PRC enterprise income tax law and the relevant PRC issued implementation regulation, the Group is subject to PRC withholding income tax of 10% (2010: 10%) on the gross rental income.

6. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2011	2010
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit	**1,100**	900
— Others	**720**	800
	1,820	1,700
Depreciation	**611**	431
Direct operating expenses of investment properties that generated rental income	**—**	3,081
Exchange loss	**—**	160
Operating lease rental in respect of land and buildings	**1,106**	1,210
Staff costs including directors' emoluments		
— Salaries and allowances	**8,403**	5,284
— Retirement benefit scheme contributions	**238**	125
	8,641	5,409

7. DIVIDENDS

The Directors do not recommend the payment of any dividend (2010: nil) in respect of the year.

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$16,659,000 (2010: HK$5,141,000) divided by the weighted average number of ordinary shares of 2,459,393,955 (2010: 2,272,808,902) in issue during the year.

There were no dilutive potential shares during the years ended 31 December 2011 and 2010. Therefore, no diluted earnings per share have been presented.

9. ACCOUNTS RECEIVABLE

The Group's accounts receivable, representing rental receivable from tenants, are due on presentation of invoices.

The aging analysis of accounts receivable, based on the invoice date, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**2,405**	2,115
4 to 6 months	**9,005**	2,115
7 to 12 months	**13,507**	567
	24,917	4,797

9. ACCOUNTS RECEIVABLE *(continued)*

As of 31 December 2011, the above accounts receivable were past due for which the Group has not provided for impairment loss since the balances were fully settled subsequent to the reporting date. The Group holds rental deposits as collateral from the tenant.

10. ACCOUNTS PAYABLE

The Group's accounts payable comprise the following:

	2011	2010
	HK$'000	*HK$'000*
Land premium payable	**351,611**	—
Land late payment charge payable	**173,504**	—
Construction fee payable	**7,528**	1,058
	532,643	1,058

The aging analysis of accounts payable, based on the payment due date, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**7,255**	799
4 to 6 months	**26**	259
Over 1 year	**525,362**	—
	532,643	1,058

11. EVENTS AFTER THE REPORTING PERIOD

(a) On 30 December 2011, the Group entered into a loan agreement and a supplemental agreement for a loan of RMB50 million. The loan was secured by the pledge of 167 residential units of the Group's properties under development project, Pearl Nansha Scenic. The pledge was effective upon the registration of the charge on the 167 residential units with Guangzhou Municipal Land Resources and Housing Administrative Bureau becoming effective on 4 January 2012.

(b) On 16 January 2012, the Group entered into a conditional sale and purchase agreement with the Company's director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), to acquire 100% of the issued share capital of Profaith International Holdings Limited ("Profaith International") and the shareholder's loan due by Profaith International and its subsidiaries at a consideration of RMB354,500,000 which will be satisfied by the allotment and issue of 437,453,000 new ordinary shares of the Company. Profaith International and its subsidiaries, Ever Crown Corporation Limited and Donggang Hezhong Property Co., Limited* ("DGHZ"), are principally engaged in property development in the PRC. As the acquisition is yet to complete, it is impracticable to disclose further information about the acquisition.

** English name is translated for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in property development, property investment and property rental activities in the PRC.

In 2011, the global economic situation was complicated and diversified. The economic stimulus policy implemented by major economies brought risks of asset bubbles and raising inflation in emerging countries. For this, Chinese government moderately adjusted fiscal and monetary policies. Through rising bank deposit reserve ratio and interest rate, the Chinese government gradually and effectively controlled the currency liquidity and inflation pressure to ensure a stable and rapid economic development. The growth rate of Chinese economy in 2011 will still reach to 9.2%. Under the competitive market environment, the Group adhered to the principle of pragmatism and good faith, and adjusted the pace of project development timely to make progress while ensuring stability.

During the year under review, the major investment property of the Group was the holding of certain floors in Royal Mediterranean Hotel, and its property under development was Pearl Nansha Scenic project. In addition, after complete acquisition of all interests of Cheng Chang Holdings Limited ("Cheng Chang"), which indirectly holds 80% equity interest of Guangdong Hailian Building Co., Ltd.* ("Guangdong Hailian"), which has a development project in Zhujiang New Town, Tianhe District, Guangzhou, the PRC.

Property Investment

In March 2011, the Group has completed the acquisition of certain floors in Royal Mediterranean Hotel with a total gross floor area of approximately 5,964 square meters, which is located at No.518 Tianhe Road, Tianhe District, Guangzhou, the PRC. Together with the Group's holding of existing floors, the Group total holding of the investment property in the hotel amounted to gross floor area of approximately 34,592 square meters as at 31 December 2011. Such investment generates a recurring monthly rental income to the Group of approximately RMB5,600,000. The total rental income for the year was HK$57,899,000.

Property Development

During 2011, the Group's core property development project was Pearl Nansha Scenic ("Nansha Scenic"), which is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC. Pre-sale of Nansha Scenic Phase II was launched in the fourth quarter of 2011 and the result of pre-sale was satisfactory. The main construction of the project had been completed. The development of the final stage supporting facilities of the project is currently under construction. It is estimated that Nansha Scenic Phase I and Phase II will be completed for occupation at the end of 2012 and in third quarter of 2013 respectively.

** English name is translated for identification purpose only*

Business Review *(continued)*

Property Development *(continued)*

In addition, the Group's another property development was a development project on a parcel of land at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC. As announced on 5 September 2011, the Group had completed the acquisition of the entire issued share capital of Cheng Chang which owns 100% shareholding interest in Fully Wise Investment Limited ("Fully Wise"). Fully Wise owns 80% shareholding interest in Guangdong Hailian, which in turn owns the entire interest in the development project. The project is expected to be a commercial project which situates in Zhujiang New Town, the most major business district in Guangzhou with a site area of approximately 10,449 square meters. According to the construction design, the project will comprise primarily two high-rise first grade 34-storey commercial building including a 5-storey commercial podium and a 29-storey office building. There is also a 3-storey underground car park of approximately 23,820 square meters, with a total gross floor area of approximately 130,916 square meters. It is estimated that the project would bring significant profit contribution to the Group since good quality commercial premises in such prime location are always in great demand.

Business Prospect

In January 2012, the Group entered into the Sale and Purchase agreement with Mr. Chu Hing Tsung, an executive director of the Company pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Profaith International and the shareholder's loan for an aggregate consideration of RMB354,500,000 (equivalent to HK$437,453,000) which should be satisfied by the allotment and issue of 437,453,000 new ordinary shares of the Company. Profaith International indirectly holds 100% interests of DGHZ, which owns the entire interest in a development project located adjacent to Provincial Highway S355 line at Jie Kou Street, Conghua, Guangzhou, the PRC. As at the date of this announcement, the acquisition was not yet completed.

Overall, the China property market in 2012 presents both challenges and opportunities. Though there have recently been slight signs of relaxation of the tightening measures for the property market, the tough restrictive policies from the central government will likely remain in place for some time. Before the easing of the restrictive policies on purchases and mortgages, the Group will closely monitor the risks and opportunities triggered by any change in the market environment and will implement appropriate response measures in a timely and effective manner.

Looking at the year ahead, the Group will actively increase financial resources and seize investment opportunities including the acquisition of prime land parcels through various channels. Maintaining suitable precautions against risk, the Group will actively seek market opportunities to ensure sustainable growth even in times of uncertainty. As the rapid ongoing urbanization will continue to drive the property market in China for some time, the Group is still fully confident about the long-term development of the Mainland China property market.

The Group will stick to a development model focused on mid-range to high-end products that aims to maximize profit for the Group with its focus on products and brand, so as to enhance its elite image.

Financial Review

Turnover and Segmental Information

Turnover

The Group's turnover represents rental income generated. Rental income increased seven times to approximately HK$57,899,000 in 2011 (2010: approximately HK$7,855,000). The increase in rental income was attributable to the commencement of lease of the investment properties in the Royal Mediterranean Hotel following the acquisitions of certain investment properties in December 2010 and March 2011.

Gross profit

Gross profit increased significantly to approximately HK$57,899,000 in 2011 (2010: approximately HK$4,774,000). The increase was mainly due to the rapid growth in rental income and the effective control on rental outgoings during the year.

Other income

Other income increased to approximately HK$6,922,000 in 2011 (2010: approximately HK$3,097,000), mainly due to exchange gain as a result of the appreciation of Renminbi ("RMB").

Fair value gains on investment properties

Fair value gains on investment properties increased by 67% to approximately HK$41,719,000 in 2011 (2010: approximately HK$24,920,000). This was mainly attributable to the increase in gross floor area of the Group's investment properties in Royal Mediterranean Hotel and the appreciation of market value.

Selling and marketing expenses

During the year, selling and marketing expenses amounted to approximately HK$3,796,000 (2010: approximately HK$6,765,000). This was due to the drop in promotion expenses in Nansha Scenic which was caused by the decrease in pre-sales of the development properties.

Administrative expenses

Administrative expenses increased by 44% to approximately HK$23,008,000 in 2011 (2010: approximately HK$16,031,000). This was mainly attributed to more professional fees were incurred for the acquisition of Cheng Chang and a series of financing activities that took place during the year.

Profit before tax

The Group recorded a profit before tax of approximately HK$18,225,000 in 2011 (2010: approximately HK$8,460,000).

Income tax

Income tax increased to approximately HK$10,267,000 in 2011 (2010: approximately HK$3,319,000), primarily attributable to the increase in deferred tax and income tax on rental income from the investment properties in Royal Mediterranean Hotel.

Financial Review *(continued)*

Liquidity and Capital Resources

Cash position

As at 31 December 2011, the Group's bank and cash balances amounted to approximately HK$393,830,000 (31 December 2010: HK$17,733,000).

Borrowings, charges on group assets and gearing ratio

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

	2011	2010
	HK$'000	*HK$'000*
Bank loans - secured	**317,679**	81,199
Senior Notes - secured	**468,974**	—
	786,653	81,199

Bank loans

As at 31 December 2011, the bank loans were secured by the following:

(i) all the Group's investment properties (2010: nil);

(ii) the Group's pledged bank deposits of approximately HK$15,412,000 (2010: HK$47,007,000);

(iii) charge over the entire issued share capital of the Company's subsidiaries, Big Wisdom Limited, Diamond Crown Limited, Graceful Link Limited, Light-Up Investments Limited and Speedy Full Limited (2010: nil); and

(iv) assignment of all rental income from the Group's investment properties (2010: nil).

Senior Notes

Pursuant to an investment agreement dated 6 December 2011, a wholly-owned subsidiary of the Company, Zhuguang Group Limited ("ZGL") issued secured and guaranteed senior notes in an aggregate principal amount of HK$500 million (the "Senior Notes") to Silver Prosper (BVI) Investments Limited ("Silver Prosper") on 21 December 2011. The Senior Notes are interest-bearing at 15% per annum calculated by reference to the principal amount thereof and interests are payable by seven instalments in March 2012, June 2012, December 2012, June 2013, December 2013, June 2014 and December 2014.

Financial Review *(continued)*

Liquidity and Capital Resources *(continued)*

Senior Notes (continued)

The Senior Notes shall be redeemed on the earlier of (i) 21 December 2014 and (ii) the date falling on the 30th day after the date on which the certificate of completion in respect of all the units making up the sale of 80% of the total saleable gross floor area in the completed development project of Guangdong Hailian (the "Sale") has been issued and notification of delivery of each of such units has been delivered by Guangdong Hailian to the respective purchaser in the Sale. ZGL is allowed to early redeem the Senior Notes subject to the terms specified in the Notes Instrument dated 21 December 2011.

The Senior Notes are secured and guaranteed by:

(i) a second fixed charge over the entire issued share capital of ZGL, Cheng Chang and Fully Wise and the related rights;

(ii) 80% equity interests in Guangdong Hailian;

(iii) security assignment of all of the rights and interests in respect of certain intra-group loans; and

(iv) guarantee executed by the Company's director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi).

The gearing ratio as at 31 December 2011, expressed as total borrowings over the total equity was 63% (31 December 2010: 9%).

CONTINGENT LIABILITIES

(a) 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:

	2011	2010
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities utilised by purchasers	**169,253**	59,483

Pursuant to the terms of the guarantees, if there are any defaults on the mortgages, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulting purchasers to banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees shall be released upon the purchasers' property ownership certificates were issued and in the custody of the banks.

At the reporting date, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

The fair value of the guarantees at date of inception is not material and is not recognised in the financial statements.

CONTINGENT LIABILITIES *(continued)*

b) Pursuant to a Subscription and Shareholders Agreement dated 6 December 2011 (the "Subscription Agreement"), Silver Prosper conditionally agreed to subscribe for 45 ordinary shares of US$1 each in Cheng Chang, representing 45% of the enlarged issued share capital of Cheng Chang at a subscription price of HK$280 million (the "Subscription"). The Company's director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) has provided guarantee to Silver Prosper for the punctual performance by the Group of all its obligations under the Subscription Agreement. Up to the date of these financial statements, the Subscription is still in progress.

   In consideration of Silver Prosper agreeing to complete the Subscription and the subscription of the Senior Notes, on 20 December 2011, the Group and Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) entered into a deed of indemnity (the "Deed") to indemnify Silver Prosper and other indemnified parties from and against any losses and damages may suffer in relation to (i) Fully Wise's non-compliance with applicable laws and regulations and other irregularities and (ii) certain liabilities owed by Guangdong Hailian as set out in the Deed.

   As at the reporting date, the directors do not consider it probable that a claim will be made against the Group under the Deed.

FOREIGN EXCHANGE RATE

The Group conducts its business almost exclusively in RMB except that certain borrowings are in Hong Kong dollar ("HK$"). The conversion of RMB into HK$ 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$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. The Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide the hedging policy required against the possible foreign exchange risk that may arise.

STAFF AND REMUNERATION POLICIES

The Group had approximately 50 employees in Hong Kong and the PRC as at 31 December 2011 (31 December 2010: 40). They are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include year end bonus.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group adopted the Model Code for Securities Transactions by Directors (the "Code") as contained in Appendix 10 of the Listing Rules. Special enquiry has been made of all Directors, and all Directors have confirmed that they have complied with the required standards set out in the Code for the year ended 31 December 2011.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with all the code provisions (except code provisions A.4.2) of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011.

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

AUDIT COMMITTEE

The audit committee of the Company comprises three Independent Non-executive Directors. The committee has reviewed the accounting principles and practice adopted by the Group and discussed with the management regarding auditing, internal control and financial reporting matters including the review of the Company's audited results for the year ended 31 December 2011.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2011. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

APPRECIATION

The Board would like to take this opportunity to thank the shareholders of the Company and the management and the staff members of the Group for their dedication and support.

By Order of the Board of
Zhuguang Holdings Group Company Limited
Liao Tengjia
Chairman

Hong Kong, 27 March 2012

As at the date of this announcement, the Board comprises Mr. Liao Tengjia (Chairman), Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Deputy Chairman and Chief Executive Officer), Mr. Chu Muk Chi (alias Mr. Zhu La Yi) and Mr. Huang Jia Jue as Executive Directors and Mr. Leung Wo Ping JP, Dr. Zhang Jianqi and Dr. Liang Tongying as Independent Non-executive Directors.

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