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 2012

FINANCIAL HIGHLIGHTS

- Turnover was HK$571,167,000 and increased by nearly 9 times as compared with that of Year 2011
- Profit from operations was HK$193,259,000 and increased by 6 times as compared with that of Year 2011
- Profit for the year attributable to the owners of the Company was HK$182,349,000 and increased by about 10 times as compared with that of Year 2011
- Basic earnings per share increased by almost 9 times to HK6.48 cents as compared with that of Year 2011

* *For identification purposes only*

The board ("Board") of 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 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	**2012**	2011
		HK$'000	*HK$'000*
Turnover	*2*	**571,167**	57,899
Cost of sales		**(351,390)**	—
Gross profit		**219,777**	57,899
Other income		**590**	6,922
Fair value gains on investment properties		**30,174**	41,719
Selling and marketing expenses		**(7,977)**	(3,796)
Administrative expenses		**(29,904)**	(23,008)
Other operating expenses	*3*	**(19,401)**	(51,155)
Profit from operations		**193,259**	28,581
Finance costs	*4*	**(108,851)**	(10,356)
Gain on bargain purchase in respect of business combination	*5*	**150,438**	—
Profit before tax		**234,846**	18,225
Income tax	*6*	**(56,604)**	(10,267)
Profit for the year	*7*	**178,242**	7,958
Profit for the year attributable to:			
Owners of the Company		**182,349**	16,659
Non-controlling interests		**(4,107)**	(8,701)
		178,242	7,958
Basic earnings per share	*9*	**6.48 cents**	0.68 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
Profit for the year	**178,242**	7,958
Other comprehensive income for the year, net of tax		
Exchange differences on translating foreign operations	**13,095**	34,174
Total comprehensive income for the year	**191,337**	42,132
Total comprehensive income for the year attributable to:		
Owners of the Company	**192,934**	51,677
Non-controlling interests	**(1,597)**	(9,545)
	191,337	42,132

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**13,746**	1,619
Prepaid land lease payments		**49,796**	—
Investment properties		**1,126,037**	1,095,966
Intangible assets		**38,786**	—
Goodwill		**4,149**	—
Deferred tax assets		**1,892**	—
		1,234,406	1,097,585
Current assets			
Inventories		**4,029,518**	2,058,149
Accounts receivable	*10*	**4,277**	24,917
Prepaid land lease payments		**1,416**	—
Prepayments, deposits and other receivables		**577,794**	140,144
Current tax assets		**7,301**	18,231
Restricted bank deposits		**110,950**	55,911
Bank and cash balances		**138,385**	393,830
		4,869,641	2,691,182
Current liabilities			
Accounts payable	*11*	**420,286**	532,643
Proceeds received from pre-sale of properties		**533,275**	522,580
Accruals and other payables		**186,281**	167,793
Amount due to the ultimate holding company		**99,200**	100,500
Bank and other borrowings		**838,914**	65,623
Finance lease payables		**379**	363
Current tax liabilities		**37,546**	8,616
		2,115,881	1,398,118
Net current assets		**2,753,760**	1,293,064
Total assets less current liabilities		**3,988,166**	2,390,649
Non-current liabilities			
Amount due to a non-controlling shareholder of a subsidiary		**342,303**	342,367
Bank and other borrowings		**767,642**	721,030
Finance lease payables		**4**	383
Deferred tax liabilities		**273,232**	73,842
		1,383,181	1,137,622
NET ASSETS		**2,604,985**	1,253,027
Capital and reserves			
Share capital		**365,581**	246,882
Reserves		**1,915,992**	847,831
Equity attributable to owners of the Company		**2,281,573**	1,094,713
Non-controlling interests		**323,412**	158,314
TOTAL EQUITY		**2,604,985**	1,253,027

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 2012. 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 goodwill, deferred tax assets, 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.

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 2012			
Revenue from external customers (Note)	**489,760**	**81,407**	**571,167**
Segment profit	**121,708**	**88,638**	**210,346**
Other information			
Interest income	**372**	**—**	**372**
Interest expense	**91,095**	**—**	**91,095**
Land lease charge	**939**	**—**	**939**
Depreciation and amortisation	**1,378**	**—**	**1,378**
Fair value gains on investment properties	**—**	**30,174**	**30,174**
Gain on bargain purchase in respect of business combination	**150,438**	**—**	**150,438**
Other material items of income and expense: Land premium late payment charges	**3,866**	**—**	**3,866**
Income tax	**45,017**	**11,587**	**56,604**
Additions to segment non-current assets	**7,795**	**—**	**7,795**
At 31 December 2012			
Segment assets	**4,954,218**	**1,146,239**	**6,100,457**
Segment liabilities	**3,085,316**	**158,434**	**3,243,750**

Note: The Group's turnover represents income from sales of properties and rental income during the year, net of business tax, other sales related taxes and discounts allowed.

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 2011			
Revenue from external customers	—	57,899	57,899
Segment (loss)/profit	(58,329)	86,525	28,196
Other information			
Interest income	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

2. TURNOVER AND SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment profit or loss, assets and liabilities

	2012	2011
	HK$'000	*HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**210,346**	28,196
Unallocated amounts		
Other corporate expenses*	**(32,104)**	(20,238)
Consolidated profit for the year	**178,242**	7,958
Assets		
Total assets of reportable segments	**6,100,457**	3,787,005
Unallocated amounts		
Other corporate assets	**3,590**	1,762
Consolidated total assets	**6,104,047**	3,788,767
Liabilities		
Total liabilities of reportable segments	**3,243,750**	2,212,623
Unallocated amounts		
Other corporate liabilities	**255,312**	323,117
Consolidated total liabilities	**3,499,062**	2,535,740

* Other corporate expenses include the following:

	2012	2011
	HK$'000	*HK$'000*
Other income	**(199)**	—
Unallocated administration and finance costs	**32,303**	20,238
	32,104	20,238

Geographical information

All the revenue generated by the Group for the two years ended 31 December 2012 and 2011 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 2012, revenues derived from the Group's largest customer which accounted for 10% or more of the Group's total revenue amounted to approximately HK$81,407,000. These revenues are attributable to the property rental segment.

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

3. OTHER OPERATING EXPENSES

	2012 HK$'000	2011 HK$'000
Net foreign exchange loss	**2,076**	—
Land premium late payment charges	**3,866**	42,729
Other taxes	**12,612**	8,327
Sundry expenses	**847**	99
	19,401	51,155

4. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Finance lease charges	**25**	41
Interest on bank loans wholly repayable within five years	**33,745**	9,559
Interest on Senior Notes wholly repayable within five years	**83,390**	2,055
Total borrowings costs	**117,160**	11,655
Amount capitalised	**(8,309)**	(1,299)
	108,851	10,356

Borrowing costs on funds borrowed generally are capitalised at a rate of 23% per annum (2011: nil).

5. GAIN ON BARGAIN PURCHASE IN RESPECT OF BUSINESS COMBINATION

Pursuant to a sale and purchase agreement dated 23 September 2012, the Group acquired from its ultimate holding company, Rong De Investments Limited, the entire issued share capital of Ai De Investments Limited ("Ai De"). The consideration comprised the issuance of 749,533,000 new ordinary shares of the Company and cash consideration of approximately HK$1,000. Ai De is an investment holding company, together with its 100% direct interest in Top Perfect Development Limited and 70% indirect interest in Guangzhou Yu Ying Property Company Limited* (collectively referred to as "Ai De Group") are principally engaged in property development. Ai De Group was acquired so as to enhance the Group's property development operations.

The acquisition was completed on 3 December 2012. A gain on bargain purchase of approximately HK$150,438,000 was generated from this business combination. The directors are of the opinion that the gain on bargain purchase was mainly attributable to the decline in the closing market price of the Company's ordinary shares from the date of entering into the sale and purchase agreement to the acquisition date.

6. INCOME TAX

	2012 HK$'000	2011 HK$'000
Current tax		
PRC Corporate Income Tax	**28,739**	6,095
PRC Land Appreciation Tax ("LAT")	**21,883**	—
	50,622	6,095
Deferred tax	**5,982**	4,172
	56,604	10,267

** English name is translated for identification purposes only.*

6. INCOME TAX *(continued)*

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 Corporate Income Tax at 25% (2011: 25%) based on the relevant income tax rules and regulations in PRC.

According to the PRC corporate 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 (2011: 10%).

Under the PRC corporate income tax law, dividends received by foreign investors from its investment in foreign-invested enterprises in respect of its profits earned since 1 January 2008 are subject to withholding tax of 5% to 10% unless reduced by treaty. Accordingly, deferred tax has been recognised for undistributed retained profits of a PRC subsidiary at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

7. PROFIT FOR THE YEAR

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

	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit	**1,380**	1,100
— Others	**470**	720
	1,850	1,820
Amortisation	**890**	—
Cost of inventories sold	**351,390**	—
Depreciation	**982**	611
Loss on disposal of property, plant and equipment	**14**	—
Operating lease charges in respect of land and buildings	**2,350**	1,106
Staff costs (including directors' emoluments)		
— Salaries and allowances	**12,381**	9,585
— Retirement benefit scheme contributions	**367**	259
	12,748	9,844
Amount capitalised		
— Salaries and allowances	**(1,851)**	(1,182)
— Retirement benefit scheme contributions	**(50)**	(21)
	(1,901)	(1,203)
Staff costs net of amount capitalised		
— Salaries and allowances	**10,530**	8,403
— Retirement benefit scheme contributions	**317**	238
	10,847	8,641

8. DIVIDENDS

The directors do not recommend the payment of any dividend (2011: nil) in respect of the year.

9. 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$182,349,000 (2011: HK$16,659,000) divided by the weighted average number of ordinary shares of 2,813,868,427 (2011: 2,459,393,955) in issue during the year.

There were no dilutive potential shares during the years ended 31 December 2012 and 2011. Therefore, no diluted earnings per share have been presented.

10. ACCOUNTS RECEIVABLE

The Group's accounts receivable represent receivables from property rental and sales of properties. Rental receivables from tenants are due on presentation of invoices and there are no credit terms for sales of properties.

The aging analysis of accounts receivable, based on the invoice date for property rental and delivery date for property sales, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**4,277**	2,405
4 to 6 months	**—**	9,005
7 to 12 months	**—**	13,507
	4,277	24,917

11. ACCOUNTS PAYABLE

The Group's accounts payable comprise the following:

	2012	2011
	HK$'000	*HK$'000*
Land premium payable	**—**	351,611
Land late payment charge payable	**177,351**	173,504
Construction fee payable	**242,935**	7,528
	420,286	532,643

11. ACCOUNTS PAYABLE *(continued)*

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

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**242,935**	7,255
4 to 6 months	**—**	26
Over 1 year	**177,351**	525,362
	420,286	532,643

12. EVENTS AFTER THE REPORTING PERIOD

On 23 February 2013, a memorandum of understanding was entered into by the Company and Guangzhou Zhuguang Investment Company Limited* ("Guangzhou Zhuguang Investment") in relation to the proposed acquisition of the entitlement to 75% of the distributable interest in a residential and commercial property development project in Guangzhou, the PRC ("Proposed Acquisition"). Guangzhou Zhuguang Investment is associated with the Company's ultimate controlling party and executive director, Mr. Liao Tengjia. The Proposed Acquisition, if materialized, may constitute a notifiable transaction and connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of which are set out in the Company's announcement dated 23 February 2013.

* *English name is translated for identification purposes only.*

CHAIRMAN'S STATEMENT

I herein present result and operations of Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

RESULTS

The audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2012 was approximately HK$182,349,000 and the basic earnings per share was HK6.48 cents, as compared to the consolidated profit of approximately HK$16,659,000 and basic earnings per share of HK0.68 cents for 2011.

NET ASSET VALUE

The consolidated net asset value per share attributable to the owners of the Company as at 31 December 2012 was approximately HK$0.62 based on 3,655,806,000 shares in issue, as compared to approximately HK$0.44 per share for 2011.

BUSINESS REVIEW

Challenges and changes in the market characterized the PRC property development industry in 2012. On one hand, the European debt crisis lingered while the PRC's economic growth softened; on the other hand, under the successive monetary tightening policies and real estate control measures implemented by the Central government, a series of measures were launched to curb property speculation which included raising interest rates and imposing limits on house purchases and prices. Following the introduction of those curbing measures, growth in housing demand was suppressed considerably and had successfully alleviated the property price pressure in the first- and second-tier cities and deterred both the speculative and investment buyers. Under such environment, the Group had made meticulous planning of, and adjustments to its planned pace for property development, by adopting a more flexible marketing strategy to tailor those to specific conditions in respective markets and locations. The Group also managed to adapt to the severe economic environment in order to maintain the Group's sustainable development. At the same time while improving product quality, the Group also strengthened cost control through efforts by strictly cutting costs and expenses, so as to improve the profitability of the Group. Hence the Group still managed to deliver satisfactory results in 2012.

Year 2012 was a significant milestone for the Group. After three years of endless hard working, the Group is moving onto the harvest stage. For the year ended 31 December 2012, the Group's turnover reached a record high of HK$571 million, an increase of nearly 9 times over that for the previous year. In line with market strategy, the Group moderately speeded up the roll-out of new projects to accelerate the pre-sale process in order to facilitate the return of funds. The Group also managed to deliver the properties of Pearl Nansha Scenic ("Nansha Scenic") Phase 1 to buyers on schedule. In summary, the Group had satisfactorily completed the various operational targets set for 2012.

BUSINESS REVIEW *(continued)*

Guangzhou and its surrounding areas were still the main focus of the Group in search of development opportunities in 2012. 3 new development projects of good quality were acquired by the Group during 2012 with a total attributable gross floor area ("GFA") of approximately 1.18 million square meters. With the numbers of development projects increasing steadily, the number of staff members also increased accordingly. In response to the gradual expansion, the Group has carried out internal reform and adjustment, implemented a series of management policies such as standard operation procedures and internal control procedures, so as to further upgrade the level of standardization in product, process and system, and thus to improve management and operation efficiency. The Group achieved significant progress in 2012 in both the development in scale and the enhancement of its brand image, thus laying a solid foundation for continuous sustainable growth in the future.

PROSPECT AND OUTLOOK

Looking forward to the next year, the Group will continue its focus on Guangzhou and its surrounding areas in search of development opportunities. The Group will continue to identify development projects with good potential in order to expand its land bank for a sustainable business development in future. In the aspect of operations, the Group will continue to enhance internal controls, operations procedures, standard workflows and procedural guidelines, while undertaking continuous cost savings initiatives over the development projects.

In light of the challenges ahead, the Group will continue to firmly follow the philosophy of a brand operation in order to improve the elite image of the Group's brand. The Group will implement the brand policies for every segment, so that each project will become an elite and a model and the Group's competitive advantages in the property market will be strengthened.

The Central government is expected to continue its credit tightening measures in 2013. No near term policy relaxation can be foreseen. Although the PRC's GDP growth is expected to slow down to about 7.5% in 2013, the Group is confident about the mid- and long-term prospects of the PRC's property market which is driven by the continual development of urbanization and the increasing household income level. Moreover, the recent market is showing signs of recovery, hence the Group is taking a cautiously optimistic approach about the short-term prospects. The Group shall continue to closely monitor both the domestic and external macroeconomic trends and changes to policies, and seek to make full use of any market opportunities. With our extensive experience and our outstanding management team, the Group will be able to cope with various difficulties and challenges and will have the capacity in grasping and creating development opportunities, so as to bring continuous and satisfactory returns to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

In 2012, the global economic situation remained complicated and diversified. The market has been skeptical about the effect of the new round of quantitative easing measures launched by the United States on the real economy. Affected by the unresolved European sovereignty debt crisis and the downward pressure on the PRC economy, the economic growth of China for 2012 dropped to 7.8%. Although the PRC property market was quite uncertain and volatile, and the decline of transaction volume during the year, the property prices and the land market were relatively stable. During the year, various projects of the Group have been developed on schedule and the Group continued to acquire prime land parcels through various channels. We have acquired two development projects and the interests in a piece of land, adding GFA of approximately 1.18 million square meters.

Property Development and Sales

During the year under review, the area of property sold and delivered by the Group was about 62,326 square meters (2011: Nil). The sales were contributed by the revenue recognized from Phase 1 of Nansha Scenic in Guangzhou, Guangdong Province. The average selling price per square meter was about HK$7,900.

As at 31 December 2012, the details of contract sales of the Group are set out below:

	Contract sales	**GFA sold**
	HK$'000	*square meter*
Project		
Nansha Scenic	207,093	26,396
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden") — Phase I	562,420	96,321
	769,513	122,717

As at 31 December, 2012, the contract sales amounted to HK$769,513,000 in dollar value and about 122,717 square meters in area. The aggregate contract sales for the year had already exceeded the target set at the beginning of the year. This solid performance has put the Group in a good position in future.

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

It is expected that the GFA of approximately 338,707 square meters is available for pre-sales in 2013, and the details are as follows:

		Expected pre-sales Date	GFA available for sale/leasing *(square meter)*	Usage
Hailian Project		Third quarter of 2013	133,326	Sale/Leasing
Yujing Scenic Garden	— Phase I	Second quarter of 2013	56,884	Sale
	— Phase II	Third quarter of 2013	83,536	Sale
Pearl Yunling Lake ("Yunling Lake")				
	— Phase I	Third quarter of 2013	43,004	Sale
	— Phase II	Third quarter of 2013	21,957	Sale
			338,707	

As at 31 December 2012, the Group owned 5 property development sites, details are as follows:

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. With the site area of approximately 28,319 square meters, the project comprises ten 18-storey towers including residential units, a street-level commercial podium and a car park at basement level, with a GFA of approximately 103,909 square meters. There are two phases for Nansha Scenic. The delivery of Phase I with a GFA of approximately 65,546 square meters was completed in December 2012, and Phase II, with a gross floor area of approximately 38,363 square meters, is currently in its final stage of construction and is expected to be delivered in the fourth quarter of 2013.

Hailian Project — 80% interest

Hailian Project is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, which is at the junction of Guangzhou Avenue and Huang Pu Da Dao. With the site area of approximately 10,449 square meters, the project will be developed into a 35-storey high-rise commercial complex including a 6-storey commercial podiums, a 29-storey Grade A office buildings and a 3-storey underground car parks, adding up to a GFA of approximately 133,326 square meters. The foundation works of Hailian Project has been completed and the development is expected to be completed in the third quarter of 2015. The project has a huge potential for capital appreciation given its prominent location in the commercial hub of Zhujiang New Town in Guangzhou. It is estimated that the project would bring significant revenue to the Group thanks to its geographical location.

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Yunling Lake — 100% interest

In May 2012, the Group completed the acquisition for the development project in Fengyunling in Conghua, Guangzhou. The project is initially known as "Pearl Yunling Lake". It is located at Provincial Highway S355 line at Jeikou Street, Conghua, Guangzhou, which is adjacent to the Fengyunling Forest Park, and is the main connection point between the downtown of Conghua and Guangzhou. The site area is approximately 200,083 square meters, of which the developable area is approximately 139,182 square meters and the remaining land area for public facilities use. According to the latest design, the project will be developed into a residential and resort complex, comprising villas, low-rise apartment buildings and a five-star hotel. The total GFA is expected to be approximately 124,521 square meters. The development is divided into two phases. Phase I comprises 57 villas and 5 apartment buildings with a GFA of approximately 43,004 square meters. Phase II comprises 28 villas, 3 apartment buildings and a hotel, with a GFA of approximately 81,517 square meters. Currently, the Group plans that the villas and apartment buildings are available for sales and the hotel is for operation under the Group upon the completion of the project.

Yujing Scenic Garden — 70% interest

In December 2012, the Group completed the acquisition for the development project in Jiulibu District in Conghua, Guangzhou. The project is known as "Zhuguang Yujing Scenic Garden", which is located at Provincial Highway G105 line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou and is well connected via a number of highways from and to Guangzhou. It takes around 20 minutes drive from the downtown of Conghua and 10 minutes drive from Wenquan Town, Conghua. The site area of the project is approximately 294,684 square meters. The project will be developed into a commercial and residential complex, comprising residential and commercial buildings, service apartments and car parks. According to the latest design, the total GFA is expected to be approximately 886,216 square meters. The proposed development is divided into four phases. The superstructure works for Phase I with a GFA of 225,027 square meters has been commenced, certain units were pre-sold in 2012 and the result is encouraging. It is expected to be completed in the third quarter of 2014. The GFA of Phase II is 223,981 square meters and the total GFA of Phase III and Phase IV is 437,208 square meters which is expected to be completed between 2016 and 2018.

Land Parcel in Shui Di Village, Conghua — 100% interest

In December 2012, the Group successfully won the tender for the land use right of the land lot which is situated at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 square meters. The land is permitted for residential use, with the developable area of approximately 171,440 square meters. As the land is located adjacent to Yujing Scenic Garden, the Group may consider developing the land together with Yujing Scenic Garden and thus expand the Group's development and presence in Conghua.

BUSINESS REVIEW *(continued)*

Property Investment

During the year under review, the Group retained Royal Mediterranean Hotel, which is located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, as a leased property. The Group owned the interest in certain floors of the hotel of approximately 34,592 square meters. The rental income from the investment property has brought in a steady stream of recurring income for the Group.

Business Prospect

The Group estimated that the tough restrictive policies will likely remain in place for a period. With the effective suppression of speculation and investment as well as the appropriate consolidation of the property industry, the PRC property market is expected to remain dynamic in 2013 and the whole industry presents both challenges and opportunities. The Group will continue to strictly adhere to its undertakings and conducts business with complete integrity and makes progress while ensuring stability.

Looking forward to 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 eagerly seek market opportunities to ensure sustainable growth. As the rapid ongoing urbanization will continue to drive the property market in China for some time, the Group is still full of confidence of the long-term development in 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 revenue included revenue from property sales and rental income. The revenue of the Group for this year was approximately HK$571,167,000 (2011: HK$57,899,000), which increased by nearly 9 times as compared with that of Year 2011. The growth was mainly due to the recognition of revenue from property sales of Phase 1 of the Nansha Scenic project. These properties have been completed and delivered, with a total revenue of approximately HK$489,760,000 (2011: Nil) recorded. Rental income also recorded an increase of 41% in 2012 to approximately HK$81,407,000 (2011: HK$57,899,000), primarily due to the rental income was accounted for in full year and an average increase of 5% in rental from second quarter of 2012.

Cost of Sales

Cost of sales of the Group mainly refers to the costs incurred directly from its property development activities, including construction cost, land premium and interest capitalised.

FINANCIAL REVIEW *(continued)*

Turnover and Segmental Information *(continued)*

Gross profit

For the year ended 31 December 2012, the Group recorded a gross profit of HK$219,777,000, an increase of approximately 3 times when compared with HK$57,899,000 for the Year 2011. It was mainly due to the recognition of revenue after the completion and delivery of properties of Phase 1 of the Nansha Scenic project.

Other income

Other income of the Group decreased to approximately HK$590,000 by 91% in 2012 from approximately HKD 6,922,000 in 2011. The Group recorded a net foreign exchange gain of approximately HK$6,556,000 in 2011 while there was a net foreign exchange loss of approximately of HK$2,076,000 in 2012. The decrease was mainly attributable to slowing appreciation of Renminbi ("RMB").

Fair value gains on investment properties

Fair value gains on investment properties in 2012 was HK$30,174,000 (2011: approximately HK$41,719,000), mainly due to continuous rise in market value of the Group's investment properties in Royal Mediterranean Hotel which was brought about by positive market conditions.

Selling and marketing expenses

Selling and marketing expenses for the year 2012 was approximately HK$7,977,000 (2011: approximately HK$3,796,000), due to increase in promotion expenses incurred as a result of the pre-sale of Phase 1 of Yujing Scenic Garden during the year.

Administrative expenses

Administrative expenses of the Group increased by 30% to approximately HK$29,904,000 in 2012 from approximately HK$23,008,000 in 2011. It was primarily due to the fact that the Group recruited some high-calibre employees for key positions as strategic reservoir of personnel that will satisfy the Group's growing demand for human resources in the foreseeable future, which will be required by the Group's sustainable development and expansion.

Gain on bargain purchase in respect of business combination

A gain on bargain purchase of approximately HK$150,438,000 was generated from the business combination. It was mainly attributable to the decline in the closing market price of the Company's ordinary shares from the date of entering into the sale and purchase agreement to the acquisition date.

Income tax

Income tax comprised of Corporate income tax and LAT in the PRC. In 2012, the Group's Corporate income tax and LAT were HK$34,721,000 (2011: approximately HK$10,267,000) and HK$21,883,000 (2011: nil) respectively. Total income tax amounted to HK$56,604,000 during the year.

FINANCIAL REVIEW *(continued)*

Liquidity and Capital Resources

Cash position

As at 31 December 2012, the Group's bank and cash balances (including restricted bank deposits) amounted to approximately HK$249,335,000 (31 December 2011: HK$449,741,000).

Borrowings, charges on group assets and gearing ratio

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

	2012	2011
	HK$'000	*HK$'000*
Bank loans - secured	**1,129,800**	317,679
Senior Notes - secured	**476,756**	468,974
	1,606,556	786,653

Bank loans

As at 31 December 2012, the bank loans were secured by the following:

(i) all the Group's investment properties;

(ii) the Group's land use rights classified under prepaid land lease payments and the construction in progress thereon of approximately HK$51,212,000 and HK$10,682,000 respectively;

(iii) the Group's properties for sale under development of approximately HK$1,560,909,000;

(iv) the Group's pledged bank deposits of approximately HK$17,668,000;

(v) 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;

(vi) assignment of all rental income from the Group's investment properties; and

FINANCIAL REVIEW *(continued)*

Liquidity and Capital Resources *(continued)*

Bank loans (continued)

(vii) corporate guarantees executed by Guangdong Zhuguang Group Company Limited* ("Guangdong Zhuguang") and Guangdong New Southern Group Company Limited* ("Guangdong New Southern") and an independent third party.

Guangdong Zhuguang is considered as a related company of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence in Guangdong Zhuguang.

Guangdong New Southern is considered as a related company of the Group as it is beneficially owned and controlled by the executive director of the Company, Mr. Chu Muk Chi (alias Mr. Zhu La Yi).

Bank loans of approximately HK$32,102,000 (2011: nil) are arranged at fixed interest rates thus expose the Group to fair value interest rate risk. Other bank loans of approximately HK$1,097,698,000 (2011: HK$317,679,000) are arranged at floating rates thus expose the Group to cash flow interest rate risk. As at 31 December 2012, the effective interest rates on the bank loans ranged from 5.0% to 24.0% (2011: 4.9% to 6.6%) per annum.

As at 31 December 2012, the bank loans with total carrying amount of approximately HK$252,144,000 (2011: HK$317,679,000) are denominated in HK$, currency other than the functional currency of the relevant group entities.

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.

** English name is translated for identification purposes only.*

FINANCIAL REVIEW *(continued)*

Liquidity and Capital Resources *(continued)*

Senior Notes (continued)

The Senior Notes will 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 GFA 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 accounted for as financial liabilities, initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. The effective interest rate applied is 17.2% (2011: 17.2%) per annum.

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"), being the holding companies of Guangdong Hailian, 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 2012, expressed as total borrowings over the total equity was 62% (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:

	2012	2011
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities utilised by purchasers	**288,383**	169,253

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 interests and penalties owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees will be released upon issuance of the purchasers' property ownership certificates and completion of the relevant registration of the mortgaged properties.

CONTINGENT LIABILITIES *(continued)*

(a) *(continued)*

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.

(b) Pursuant to a Subscription and Shareholders Agreement dated 6 December 2011 (the "Subscription Agreement"), Silver Prosper agreed conditionally to subscribe for Cheng Chang's ordinary shares (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. As the conditions under the Subscription Agreement have not been fully fulfilled, Cheng Chang has not asked and Silver Prosper has not called for the Subscription up to the date of these financial statements.

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 on the hedging policy required against the possible foreign exchange risk that may arise.

STAFF AND REMUNERATION POLICIES

The Group had approximately 80 employees in Hong Kong and the PRC as at 31 December 2012 (31 December 2011: 50). They are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual 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 2012.

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 2012.

CORPORATE GOVERNANCE REPORT

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 year ended 31 December 2012, other than code provisions A.4.2, A.6.7 and I (f) of the CG Code.

Under code provision A.4.2 of the CG Code, 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, Dr. Zhang Jianqi, an independent non-executive director of the Company, did not attend the annual general meeting of the Company held on 5 June 2012 due to personal commitments.

According to code provision I (f) of the CG 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.

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 2012.

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 2012 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 2012. 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, 28 March 2013

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.

This announcement is published on the website of the Company (www.zhuguang.com.hk) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).