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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)

2012 INTERIM RESULTS

The board of Directors (“Board”) of Zhuguang Holdings Group Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 together with the comparative figures as follows:

FINANCIAL HIGHLIGHTS

RESULTS	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover — rental income	39,280	19,059
Fair value gains on investment properties	13,647	12,163
Profit for the period attributable to owners of the Company	8,245	10,139
Basic earnings per share	0.32 cents	0.41 cents
	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
Total assets	4,031,068	3,788,767
Total liabilities	2,495,123	2,535,740
Total equity	1,535,945	1,253,027

* For identification purposes only

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)
Turnover	4, 5	39,280	19,059
Other income		153	349
Gain on acquisition of a subsidiary	20	31,897	—
Fair value gains on investment properties		13,647	12,163
Selling and marketing expenses		(268)	(654)
Administrative expenses		(12,545)	(10,945)
Other operating expenses	6	(11,446)	(3,337)
Profit from operations		60,718	16,635
Finance costs	7	(48,331)	(1,114)
Profit before tax		12,387	15,521
Income tax	8	(5,499)	(5,382)
Profit for the period	9	6,888	10,139
Profit for the period attributable to:			
Owners of the Company		8,245	10,139
Non-controlling interests		(1,357)	—
		6,888	10,139
Basic earnings per share	10	0.32 cents	0.41 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>6,888</u>	<u>10,139</u>
Other comprehensive income for the period, net of tax		
Exchange differences on translating foreign operations	<u>(3,940)</u>	<u>23,312</u>
Total comprehensive income for the period	<u><u>2,948</u></u>	<u><u>33,451</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u>4,030</u>	<u>33,451</u>
Non-controlling interests	<u>(1,082)</u>	<u>—</u>
	<u><u>2,948</u></u>	<u><u>33,451</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
	Note		
Non-current assets			
Property, plant and equipment		108,948	1,619
Investment properties	11	1,103,494	1,095,966
Intangible asset	12	1,088	—
		<u>1,213,530</u>	<u>1,097,585</u>
Current assets			
Properties under development	13	2,484,727	2,058,149
Accounts receivable	14	2,392	24,917
Prepayments, deposits and other receivables		171,874	140,144
Current tax assets		18,471	18,231
Restricted bank deposits	15	99,844	55,911
Bank and cash balances		40,230	393,830
		<u>2,817,538</u>	<u>2,691,182</u>
Current liabilities			
Accounts payable		176,426	532,643
Proceeds received from pre-sale of properties		626,658	522,580
Accruals and other payables		266,350	167,793
Amount due to ultimate holding company	16	125,960	100,500
Bank and other borrowings	17	117,436	65,623
Finance lease payable		371	363
Current tax liabilities		12,690	8,616
		<u>1,325,891</u>	<u>1,398,118</u>
Net current assets		<u>1,491,647</u>	<u>1,293,064</u>
Total assets less current liabilities		<u>2,705,177</u>	<u>2,390,649</u>
Non-current liabilities			
Amount due to a non-controlling shareholder of a subsidiary	18	340,469	342,367
Bank and other borrowings	17	691,622	721,030
Finance lease payable		196	383
Deferred tax liabilities		136,945	73,842
		<u>1,169,232</u>	<u>1,137,622</u>
NET ASSETS		<u>1,535,945</u>	<u>1,253,027</u>
Capital and reserves			
Share capital	19	290,627	246,882
Reserves		1,015,032	847,831
Equity attributable to owners of the Company		<u>1,305,659</u>	<u>1,094,713</u>
Non-controlling interests		<u>230,286</u>	<u>158,314</u>
TOTAL EQUITY		<u>1,535,945</u>	<u>1,253,027</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

(Unaudited)

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Reserve on merger accounting HK\$'000	Exchange fluctuation reserve HK\$'000	(Accumulated losses)/ Retained Profit HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2011	243,059	1,314,156	—	(101,922)	12,926	(507,951)	960,268	—	960,268
Total comprehensive income for the period	—	—	—	—	23,312	10,139	33,451	—	33,451
Issue of shares	3,823	98,771	—	—	—	—	102,594	—	102,594
Transfer	—	(1,314,156)	239,404	—	—	1,074,752	—	—	—
Changes in equity for the period	3,823	(1,215,385)	239,404	—	23,312	1,084,891	136,045	—	136,045
At 30 June 2011	246,882	98,771	239,404	(101,922)	36,238	576,940	1,096,313	—	1,096,313
At 1 January 2012	246,882	98,771	239,404	(101,922)	47,944	563,634	1,094,713	158,314	1,253,027
Total comprehensive income for the period	—	—	—	—	(4,215)	8,245	4,030	(1,082)	2,948
Loss on Group's contribution to a subsidiary	—	—	—	—	—	(73,054)	(73,054)	73,054	—
Issue of shares	43,745	236,225	—	—	—	—	279,970	—	279,970
Changes in equity for the period	43,745	236,225	—	—	(4,215)	(64,809)	210,946	71,972	282,918
At 30 June 2012	290,627	334,996	239,404	(101,922)	43,729	498,825	1,305,659	230,286	1,535,945

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash (used in)/generated from operating activities	(349,761)	82,381
Net cash used in investing activities	(31,086)	(134,886)
Net cash generated from financing activities	<u>17,527</u>	<u>49,446</u>
Net decrease in cash and cash equivalents	(363,320)	(3,059)
Effect of foreign exchange rate changes	9,720	(5,953)
Cash and cash equivalents as 1 January	<u>393,830</u>	<u>17,733</u>
Cash and cash equivalents at 30 June	<u><u>40,230</u></u>	<u><u>8,721</u></u>
Analysis of cash and cash equivalents		
Bank and cash balances	<u><u>40,230</u></u>	<u><u>8,721</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is 21/F., Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in property development, property investment and rental activities in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2012.

- HKAS 12 (Amendment), "Deferred tax: Recovery of underlying assets" is effective for annual periods beginning on or after 1 January 2012. It introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale.

The amendment has no material impact on the Group's financial statements, as the business model of the Group's investment properties is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the presumption of HKAS 12 (Amendment) is rebutted and related deferred tax is not remeasured.

- HKFRS 7 (Amendment), "Disclosures — Transfers of financial assets" is effective for annual periods beginning on or after 1 July 2011. It promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. This has no material impact on the Group's financial statements.

3. ACCOUNTING POLICIES (Continued)

(b) New standards, amendments and interpretations to existing standards effective in 2012 but not currently relevant to the Group:

- HKFRS 1 (Amendment), “Severe hyperinflation and removal of fixed dates for first-time adopters” is applicable to annual periods beginning on or after 1 July 2011. This is not relevant to the Group as the Group is existing HKFRSs preparer.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. TURNOVER

Turnover represents rental income generated during the period.

5. 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.

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

Information about reportable segment profit or loss, assets and liabilities

	Property sales HK\$'000	Property rental HK\$'000	Total HK\$'000
Six months ended 30 June 2012 (Unaudited)			
Revenue from external customers	—	39,280	39,280
Segment (loss)/profit	(10,855)	41,156	30,301
Other information			
Interest revenue	145	—	145
Interest expense	38,927	—	38,927
Depreciation and amortization	336	—	336
Fair value gains on investment properties	—	13,647	13,647
Other material items of income and expense:			
Land premium late payment charges	3,871	—	3,871
Income tax	—	5,499	5,499
Additions to segment non-current assets	128	—	128
At 30 June 2012 (Unaudited)			
Segment assets	2,906,695	1,121,497	4,028,192
Segment liabilities	2,063,797	143,971	2,207,768

5. SEGMENT INFORMATION (*Continued*)

	Property sales <i>HK\$'000</i>	Property rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2011 (Unaudited)			
Revenue from external customers	—	19,059	19,059
Segment (loss)/profit	(4,693)	20,868	16,175
Other information			
Interest revenue	214	—	214
Depreciation	192	—	192
Fair value gains on investment properties	—	12,163	12,163
Income tax	—	5,382	5,382
At 31 December 2011 (Audited)			
Segment assets	2,650,651	1,136,354	3,787,005
Segment liabilities	2,047,616	165,007	2,212,623

Reconciliations of reportable segment profit or loss, assets and liabilities

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit or loss		
Total profit or loss of reportable segments	30,301	16,175
Unallocated amounts		
Other corporate expenses	(23,413)	(6,036)
Consolidated profit for the six months	6,888	10,139
	At 30 June	At 31 December
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Assets		
Total assets of reportable segments	4,028,192	3,787,005
Unallocated amounts		
Other corporate assets	2,876	1,762
Consolidated total assets	4,031,068	3,788,767
Liabilities		
Total liabilities of reportable segments	2,207,768	2,212,623
Unallocated amounts		
Other corporate liabilities	287,355	323,117
Consolidated total liabilities	2,495,123	2,535,740

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange loss	2,285	—
Land premium late payment charges	3,871	—
Other taxes	5,233	3,098
Others	57	239
	<u>11,446</u>	<u>3,337</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance lease charges	15	23
Interest on bank loans wholly repayable within five years	15,840	4,649
Interest on Senior Notes wholly repayable within five years	38,927	—
	<u>54,782</u>	<u>4,672</u>
Total borrowings costs	54,782	4,672
Amount capitalised	(6,451)	(3,558)
	<u>48,331</u>	<u>1,114</u>

8. INCOME TAX

- (a) 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 periods.
- (b) Subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at 25% (six months ended 30 June 2011: 25%). 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% on the gross rental income (six months ended 30 June 2011: 10%).
- (c) Based on the available information, the directors considered that the taxation of the Group at 30 June 2012 was adequately provided for in the financial statements.

9. PROFIT FOR THE PERIOD

Profit for the period is stated after charging the following:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration		
— Audit	550	450
Depreciation and amortization	447	300
Operating lease rental in respect of land and buildings	663	553
Staff costs including directors' emoluments		
— Salaries and allowances	5,598	4,213
— Retirement benefit scheme contributions	152	100
	5,750	4,313

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately HK\$8,245,000 (six months ended 30 June 2011: approximately HK\$10,139,000) divided by the weighted average number of ordinary shares 2,601,017,335 (six months ended 30 June 2011: approximately 2,450,022,881) in issue during the period.

(b) Diluted earnings per share

There were no dilutive potential shares during the six months ended 30 June 2012 and 2011. Therefore, no diluted earnings per shares have been presented.

11. INVESTMENT PROPERTIES

	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At 1 January	1,095,966	839,317
Exchange difference	(6,119)	48,709
Acquisition of subsidiaries	—	166,221
Fair value gains	13,647	41,719
At 30 June/31 December	1,103,494	1,095,966

11. INVESTMENT PROPERTIES *(Continued)*

- (a) As at 30 June 2012, the Group's investment properties, situated in Guangzhou, the PRC, are held under medium-term leases.

The investment properties held under operating lease for rental purposes are measured using the fair value model. The fair value of the Group's investment properties at 30 June 2012 was based on the open market value basis, by reference to market evidence of recent transactions for similar properties, and weighed against all the respective advantages and disadvantages of each property, appraised by an independent qualified professional valuer.

- (b) As at 30 June 2012 and 31 December 2011, all investment properties were pledged for the Group's bank loans (details of which are set out in note 17(b) to the financial statements).
- (c) The Group leases out all investment properties under operating leases. The leases are fixed for a term of six years. None of the leases includes contingent rentals.

As at 30 June 2012, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
Within one year	87,913	86,000
In the second to fifth years inclusive	370,160	389,203
Over five years	—	26,448
	<u>458,073</u>	<u>501,651</u>

12. INTANGIBLE ASSET

Intangible asset represented software licence acquired. Acquired computer software licence is capitalised on the basis of the cost and amortised over its estimated useful lives.

13. PROPERTIES UNDER DEVELOPMENT

As at 30 June 2012, the Group's properties under development included the following:

		At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
Pearl Nansha Scenic ("Nansha Scenic")	(a)	410,267	372,495
Hailian Project	(b)	1,684,586	1,685,654
Fengyunling Project	(c)	389,874	—
		<u>2,484,727</u>	<u>2,058,149</u>

13. PROPERTIES UNDER DEVELOPMENT (Continued)

- (a) Nansha Scenic is located in Nansha District, Guangzhou, the PRC. A certificate of land use rights regarding Nansha Scenic was granted whereby the Group has the land use rights over the properties under development for a term of 70 years for residential use and 40 years for commercial use from 22 December 1997.

As at 30 June 2012, 141 residential units of Nansha Scenic were pledged for a bank loan granted to the Group.

- (b) Hailian Project is located at Tianhe District, Guangzhou, the PRC. A certificate of land use rights over the properties under development for a term of 40 years for commercial use and 50 years for others commencing from 20 January 1999.
- (c) On 7 May 2012, the Group acquired a property development project through acquisition of the entire issued share capital of Profaith International Holdings Limited (“Profaith”). Profaith is an investment holding company, together with its wholly-owned subsidiary, Ever Crown Corporation Limited (“Ever Crown”), and Donggang Hezhong Property Co., Limited* (廣州東港合眾房地產有限公司) (collectively referred to as “Profaith Group”) are principally engaged in property development. The properties under development located adjacent to Provincial Highway S355 line at Jie Kou Street, Conghua, Guangzhou City, Guangdong Province, the PRC (“Fengyunling Project”).

A certificate of land use rights for land lot 2008-J7 was granted to the Group for a term of 40 years commencing on 23 March 2009 for lodging, food and beverage uses.

14. 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:

	At 30 June 2012 HK\$’000 (Unaudited)	At 31 December 2011 HK\$’000 (Audited)
Within 3 months	2,392	2,405
4 to 6 months	—	9,005
7 to 12 months	—	13,507
	<u>2,392</u>	<u>24,917</u>

15. RESTRICTED BANK DEPOSITS

	At 30 June 2012 HK\$’000 (Unaudited)	At 31 December 2011 HK\$’000 (Audited)
Guarantee deposits for construction of pre-sale properties	84,243	40,499
Pledged bank deposits (Note 17b)	15,601	15,412
	<u>99,844</u>	<u>55,911</u>

* For identification purposes only

15. RESTRICTED BANK DEPOSITS (Continued)

In accordance with the Administration of Pre-sale of Commodity Premises Regulations of Guangdong Province, the Group is required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction costs of the relevant property project when approval from Guangzhou Municipal Land Resources and Housing Administrative Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sale properties.

At 30 June 2012, the restricted bank deposits of the Group denominated in RMB amounted to approximately HK\$84,243,000 (31 December 2011: approximately HK\$40,499,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

16. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

As at 30 June 2012, the amount due to ultimate holding company is unsecured, interest free and repayable on demand.

17. BANK AND OTHER BORROWINGS

	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
Bank Loans — secured	336,601	317,679
Senior Notes — secured	472,457	468,974
	<u>809,058</u>	<u>786,653</u>

(a) The bank and other borrowings are repayable as follows:

	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
Bank and other borrowings		
On demand or within one year	117,436	65,623
In the second year	66,344	66,081
In the third to fifth years inclusive	625,278	654,949
	<u>809,058</u>	<u>786,653</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(117,436)</u>	<u>(65,623)</u>
Amount due for settlement after 12 months	<u>691,622</u>	<u>721,030</u>

17. BANK AND OTHER BORROWINGS *(Continued)*

(b) Bank loans

As at 30 June 2012 and 30 June 2011, the bank loans were secured by the following:

- (i) all the Group's investment properties;
- (ii) the Group's pledged bank deposits of approximately HK\$15,601,000 (31 December 2011: approximately HK\$15,412,000);
- (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;
- (iv) assignment of all rental income from the Group's investment properties; and
- (v) 141 residential units of the Group's properties under development project, Nansha Scenic.

The bank loans are arranged at floating interest rates and expose the Group to cash flow interest rate risk. As at 30 June 2012, the effective interest rates on the bank loans ranged from 4.3% to 24% (31 December 2011: 4.9% to 6.6%) per annum.

(c) Senior Notes

Pursuant to an investment agreement dated 6 December 2011 (the "Investment Agreement"), 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.

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 Hailian Project (the "Sale") has been issued and notification of delivery of each of such units has been delivered by Guangdong Hailian Building Co., Ltd. ("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 Holdings Limited ("Cheng Chang") and Fully Wise Investment Limited ("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).

18. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

On 25 April 2011, Guangdong Hailian and its non-controlling shareholder entered into an agreement pursuant to which its non-controlling shareholder agreed to settle certain debt owed by Guangdong Hailian at a total consideration of RMB300 million. Guangdong Hailian recognized this RMB300 million as a loan due to its non-controlling shareholder which is non-interest bearing with no definite repayment schedule but shall be repaid upon proceeds received from purchasers in connection with Guangdong Hailian's pre-sale of the properties under development. As at June 2012, approximately RMB22,443,000 was repaid.

In order to comply with the covenants applied to ZGL under the Investment Agreement and Senior Notes (note 17(c)), ZGL shall procure that, as long as any Senior Notes remain outstanding, Guangdong Hailian shall not repay any indebtedness owed by it to its non-controlling shareholder. As a consequence, a supplemental agreement was entered between Guangdong Hailian and its non-controlling shareholder in December 2011, under which both parties agreed the loan due to the non-controlling shareholder shall be repaid after the full redemption of the Senior Notes.

19. SHARE CAPITAL

	Number of shares		Share Capital	
	2012	2011	2012	2011
			HK\$'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>4,000,000,000</u>	<u>4,000,000,000</u>	<u>400,000</u>	<u>400,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At 1 January	2,468,820,000	2,430,592,152	246,882	243,059
Issue of shares	<u>437,453,000</u>	<u>38,227,848</u>	<u>43,745</u>	<u>3,823</u>
At 30 June	<u>2,906,273,000</u>		<u>290,627</u>	
At 31 December		<u>2,468,820,000</u>		<u>246,882</u>

20. MATERIAL ACQUISITION

During the period, the Group completed the acquisition of the entire equity interest in Profait Group, for a total consideration of the HK\$437,453,000, which was satisfied by the allotment and issue of ordinary shares of the Company at an issue price of HK\$1.00 per share.

Details of net assets acquired and the excess of acquirer's interest at fair value over costs are as follows:

	HK\$'000
Purchase consideration	279,970
Less: Fair value of net assets acquired — shown as below	<u>(311,867)</u>
Excess of acquirer's interest at fair value over costs	<u>(31,897)</u>

20. MATERIAL ACQUISITION *(Continued)*

The assets and liabilities arising on the acquisition are as follows:

	Fair value <i>HK\$'000</i>	Acquiree's carrying amount <i>HK\$'000</i>
Property, plant and equipment	1,295	1,174
Properties under/held for development	496,431	247,946
Prepayment, deposits and other receivables	1,983	1,983
Bank and cash balances	3,299	3,299
Accruals and other payables	(128,989)	(128,989)
Deferred tax liabilities	(62,152)	—
Net assets acquired	<u>311,867</u>	<u>125,413</u>
Satisfied by:		
Issue of 437,453,000 new ordinary shares of the Company		<u>279,970</u>
Net cash inflow arising on acquisition:		
Cash and cash equivalents acquired		<u>3,299</u>

21. LEASE COMMITMENTS

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2012 <i>HK\$'000</i> <i>(Unaudited)</i>	At 31 December 2011 <i>HK\$'000</i> <i>(Audited)</i>
Within one year	1,404	646
In the second to fifth years inclusive	<u>2,624</u>	<u>—</u>
	<u>4,028</u>	<u>646</u>

Operating lease payments represent rentals payable by the Group for certain of its offices.

22. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balance disclosed elsewhere in the financial statement, the Group had the following transactions and balances with its related parties:

(a) Key management personnel compensation

The key management personnel of the Group comprises all directors and their remuneration during the period was HK\$1,738,000 (six months ended 30 June 2011: HK\$970,000).

(b) Transactions and balances with related parties

Included in accruals and other payables are amounts in total of approximately HK\$255,000 (31 December 2011: approximately HK\$260,000) representing accrued directors' emoluments due to the Company's directors. The accrued directors' emoluments are unsecured, interest-free and are settled in cash.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Property Investment

During the period under review, the Group's major investment property is certain floors in Royal Mediterranean Hotel, which is located at Tianhe Road, Tianhe District, Guangzhou, the PRC. Royal Mediterranean Hotel is a high-end business hotel, located in one of Guangzhou's most prosperous business district. The Group's holding of the investment property in Royal Mediterranean Hotel amounted to gross floor area of approximately 34,592 square meters. The investment property is leased to and managed by an independent hotel management company and has generated to the Group rental income for the period of approximately HK\$39,280,000.

Property Development

As at 30 June 2012, the Group's property development projects were "Nansha Scenic", "Hailian Project" and "Fengyunling Project" respectively.

Nansha Scenic

Nansha Scenic is located at Jinzhou Main Street, Nansha District, Guangzhou City, Guangdong Province, the PRC, with a land area of approximately 28,319 square meters. The project comprises ten 18-storey towers including residential units, a street-level commercial podium, a car park at basement level and other public facilities with a total gross floor area of approximately 103,266 square meters. Both Phase I and Phase II of Nansha Scenic were substantially sold out with enthusiastic response from customers. The project is in its final stage of construction and Phase I and Phase II are expected to be completed for occupation by the end of 2012 and in the last quarter of 2013 respectively.

Hailian Project

Hailian Project is a development project on a parcel of land at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC. Zhujiang New Town is a prominent location in Guangzhou with a huge potential for capital appreciation. The project is a commercial project with a site area of approximately 10,449 square meters. According to the latest construction design, the project is a high-rise commercial complex including a 6-storey commercial podium and a 29-storey Grade A office building. There is also a 3-storey underground car park of approximately 23,820 square meters, adding up to a total gross floor area of approximately 133,091 square meters. During the period, the project had commenced construction and is proceeding satisfactorily on schedule. Owing to the scarcity of commercial property available for sale in the market, the Group expects the project will obtain satisfactory results in both selling price and selling speed when its pre-sale is launched in the first half of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development *(continued)*

Fengyunling Project

In May 2012, the Group completed the acquisition for a new project to be known as Fengyunling Project. Conghua is branded as the “Back garden of Guangzhou” which aims to become a satellite city of Guangzhou with harmonious society, beautiful environment and perfect function. With improved infrastructural developments, Conghua is well connected via the major highways, offering greater accessibility to Guangzhou city center, the airport and surrounding areas.

The project is an integrated hotel resort comprising a first grade hotel, luxury villas and low-rise apartments. The site has a total gross floor area of approximately 200,083 square meters, with a total gross building area of approximately 124,160 meters. The Project is divided into two phases, the first phase shall comprise 57 villas and 5 low-rise apartment buildings with a total building area of approximately 42,126 square meters; and the second phase shall comprise 28 villas, 3 low-rise apartment buildings and a five-star hotel with a total building area of approximately 82,034 square meters. The project is ideally located next to the scenic Liu Xi River and surrounded by the lush Fengyunling mountain range, complemented by resort-style facilities, it is poised to be the finest residential address in Conghua.

BUSINESS PROSPECT

Under the challenging macroeconomic environment, the Group closely followed the planned pace for developing properties. The Group is putting full effort into the final stage supporting facilities of Phase I of the Nansha Scenic project with the view to deliver the completed property units to our customers at the end of 2012. Hence, the revenue will then be recorded as income of the Group after the delivery. Upon the recognition of this revenue, both the turnover and profitability of the Group will achieve a satisfactory result in the 2012 financial year.

The Group had also commenced the construction of the Hailian project. The Group expects the Grade A office sector market in Zhujiang New Town to be strong as more and more multinational corporations continue to seek quality office space in the area, amid the new price record recently set in an open land auction, stock of large land parcel of this size in the area has been vanished, supply of Grade A office coming on-stream will also be limited in the next few years. The Board expects the project will contribute significantly to the future earnings of the Group to help promoting the Group’s sustainable growth and provide funding for future project development.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS PROSPECT *(continued)*

The management team of Fengyunling Project is currently engaged in feedback sessions with the Conghua authorities to further fine-tune the design of the hotel, ensuring a first class hotel that will blend in with the natural and delicate surroundings of the excellent ecological environment. Construction of the planned villas and apartment units is expected to commence in the later part of this year. The Fengyunling Project is well-positioned to benefit from the growing housing demand for Conghua arising from its increased popularity. In addition to the tranquility and the comprehensive leisure activities that Conghua is famous for, the full range of recreational facilities of the privileged resident clubhouse and the deluxe 5-star hotel will ensure Fengyunling Project to become a valuable residence in Conghua.

While developing the current projects, the Group will continue to seek new opportunities and increase of its land banks in both Guangzhou and its fast growing surrounding areas. At the same time, the Board will continue to be prudent and cautious in managing the business, by accelerating the return of funds, ensuring sound cash flow, raising the turnover rate of funds, and expanding its funding channels. The Board is optimistic that the Group's business will continue to grow in the second half of year.

FINANCIAL REVIEW

Turnover and Segmental Information

Turnover

The Group's turnover represents rental income generated. During the period, the turnover was approximately HK\$39,280,000 (six months ended 30 June 2011: approximately HK\$19,100,000).

Gain on acquisition of subsidiary

As disclosed in note 20, the Group gain on acquisition of the entire issued capital of Profait Group, amounted to approximately HK\$31,897,000, was mainly due to the excess of acquirer's interest at fair value over cost.

Fair value gains on investment properties

Fair value gains on investment properties slightly increased by 12% to approximately HK\$13,647,000 (six months ended 30 June 2011: approximately HK\$12,163,000).

Profit before tax

The Group recorded a profit before tax of approximately HK\$12,387,000 (six months ended 30 June 2011: approximately HK\$15,521,000).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Liquidity and Capital Resources

Cash position

As at 30 June 2012, the Group's bank and cash balances amounted to approximately HK\$40,230,000 (31 December 2011: approximately HK\$393,830,000).

Borrowings, charges on group assets and gearing ratio

As at 30 June 2012, the Group's bank loan and other borrowings amounted to approximately HK\$809,058,000 (31 December 2011: approximately HK\$786,653,000). The bank loan and other borrowings amounted to approximately HK\$117,436,000 were repayable within one year and the other part were repayable between two and five years. Details of the bank loan and other borrowings of the Group are set out in note 17 to the financial statement.

The gearing ratio as at 30 June 2012, expressed as total borrowings over the total equity was 53% (31 December 2011: 63%).

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:

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
Guarantees given to banks for mortgage facilities utilised by purchasers	<u>208,944</u>	<u>169,253</u>

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 was not yet completed.

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 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 30 June 2012 (31 December 2011: 50). They are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include year end bonus.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

PURCHASE, SALES OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six-month period ended 30 June 2012, other than code provisions A.3, A.4.2 and A.6.7 of the CG code.

According to code provision A.3 of the Code and Rule 3.10(1) of the Listing Rule, the Company should appoint and maintain at least three independent non-executive directors. Dr. Liang Tongying resigned as an independent non-executive director, a member of the Audit Committee, a member of the Remuneration Committee and the chairman and member of the Nomination Committee of the Company on 1 May 2012 resulting that the number of the independent non-executive directors and the member of the Audit Committee of the Company fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. On 5 June 2012 after the conclusion of the annual general meeting, Mr. Law Shu Sang Joseph (“Mr. Law”) and Mr. Wong Chi Keung (“Mr. Wong”) were appointed as independent non-executive directors of the Company. Mr. Law was also appointed as a member of the Audit Committee, a member of the Remuneration Committee and the chairman and member of the Nomination Committee of the Company. Mr. Wong was also appointed as a member of the Audit Committee and the chairman and member of the Remuneration Committee of the Company. Following the appointments of Mr. Law and Mr. Wong, the Company has three independent non-executive directors and three members of the Audit Committee of the Company, being the requisite number of independent non-executive directors and member of the Audit Committee of the Company pursuant to Rules 3.10(1) and 3.21 of the Listing Rules. The Company fell short of one independent non-executive director and one Audit Committee member during the period from 1 May 2012 to 5 June 2012 prior to the conclusion of the annual general meeting.

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

In respect of code provision A.6.7 of the CG Code, one independent non-executive director attended the annual general meeting of the Company held on 5 June 2012. Another one independent non-executive director did not attend the annual general meeting of the Company due to other business engagement.

COMPLIANCE WITH THE MODEL CODE

The Group has adopted the Model Code. Upon specific enquiry by the Company, all directors confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2012.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company. The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2012, which is of opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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

The interim report of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.zhuguang.com.hk in due course.

APPRECIATION

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

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

Hong Kong, 28 August 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, Mr. Law Shu Sang Joesph and Mr. Wong Chi Keung as independent non-executive Directors.