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 2013

The board ("**Board**") of directors ("**Directors**") of Zhuguang Holdings Group Company Limited (the "Company") is pleased to announce its annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 together with the comparative figures for the previous year as follows:

FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December	
	2013	2012
	HK$'000	*HK$'000*
Turnover — Sales of properties	**200,540**	489,760
— Rental income	**80,340**	81,407
(Loss)/Profit for the year attributable to owners of the Company	**(938,643)**	182,349

	At 31 December	
	2013	2012
	HK$'000	*HK$'000*
Total assets	**11,539,112**	6,104,047
Total liabilities	**7,806,875**	3,499,062
Total equity	**3,732,237**	2,604,985

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to focus on the property developments and sales business, and property investments business in the People's Republic of China ("PRC"). The Group achieved a record high of pre-sale performance of approximately HK$1.60 billion, due to the launch of the Group's modern and stylish project in Zhujiang New Town, Central Park (formerly know as "Feili Business Building") in the second half of 2013 and Zhuguang Yujing Scenic Garden, a residential project ("Yujing Scenic Garden") located in Conghua City. Both projects have successfully attracted a wide base of customers during pre-sale.

The Group will continued to enhance it presence in Guangzhou and nearby cities in the future. Projects acquired in 2012 and 2013 have already commenced the relevant construction works and will provide a sufficient land bank for the Group's future development. With respect to the projects acquired in 2012 and 2013, the Group has begun to explore the opportunities in other tier-one cities and provincial capitals. Subsequent to year ended 2013, the Group entered into various agreements or memorandum of understanding ("MOU") for potential projects. If these projects are successfully acquired which will enable the Group to accumulate additional saleable resources to sufficient its business expansion.

In order to maintain a sustainable growth and developments, the Group will continue to strengthen its cost control to improve the profitability, and streamline its internal process to enhance operation efficiency, thus laying a solid foundation for continuous growth in the future. To uphold its brand image, the Group will also devise appropriate strategies for the development and launch of new projects in the long-term.

Property Development and Sales

During the year, the Group's total contracted sales amounted to approximately HK$1,599,587,000 and contracted gross floor area ("GFA") amounted to approximately 125,526 square meters ("sqm"). The aggregate contracted sales value for the year ended 31 December 2013 has already exceeded the target of the year. This solid performance has put the Group in a good position in future. The details of contracted sales of the Group are set out below:

	Contracted sales *HK$'000*	**GFA sold** *sqm*
Projects		
Yujing Scenic Garden		
— Phase I	421,348	60,737
— Phase II	453,313	52,946
Central Park	724,926	11,843
	1,599,587	125,526

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

It is expected that the GFA of approximately 238,004 sqm is available for sale/pre-sale in 2014, and the details are as follows:

		Expected sale period	GFA available for sale *(sqm)*	Usage
Yujing Scenic Garden	— Phase I and II, District I	1st quarter	46,196	Sale
	— Phase II, District II	2nd quarter	85,722	Sale
Pearl Yunling Lake ("Yunling Lake")				
	— Phase I	3rd quarter	43,004	Sale
Zhukong International		1st quarter	50,270	Sale
Central Park		1st quarter	12,812	Sale
			238,004	

As at 31 December 2013, the Group owned seven property development projects, and the 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 a site area of approximately 28,319 sqm, 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 104,530 sqm. The Phase I and II of Nansha Scenic were completed and delivered in 2012 and 2013 respectively.

Zhukong International — 80% interest

Zhukong International previously named as Hailian Building and 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 a site area of approximately 10,449 sqm, the project will be developed into a 35-storey high-rise commercial complex. This will include a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park, amounting to an aggregate GFA of approximately 133,326 sqm. During the year, the pre-sale permit was obtained and a sale and purchase agreement was signed with PingAn Bank, Guangzhou Branch on 23 January 2014 to sell in an aggregate GFA of approximately 39,803 sqm.

Yunling Lake — 100% interest

The Group acquired the "Pearl Yunling Lake" project in Fengyunling in 2012. It is located at Provincial Highway S355 line at Jeikou Street, Conghua, Guangzhou, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and Guangzhou. The project site area is approximately 200,083 sqm, of which approximately 139,182 sqm will be developed and the remaining area reserved for public facilities. According to the latest design, the project will be developed an integrated residential and resort complex, comprising villas, low-rise apartment buildings and a boutique hotel. The total GFA is expected to be approximately 124,521 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings with an aggregate GFA of approximately 43,004 sqm, and Phase II comprising 28 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 81,517 sqm. The villas and apartment buildings will be available for sales upon completion, whilst the hotel will be retained as a long-term investment asset under the Group.

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Yujing Scenic Garden — 70% interest

"Zhuguang Yujing Scenic Garden" was acquired by the Group in 2012, and is located at Provincial Highway G105 line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. The project is a 20 minutes drive from the downtown Conghua and a 10 minutes drive from Wenquan Town, Conghua. The project site area is approximately 294,684 sqm and 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 sqm. The proposed development will be divided into four phases. The Phase I will comprise a GFA of approximately 225,027 sqm and certain units are expected to be completed and delivered in 2014. The total GFA of Phase II to IV is approximately 661,189 sqm which is expected to be completed between 2016 and 2018.

Pearl Tianhu Yujing Garden — 100% interest

The Group successfully won the tender for the land use right of the land lot situated at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm in 2012. 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. The project primarily named as "Pearl Tianhu Yujing Garden" and will be developed into a 32-storeys modern residential building with total GFA of approximately 245,182 sqm. The foundation works will be commenced in the second quarter of 2014 and the project is expected to be available for pre-sale in the first half of 2015.

Central Park — 100% interest

On 25 June 2013, the Group entered into a sale and purchase agreement with 豐順佳榮貿易有限公司 (Feng Shun Jia Rong Trading Company Limited*) ("Jia Rong") to acquire 100% of income right of Jia Rong, which includes, but not limited to, the income arising from the holding of the equity interest in 廣東喜龍房地產開發有限公司 (Guangdong Xilong Property Development Company Limited*) ("Guangdong Xilong"). Guangdong Xilong is currently engaged in a development project on a parcel of land at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and is entitled to total GFA of approximately 36,559 sqm, which will be developed into a 30-storey towers including service apartments, a street-level commercial podium and a 4-storey underground car park. The project is known as "Central Park". The Central Park is still under construction and certain units were launched for pre-sale in September 2013, the other portions of Central Park are available for pre-sale in the first quarter of 2014. It is expected the whole Central Park to be completed in the first half of 2015.

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

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Yunshan Yujing — 50% interest

On 12 September 2013, the Group entered into a sale and purchase agreement with an independent vendor to acquire 50% equity interest in Joygain Holdings Limited ("Joygain"). The principal project of Joygain together with its subsidiaries is located at the east side of Baiyuan Mountain, Guangzhou, the PRC which is a traditional high-end residential and scenic area. With the site area of approximately 94,221 sqm will be developed into high-end villas and apartments, and public facilities. Such acquisition was accounted for as prepayments for acquisition of equity interest as at 31 December 2013.

Property Investments

The Group owns certain floors of Royal Mediterranean Hotel ("Hotel") located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, as a leased property with GFA of approximately 34,592 sqm. During the year, the Group entered into a sale and purchase agreement with an independent purchaser to dispose of its entire interests in Rainbow High Holdings Limited and its subsidiaries ("Rainbow High Group") and Zhang Tong Holdings Limited and its subsidiaries ("Zhang Tong Group") which hold the 3rd, 4th and 6th floors of the Hotel with total GFA of approximately 16,408 sqm. Such disposal is expected to be completed before 30 June 2014. The Group will maintain certain portion of investment properties in order to keep a steady income stream to the Group.

PROSPECT AND OUTLOOK

With urbanisation designated as a national priority coupled with the increasing disposal income of Chinese consumers, the Group remains cautiously optimistic on the outlook of the PRC real estate market. It is expected that the demand for quality residential and commercial properties in core districts will remain steady in the long-term. The Group is confident that its upcoming projects, Zhukong International (a commercial complex) and Central Park (a residential) in Zhujiang New Town, Guangzhou, will firmly spearhead such demand in the market. Blessed with a prime geographic location positioned within the city's new central business district, the two projects are scheduled for completion in early 2015, respectively and are expected to generate lucrative sales revenue for the Group in the coming years.

As construction costs and labour costs in the PRC are expected to rise continuously in the coming year, the Group remains adamant in improving its internal efficiency and has deployed strategic cost saving initiatives on specific developments projects during the year. Such endeavours will ensure a healthy financial position for future development and will better prepare the Group for any opportunities that may arise in the market.

Leveraging on its strong business foothold and well-established brand name in southern China, the Group's development focus will continue to be in Guangzhou and cities within its vicinity. As such, the Group is carefully assessing the market environment to grow its land bank in the most cost effective manner and will prudently select land sites with the utmost development potential, so as to maximise investment returns. The Group will also devise appropriate sales strategies for existing developments to bring satisfactory returns to shareholders.

FINANCIAL REVIEW

Turnover

The Group's revenue included revenue from property sales and rental income. The revenue of the Group for this year was approximately HK$280,880,000 (2012: HK$571,167,000), which is 50% decreased as compared to 2012. The decrease was mainly due to the amounts of completed and delivered properties were less than 2012. Total area delivered was approximately 38,984 sqm in 2013, a decrease by 40% of GFA as compared to same the period in last year. Rental income also recorded a slight decrease of 1% from approximately HK$81,407,000 in 2012 to approximately HK$80,340,000 in 2013, primarily due to early termination of certain rental agreements and offset by an average increase of 5% in rental from the second quarter of 2013.

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.

Gross profit

For the year ended 31 December 2013, the Group recorded a gross profit of approximately HK$109,188,000, a decrease of approximately 50% as compared to the same period of 2012. It was mainly due to current year recognition of revenue after the completion and delivery of properties were much less than 2012.

Other income

The Group's other income increased significantly to approximately HK$72,176,000 (2012: HK$590,000), which was contributed by the write-back of other payables and reversal of provision for contingent liability of approximately HK$44,377,000 and HK$24,342,000 respectively.

Fair value gains on investment properties

Fair value gains on investment properties in 2013 was approximately HK$120,625,000 (2012: HK$30,174,000), 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 2013 was approximately HK$44,371,000 (2012: HK$7,977,000), due to an increase in promotion expenses incurred as a result of the pre-sale of Phase I and II of Yujing Scenic Garden and Central Park during the year.

FINANCIAL REVIEW *(continued)*

Administrative and other operating expenses

Administrative and other operating expenses of the Group significantly increased to approximately HK$1,050,195,000 in 2013 from HK$49,305,000 in 2012. It was primarily due to the fact that i) payment of professional financial advisory services fee to an independent adviser; ii) payment of land premium related charges and penalties; iii) additional administrative expense incurred for the subsidiaries acquired by the Group; iv) the impairment loss on prepayments for acquisition of 50% equity interest in Joygain (The impairment loss was made by reference to the estimated recoverable amount of the said prepayments. The recoverable amount based on the fair value less costs of disposal was estimated by reference to the business enterprise value of Joygain carried out by an independent qualified professional valuer. The directors are of the opinion that the impairment loss was mainly attributable to the increase in the closing market price of the Company's ordinary shares at their issue date as compared to the price of HK$1.98 per consideration share as stipulated in the sale and purchase agreement); and v) additional staff costs incurred by the Group due to recruit more 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.

Finance Costs

Finance costs for the year was approximately HK$209,756,000 (2012: HK$108,851,000), which was made up of interest expenses incurred during the year after deduction of the amount capitalised to development costs. The significant increase was mainly due to additional borrowings and the issues of the loan notes in the aggregate principal amounts of US$200 million during the year.

Income tax

Income tax comprised of corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC. Total income tax charged for the year was approximately HK$3,815,000 (2012: HK$56,604,000). Substantial decrease in income tax was mainly due to write-back of over-provision of LAT approximately HK$22,315,000 during the year.

Cash position

As at 31 December 2013, the Group's bank and cash balances (including restricted bank deposits) amounted to approximately HK$1,179,950,000 (31 December 2012: approximately HK$249,335,000).

Borrowings and charges on group assets

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

	2013	2012
	HK$'000	*HK$'000*
Bank loans — secured	**1,226,482**	1,129,800
Senior Notes — secured	**1,387,851**	476,756
Other borrowings — secured	**1,931,595**	—
	4,545,928	1,606,556

FINANCIAL REVIEW *(continued)*

Borrowings and charges on group assets (continued)

(1) Bank loans

As at 31 December 2013, the bank loans were secured by the following:

(i) the Group's investment properties with carrying amount of approximately HK$663,024,000;

(ii) the Group's land use rights classified under prepaid land lease payments and the construction in progress thereon of approximately HK$51,356,000 and HK$16,447,000 respectively;

(iii) the Group's properties for sale under development of approximately HK$2,061,669,000;

(iv) the Group's pledged bank deposits of approximately HK$13,555,000;

(v) charge over the entire issued share capital of the Company's subsidiaries, Diamond Crown Limited, Graceful Link Limited, Speedy Full Limited and Guangdong Xilong;

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

(vii) corporate guarantees executed by 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*) ("Guangdong Zhuguang") and 廣東新南方集團有限公司 (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).

During the year, the Group breached a financial covenant clause in relation to the maintenance of the consolidated net borrowings to consolidated tangible net worth ratio of the Group which contributes an early repayment option by the bank. Such bank loans in the total sum of approximately HK$192,112,000 are reclassified as current liabilities as at 31 December 2013. The bank did not request for the early repayment of the bank loan. Subsequent to the reporting date, the bank has agreed to waive the early repayment option.

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FINANCIAL REVIEW *(continued)*

Borrowings and charges on group assets (continued)

(2) Senior Notes

(a) Senior Notes I

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, interest-bearing at 15% per annum (the "Senior Notes I") to Silver Prosper (BVI) Investments Limited on 21 December 2011.

The Senior Notes I are secured and guaranteed by:

(i) a second fixed charge over the entire issued share capital of the company's subsidiaries, ZGL, Cheng Chang Holdings Limited and Fully Wise Investment Limited ("Fully Wise"), being the holding companies of Guangdong Hailian Building Co., Ltd ("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).

On 7 August 2013, the Group repurchased the entire principal amount of the Senior Notes I.

(b) Senior Notes II

Pursuant to a note purchase agreement dated 22 July 2013 together with certain supplemental agreements thereto, the Company issued secured and guaranteed senior notes in an aggregate principal amount of US$200 million (the "Senior Notes II") to certain investors in 2013. The Senior Notes II, due on 4 August 2016, are interest-bearing at 12.5% per annum and interests are payable semi-annually in arrears.

Concurrent with the issuance of the Senior Notes II, nil-paid warrants (the "Warrants") representing a total aggregate amount of exercise moneys of US$40 million were granted by the Company to these investors to subscribe for 137,499,449 ordinary shares of the Company at an initial exercise price of HK$2.2691 per ordinary share of the Company, which is subject to certain anti-dilutive adjustments. The warrants are exercisable at any time up to three years from 5 August 2013.

The Senior Notes II are secured and guaranteed by:

(i) 1,200 million ordinary shares of the Company beneficially owned by Rong De Investments Limited ("Rong De");

(ii) 100% equity interest of the Company's subsidiaries: Top Perfect Development Limited ("Top Perfect"), Ever Crown Corporation Limited ("Ever Crown"), East Orient Investment Limited ("East Orient") and Fully Wise;

FINANCIAL REVIEW *(continued)*

Borrowings and charges on group assets (continued)

(2) Senior Notes *(continued)*

(b) Senior Notes II *(continued)*

(iii) corporate guarantees executed by Rong De, Top Perfect, Ever Crown, East Orient, Fully Wise and Zhuguang Group (Hong Kong) Limited;

(iv) guarantees executed by the Company's directors, Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) and Mr. Chu Muk Chi (alias Mr. Zhu La Yi).

(3) Other borrowings

Other borrowings are secured and guaranteed by:

(i) the Group's properties for sale under development of approximately HK$1,042,430,000;

(ii) charge over the assets provided by 廣東豐順鹿湖溫泉渡假村有限公司(「豐順鹿湖」), the registered capital of 豐順鹿湖 was owned, as to 80% by Guangdong Zhuguang and as to 20% owned by Guangdong New Southern;

(iii) corporate guarantee executed by related companies — Guangdong Zhuguang, 廣州珠光房地產開發有限公司 (Guangzhou Zhuguang Property Development Company Limited*) ("Guangzhou Zhuguang Property"), 北京珠光房地產開發有限公司 (Beijing Zhuguang Property Development Company Limited*) ("Beijing Zhuguang Property") and 廣州珠光投資有限公司 (Guangzhou Zhuguang Investment Company Limited);

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

(v) corporate guarantee executed by a non-controlling shareholder of Guangdong Hailian; and

(vi) entire equity interest in Guangdong Hailian.

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CONTINGENT LIABILITIES

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

	2013	2012
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities utilised by purchasers	**860,245**	288,383

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.

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.

MATERIAL ACQUISITIONS OF THE SUBSIDIARY

During the year, the Group had completed the acquisitions of the interest of Jia Rong through Income Right SP Agreement date 25 June 2013. Pursuant to the Income Right SP Agreement, the Group acquired the right to receive all the income arising from the business of Jia Rong. Please refer to the announcement of the Company dated 15 July 2013 for details.

FOREIGN EXCHANGE RATE

The Group conducts its business almost exclusively in RMB except that certain borrowings are in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. 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 119 employees in Hong Kong and the PRC as at 31 December 2013 (31 December 2012: 80). They are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	2	**280,880**	571,167
Cost of sales		**(171,692)**	(351,390)
Gross profit		**109,188**	219,777
Other income		**72,176**	590
Fair value gains on investment properties		**120,625**	30,174
Fair value gains on financial assets at fair value through profit or loss		**38,503**	—
Selling and marketing expenses		**(44,371)**	(7,977)
Administrative expenses		**(56,367)**	(29,904)
Other operating expenses	3	**(993,828)**	(19,401)
(Loss)/Profit from operations		**(754,074)**	193,259
Finance costs	4	**(209,756)**	(108,851)
Gain on bargain purchase in respect of business combination		**—**	150,438
(Loss)/Profit before tax		**(963,830)**	234,846
Income tax	5	**(3,815)**	(56,604)
(Loss)/Profit for the year	6	**(967,645)**	178,242
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(938,643)**	182,349
Non-controlling interests		**(29,002)**	(4,107)
		(967,645)	178,242
(Loss)/Earnings per share	8		
Basic		**(25.66 cents)**	6.48 cents
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
(Loss)/Profit for the year	**(967,645)**	178,242
Other comprehensive income for the year, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**80,122**	13,095
Total comprehensive income for the year	**(887,523)**	191,337
Total comprehensive income for the year attributable to:		
Owners of the Company	**(867,686)**	192,934
Non-controlling interests	**(19,837)**	(1,597)
	(887,523)	191,337

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	**2013**	2012
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**20,251**	13,746
Prepaid land lease payments		**49,896**	49,796
Investment properties		**663,024**	1,126,037
Intangible assets		**23,515**	38,786
Goodwill		**18,542**	4,149
Deferred tax assets		**—**	1,892
		775,228	1,234,406
Current assets			
Inventories		**6,097,641**	4,029,518
Accounts receivable	*9*	**11,644**	4,277
Prepaid land lease payments		**1,460**	1,416
Prepayments, deposits and other receivables		**2,737,668**	577,794
Financial assets at fair value through profit or loss		**38,503**	—
Current tax assets		**76,315**	7,301
Restricted bank deposits		**183,011**	110,950
Bank and cash balances		**996,939**	138,385
		10,143,181	4,869,641
Assets of disposal groups classified as held for sale		**620,703**	—
		10,763,884	4,869,641
Current liabilities			
Accounts payable	*10*	**560,064**	420,286
Proceeds received from pre-sale of properties		**1,934,096**	533,275
Accruals and other payables		**235,498**	186,281
Amount due to the ultimate holding company		**19,983**	99,200
Bank and other borrowings		**1,488,816**	838,914
Finance lease payables		**203**	379
Provision for contingent liability		**9,733**	—
Current tax liabilities		**15,647**	37,546
		4,264,040	2,115,881
Liabilities directly associated with assets of disposal groups classified as held for sale		**47,056**	—
		4,311,096	2,115,881

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Net current assets	**6,452,788**	2,753,760
Total assets less current liabilities	**7,228,016**	3,988,166
Non-current liabilities		
Amount due to a non-controlling shareholder of a subsidiary	**—**	342,303
Bank and other borrowings	**3,057,112**	767,642
Finance lease payables	**503**	4
Deferred tax liabilities	**438,164**	273,232
	3,495,779	1,383,181
NET ASSETS	**3,732,237**	2,604,985
Capital and reserves		
Share capital	**422,412**	365,581
Reserves	**2,904,958**	1,915,992
Equity attributable to owners of the Company	**3,327,370**	2,281,573
Non-controlling interests	**404,867**	323,412
TOTAL EQUITY	**3,732,237**	2,604,985

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and some financial assets which are carried at their fair value. Non current assets or disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of the assets' or disposal groups' previous carrying amounts or fair value less costs to sell.

The preparation of these consolidated financial statements in conformity with HKFRSs required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Adoption of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised 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 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); 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 except as stated below.

(a) Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1 that was adopted by the Group, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

1. BASIS OF PREPARATION *(continued)*

Adoption of new and revised HKFRSs *(continued)*

(c) HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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. The Group shall adopt these new HKFRSs that are relevant to its operations and effective for its accounting year.

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 do not include computer software included in intangible assets and 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 segments' profit or loss, assets and liabilities

	Property sales *HK$'000*	Property rental *HK$'000*	Total *HK$'000*
Year ended 31 December 2013			
Revenue from external customers *(Note)*	**200,540**	**80,340**	**280,880**
Segment (loss)/profit	**(250,637)**	**177,399**	**(73,238)**
Other information			
Interest income	**2,208**	**1**	**2,209**
Interest expense	**129,868**	**—**	**129,868**
Depreciation and amortisation	**1,951**	**—**	**1,951**
Land lease charge (in respect of prepaid land lease payments)	**1,439**	**—**	**1,439**
Income tax	**(16,705)**	**20,520**	**3,815**
Other material items of income and expense: Land premium related charges and penalties	**46,549**	**—**	**46,549**
Other material non-cash items: Fair value gains on investment properties	**—**	**120,625**	**120,625**
Write back of other payables	**44,377**	**—**	**44,377**
Reversal of provision for contingent liability	**24,342**	**—**	**24,342**
Impairment loss on favourable operating leases on business combination	**21,133**	**—**	**21,133**
Impairment loss on goodwill	**4,149**	**—**	**4,149**
Additions to segment non-current assets	**6,521**	**—**	**6,521**
At 31 December 2013			
Segment assets	**7,843,791**	**1,300,094**	**9,143,885**
Segment liabilities	**5,921,767**	**199,072**	**6,120,839**

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 segments' profit or loss, assets and liabilities *(continued)*

	Property sales *HK$'000*	Property rental *HK$'000*	Total *HK$'000*
Year ended 31 December 2012			
Revenue from external customers	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
Depreciation and amortisation	1,378	—	1,378
Land lease charge (in respect of prepaid land lease payments)	939	—	939
Income tax	45,017	11,587	56,604
Other material items of income and expense: Land premium related charges and penalties	3,866	—	3,866
Other material non-cash items: Fair value gains on investment properties	—	30,174	30,174
Gain on bargain purchase in respect of business combination	150,438	—	150,438
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

2. TURNOVER AND SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment profit or loss, assets and liabilities

	2013	2012
	HK$'000	*HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**(73,238)**	210,346
Unallocated amounts		
Fair value gains on financial assets at fair value through profit or loss	**38,503**	—
Other corporate expenses*	**(932,910)**	(32,104)
Consolidated (loss)/profit for the year	**(967,645)**	178,242
Assets		
Total assets of reportable segments	**9,143,885**	6,100,457
Unallocated amounts		
Other corporate assets	**2,395,227**	3,590
Consolidated total assets	**11,539,112**	6,104,047
Liabilities		
Total liabilities of reportable segments	**6,120,839**	3,243,750
Unallocated amounts		
Other corporate liabilities	**1,686,036**	255,312
Consolidated total liabilities	**7,806,875**	3,499,062

* Other corporate expenses include the following:

	2013	2012
	HK$'000	*HK$'000*
Other income	**(2)**	(199)
Impairment loss on prepayments for acquisition of equity interest	**830,533**	—
Unallocated administration and finance costs	**102,379**	32,303
	932,910	32,104

Geographical information

All the revenue generated by the Group for the two years ended 31 December 2013 and 2012 were attributable to customers based in 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 2013, revenues derived from the Group's largest customer which accounted for 10% or more of the Group's total revenue amounted to approximately HK$80,340,000 (2012: approximately HK$81,407,000) These revenues are attributable to the property rental segment.

3. OTHER OPERATING EXPENSES

	2013	2012
	HK$'000	*HK$'000*
Land premium related charges and penalties	**46,549**	3,866
Other taxes	**16,510**	12,612
Net foreign exchange loss	**419**	2,076
Financial advisory fee	**73,276**	—
Impairment loss on favourable operating leases on business combination	**21,133**	—
Impairment loss on goodwill	**4,149**	—
Impairment loss on prepayments for acquisition of equity interest	**830,533**	—
Sundry expenses	**1,259**	847
	993,828	19,401

4. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Finance lease charges	**34**	25
Interest on bank loans wholly repayable within five years	**90,078**	33,745
Interest on Senior Notes wholly repayable within five years	**127,286**	83,390
Interest on other borrowings wholly repayable within five years	**89,323**	—
Total borrowings costs	**306,721**	117,160
Amount capitalised	**(96,965)**	(8,309)
	209,756	108,851

5. INCOME TAX

	2013	2012
	HK$'000	*HK$'000*
Current tax — PRC		
Corporate Income Tax		
— Provision for the year	**8,457**	28,739
Land Appreciation Tax ("LAT")		
— Provision for the year	**—**	21,883
— Over-provision in prior years	**(22,315)**	—
	(13,858)	50,622
Deferred tax	**17,673**	5,982
	3,815	56,604

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% (2012: 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 (2012: 10%).

5. INCOME TAX *(continued)*

Under the PRC corporate income tax law, dividends received by foreign investors from their investment in foreign-invested enterprises in respect of their 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.

6. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit	**1,800**	1,380
— Others	**870**	470
	2,670	1,850
Amortisation on intangible assets	**1,815**	890
Cost of inventories sold	**171,692**	351,390
Depreciation	**1,265**	982
Amount capitalised	**(11)**	—
Depreciation net of amount capitalised	**1,254**	982
Loss on disposal of property, plant and equipment	**—**	14
Operating lease charges in respect of land and buildings	**2,758**	2,350
Staff costs (including directors' emoluments)		
— Salaries and allowances	**24,783**	12,381
— Retirement benefit scheme contributions	**949**	367
	25,732	12,748
Amount capitalised		
— Salaries and allowances	**(3,800)**	(1,851)
— Retirement benefit scheme contributions	**(272)**	(50)
	(4,072)	(1,901)
Staff costs net of amount capitalised		
— Salaries and allowances	**20,983**	10,530
— Retirement benefit scheme contributions	**677**	317
	21,660	10,847

7. DIVIDENDS

The directors do not recommend the payment of any dividend (2012: nil) in respect of the year.

8. LOSS/EARNINGS PER SHARE

(a) Basic loss/earnings per share

The calculation of basic loss/earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK$938,643,000 (2012: profit of approximately HK$182,349,000) divided by the weighted average number of ordinary shares of 3,657,909,251 (2012: 2,813,868,427) in issue during the year.

(b) Diluted loss/earnings per share

Diluted loss per share for the year ended 31 December 2013 has not been presented as the Company's outstanding warrants during the year has an anti-dilutive effect on the basic loss per share.

There were no dilutive potential shares during the year ended 31 December 2012. Therefore, no diluted earnings per share was presented.

9. 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:

	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**11,644**	4,277

As of 31 December 2013, the above accounts receivable were past due for which the Group has not provided for impairment loss.

The above receivables relate to certain independent purchasers and a tenant. In respect of the accounts receivable that arose from sales of properties, the directors consider that these receivables would be recovered and no allowance for impairment was made against these past due receivables. Regarding the rental receivable of approximately HK$1,402,000 (2012: HK$2,525,000), the balance was fully settled subsequent to the reporting date. The Group holds rental deposits as collateral from the tenant. As such, the directors consider that no allowance for impairment is necessary in respect of the rental receivable.

10. ACCOUNTS PAYABLE

The Group's accounts payable comprise the following:

	2013	2012
	HK$'000	*HK$'000*
Land premium related charge and penalty payable	**124,414**	177,351
Construction fee payable	**435,650**	242,935
	560,064	420,286

10. ACCOUNTS PAYABLE *(continued)*

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

	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**555,641**	242,935
4 to 6 months	**1,348**	—
7 to 12 moths	**2,931**	—
Over 1 year	**144**	177,351
	560,064	420,286

11. EVENTS AFTER THE REPORTING PERIOD

(a) On 1 January 2014, the Group, as the intended purchaser, and Guangdong Zhuguang, as the intended vendor, entered into a memorandum of understanding (the "2014 MOU-1") in relation to the proposed acquisition of 98% equity interest of Xinjiang Zhuguang Scenic Property Development Company Limited*. Guangdong Zhuguang is considered as a related party of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence over Guangdong Zhuguang. Pursuant to the 2014 MOU-1, RMB300 million (equivalent to approximately HK$381,567,000) refundable deposit was made to Guangdong Zhuguang. In the event that a sale and purchase agreement in relation to the proposed acquisition is not entered into by the Group, Guangdong Zhuguang shall, within two business days upon receipt of written notice, refund the RMB300 million deposit to the Group.

Up to the date of this announcement, no legally binding agreement in relation to the proposed acquisition has been entered into by the Group (save for certain provisions relating to the deposit of RMB300 million, confidentiality, exclusivity and governing law under the 2014 MOU-1).

(b) On 1 January 2014, the Group, as the intended purchaser, and Beijing Rong Zhi Property Development Company Limited* ("Rong Zhi"), as the intended vendor, entered into a memorandum of understanding (the "2014 MOU-2") in relation to the proposed acquisition of the land use rights over a parcel of land at Xianghe District, He Bei Province, the PRC. Pursuant to the 2014 MOU-2 and a supplemental agreement dated 20 March 2014, approximately RMB332,669,000 (equivalent to approximately HK$423,118,000) refundable deposit was made to Rong Zhi. In the event that a sale and purchase agreement in relation to the proposed acquisition is not entered into by the Group, Rong Zhi shall, within two business days upon receipt of written notice, refund the RMB332,669,000 deposit to the Group.

Up to the date of this announcement, no legally binding agreement in relation to the proposed acquisition has been entered into by the Group (save for certain provisions relating to the deposit of approximately RMB332,669,000, confidentiality, exclusivity and governing law under the 2014 MOU-2).

(c) On 16 January 2014, the Group as the intended purchaser, and Rong Zhi, as the intended vendor, entered into a memorandum of understanding (the "2014 MOU-3") in relation to the proposed acquisition of 100% equity interest in a target company. Pursuant to the 2014 MOU-3, RMB200,000,000 (equivalent to approximately HK$254,378,000) was made to Rong Zhi. However, no definitive agreement was entered and hence, the sum was fully repaid to the Group in March 2014.

11. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(d) On 14 March 2014, the Group, as the purchaser and Sanya Zhuguang Investments Company Limited* ("Sanya Zhuguang"), as the vendor, entered into a sale and purchase agreement in relation to the acquisition of 100% equity interest of its subsidiary, Sanya Lantian Investment Company Limited*, at a consideration of RMB200,000,000. As such, RMB199,600,000 (equivalent to approximately HK$251,839,000) was paid by the Group in relation to the said acquisition. Sanya Zhuguang is a wholly-owned subsidiary of Guangdong Zhuguang. Sanya Zhuguang is considered as a related party of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence in Guangdong Zhuguang and Sanya Zhuguang. Up to the date of this announcement, the acquisition is still in progress.

(e) On 26 January 2014, RMB80 million (equivalent to approximately HK$101,751,000) was paid through an authorised agent for a potential property project. Up to the date of this announcement, no definition agreement has been entered into by the Group.

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

OTHER INFORMATION

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 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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 2013.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions set out in the Corporate Governance Code ("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 2013, other than code provisions A.2.1 and A.4.2, of the CG Code.

Code provision A.2.1 of the Corporate Governance Code (appendix 14 of the Listing Rules) stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual. As a result of the appointment of Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) ("Mr. Chu") as the chairman of the Board, Mr. Chu will assume the roles of both the chairman of the Board and the chief executive officer of the Company. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions.

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.

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 2013.

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 2013 have been agreed by the Company's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2013. 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.

On behalf of the Board
Zhuguang Holdings Group Company Limited
Chu Hing Tsung
Chairman

Hong Kong, 30 March 2014

As at the date of this announcement, the Board comprises Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Chairman and Chief Executive Officer), Mr. Liao Tengjia, 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 Joseph 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).