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 2014

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 2014 together with the comparative figures for the previous year as follows:

FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Turnover — Sales of properties	**2,866,361**	200,540
— Rental income	**49,372**	80,340
— Project management fee income	**3,789**	—
Profit/(Loss) for the year attributable to owners of the Company	**180,208**	(938,643)

	At 31 December	
	2014	2013
	HK$'000	*HK$'000*
Total assets	**20,235,831**	11,539,112
Total liabilities	**16,390,607**	7,806,875
Total equity	**3,845,224**	3,732,237

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economy remained complicated and showed a mix performance. The economic development in the United States and the United Kingdom experience a stable recovery, while the Eurozone was stagnant, triggering concerns about a new wave of European debt crisis. The quantitative easing measures in Japan showed a little improvement in economic development. In the People's Republic of China (the "**PRC**"), the overall economy maintained steady growth resulted in an annual economic growth rate of 7.4%, meeting the target of about 7.5%. In the first half of 2014, continuously affected by administration policy, the reasonably tight monetary policy of the macro-economic operation of the PRC, the real estate industry experienced a weak trend, transaction volume dropped significantly and the growth in transaction prices slowed down gradually. In the fourth quarter, the market picked up due to the effect of easing restrictions on purchase and lending, the Group remained cautious in response.

However, for the year as a whole, as the property inventory level remained high, the entire market was still facing the pressure from excess supply, the Group will consider carefully to the risk of oversupply, short-term adjustment of the market and the long-term development strategy. Meanwhile, through merger and acquisition and collaborative development, the Company will further expand its land reserve in the first and second tier cities as and when appropriate to promote the growth potential of property development.

Looking forward, the PRC economy will continue to transform from extensive growth with an emphasis on scale and speed to intensive growth with an emphasis on quality and efficiency. It will change from a quantity increment oriented economic structure to a structure with inventory adjustment plus quality and quantity increment. The driving force of the economic development will shift from traditional to a new growth point.

Property Development and Sales

By facilitating sales of properties and adopting flexible pricing policies, the Group's total contracted sales for 2014 amounted to approximately HK$1,297,002,000, while the corresponding contracted gross floor area ("**GFA**") was approximately 91,947 square meters ("**sqm**"). The details of contracted sales and the GFA sold of the Group are set out below:

	Contracted sales *HK$'000*	**GFA sold** *sqm*
Projects		
Central Park	568,409	10,517
Zhuguang Yujing Scenic Garden ("**Yujing Scenic Garden**")	458,909	54,839
Pearl Tianhu Yujing Garden ("**Tianhu Yujing**")	183,623	24,928
Zhukong International	86,061	1,663
	1,297,002	91,947

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

It is expected that the following projects are available for sale/pre-sale in 2015:

		Expected sale period	GFA available for sale *(sqm)*	Usage
Yujing Scenic Garden	— Phase I and II	1st quarter	74,699	Sale
	— Phase III	2nd quarter	161,645	Sale
Tianhu Yujing	— Phase I	1st quarter	71,871	Sale
	— Phase II	2nd quarter	62,195	Sale
Zhukong International		1st quarter	62,645	Sale
Central Park		1st quarter	3,202	Sale
			436,257	

As at 31 December 2014, the Group owned eight 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. The project was completed and delivered in 2013 and only certain street-level commercial podium and car parks are available for sale.

Zhukong International — 80% interest

"Zhukong International" 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 is developed into a 35-storey high-rise commercial complex. This includes 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. The building was substantially completed and ready for delivery. The Group has delivered approximately 39,803 sqm and recognised revenue approximately HK$2,309,535,000 during the year.

Central Park — 100% interest

"Central Park" is located 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 building including service apartments, a street-level commercial podium and a 4-storey underground car park. The project is currently in its final stage of construction and is expected to be completed in the second half of 2015.

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Yujing Scenic Garden — 70% interest

"Yujing Scenic Garden" 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-minute drive from the downtown Conghua and a 10-minute 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. During the year, Phase I was completed and delivered approximately 95,410 sqm and recognised revenue approximately HK$555,694,000 during the year, Phase II will be delivered in 2015 and 2016. Phase III and IV with total GFA of approximately 437,208 sqm is expected to be completed in 2017 and 2018.

Tianhu Yujing — 100% interest

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm, the land is located adjacent to Yujing Scenic Garden, the Group considered developing the land together with Yujing Scenic Garden and thus expand the Group's development and presence in Conghua. The project will be developed into 32-storey modern residential buildings with total GFA of approximately 240,296 sqm. During the year, pre-sale of Phase I was commenced and approximately HK$183,623,000 contracted sales was achieved. Promotion of Phase I and II will be continued to meet target in 2015. Certain part of the project is expected to be delivered in 2016.

Yunshan Yujing — 100% interest

"Yunshan Yujing" is situated near Baiyun Mountain in the Baiyun District, Guangzhou, a traditional hub of high-end property market in Guangzhou City. The site neighbours on well-established residential and commercial communities and is only 15-minute drive away from the central business district of Guangzhou City. The site area was approximately 94,221 sqm and will be developed into high-end villas, apartments and certain public facilities. During the year, the Group further acquired the remaining 50% equity interest and as a result, the Group held 100% interest of the entire project. The project already commenced foundation work and is expected to obtain the pre-sale permit in the second half of 2015.

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Pearl Yunling Lake — 100% interest

"Pearl Yunling Lake" project is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and 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.

Xianghe Project — 100% interest

The Group completed the acquisition of 香河縣逸景房地產發展有限公司 (Xianghe County Yijing Property Development Company Limited*) ("Xianghe Yijing") from two independent vendors. Xianghe Yijing is currently engaged in a development project which is located at No.168 Xinkai Street, Xianghe County, Hebei Province, the PRC. The project will be developed into several residential buildings with total GFA of approximately 152,108 sqm. The project is expected to commence foundation work in the second half of 2015.

Land Bank

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for the forthcoming three to five years. During the year, the Group signed several Memorandum of Understandings (the "MOUs") with various intended vendors in relation to the acquisition of potential property projects. For the year ended 2014, the Group completed the acquisition of a project in Xianghe County, Hebei Province and further acquired remaining 50% equity interest of Yunshan Yujing. Also, the Group signed a cooperative agreement with Huochun Economic Community in Guangzhou to redevelop a piece of land. During the year, the Group reassessed the progress and performance of those MOUs signed, those non-performing vendors and MOUs without any progress were cancelled, interests and compensation were levied and received from those vendors. The Group will be more cautious in acquisition land and with timely execution in future.

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

BUSINESS REVIEW *(continued)*

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 completed the disposal of its entire interests in Rainbow High Holdings Limited and its subsidiaries and Zhang Tong Holdings Limited and its subsidiaries which hold the 3rd, 4th and 6th floors of the Hotel with total GFA of approximately 16,408 sqm and recognised a gain of approximately HK$198,607,000. The Group will maintain certain portion of investment properties in order to keep a steady income stream to the Group and also continues to seek high quality properties for investment purposes in the future.

Project management services

The Group commenced a new business segment targeting the property development industry in the PRC and the Group will provide project and construction management services to customers in this target market. During the year, the Group engaged in providing project management services to a property investor for strategic planning, sales and marketing, design and supervisory services, approximately HK$3,789,000 revenue was recognised. The Group will continue to expand this business by utilising its expertise in project management in order to increase the source of revenue in future.

PROSPECT AND OUTLOOK

For future development of real estate industry in the PRC, under the general keynote of making progress while maintaining stability of the PRC's economy, the national macroeconomic policy and monetary policy will maintain stable and it is highly unlikely for the government to promulgate a large number of stimulus policies. Meanwhile, with the continuous enhancement of urbanisation rate and GDP per capita, the upcoming ten years of the PRC will still be a period of healthy and fast development for the real estate industry. Real estate industry (particularly residential development) still has a development over 10 years and will enter a stage emphasis on both development and holding.

As for the Group's business focus, we will concentrate in first-tier cities. We will acquire land with low premiums in first-tier cities such as Beijing, Guangzhou and Shanghai. Our selection criteria for land acquisition will continue to be stringent, with feasibility studies adopting more conservative estimates. One of the Group's proven strengths is its expertise in the redevelopment of old city areas, and this type of project will be our priority. We believe that taking on more of such projects will help the Group to meet it targets.

We expect prices in first-tier cities in 2015 will remain stable or increase slightly. The Group in future will manage its expansion cautiously by taking into account the Group's sales performance, profitability and shareholders' return, as well as financial prudence.

FINANCIAL REVIEW

Turnover

The Group's revenue included revenue from property sales, rental income and project management fee income. The revenue of the Group for 2014 was approximately HK$2,919,522,000 (2013: HK$280,880,000), which is increased by more than 9 times as compared to 2013. The increase was mainly due to the amounts of delivered properties were higher than 2013. Total area delivered was approximately 135,213 sqm in 2014 (2013: 38,984 sqm), as compared to last year there is more than double increase in GFA delivered. Rental income recorded a decrease of 39% from approximately HK$80,340,000 in 2013 to approximately HK$49,372,000 in 2014, primarily due to the disposal of certain investment properties during the year. Meanwhile, the Group expanded its business to provide strategic consulting services to other property developers, and recognised project management fee income of approximately HK$3,789,000 in the second half of 2014.

Gross profit and Margin

For the year ended 31 December 2014, the Group recorded a gross profit of approximately HK$1,233,506,000, an increase of approximately 10 times as compared to the year ended 2013. The Group's gross profit margin maintained at a high level of approximately 42% in 2014 which was slightly increased by 3% as compared to 2013.

Investment and other income

The Group's investment and other income increased significantly to approximately HK$735,131,000 (2013: HK$72,176,000) which is mainly contributed by interest penalties and compensation income amounting to approximately HK$204,244,000 and HK$477,318,000 respectively from potential vendors and an authorised agent for cancellation and delay in repayment of deposits to the Group.

Other gains and losses

Other gains and losses decreased from HK$697,106,000 in 2013 to HK$404,458,000 in 2014 primarily due to no impairment loss on prepayment for acquisition amounting to HK$830,533,000 incurred for 2014; and offset by (i) an impairment loss on goodwill approximately to HK$382,087,000; (ii) decreased in fair value gains on investment properties due to stagnant in investment properties market.

Administrative expenses, Selling and Marketing expenses and Other expenses

Administrative expenses, selling and marketing expenses and other expenses of the Group slightly increased from approximately HK$238,332,000 in 2013 to HK$246,208,000 in 2014. It was primarily due to the fact that (i) additional administrative expenses incurred for the subsidiaries acquired by the Group; (ii) a general inflation in staff costs and administrative expenses; and (iii) increase in rental expenses due to relocation of HK office.

FINANCIAL REVIEW *(continued)*

Finance Costs

Finance costs for the year was approximately HK$521,737,000 (2013: HK$209,756,000), 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 senior notes in the aggregate principal amounts of US$100,000,000 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$798,888,000 (2013: HK$3,815,000). Substantial increase in income tax was mainly due to a provision of LAT approximately HK$542,744,000 during the year for the completion of Zhukong International Project.

Cash position

As at 31 December 2014, the Group's bank and cash balances (including restricted bank deposits) amounted to approximately HK$4,068,640,000 (31 December 2013: approximately HK$1,179,950,000).

Borrowings, charges on group assets and gearing ratio

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

	2014	2013
	HK$'000	*HK$'000*
Bank loans — secured	**3,294,531**	1,226,482
Senior Notes — secured	**2,112,163**	1,387,851
Other borrowings — secured	**3,419,434**	1,931,595
	8,826,128	4,545,928

(a) The borrowings were secured by (i) investment properties; (ii) land use rights; (iii) properties for sale under development; (iv) pledged bank deposits; (v) equity interests of certain subsidiaries of the Group; (vi) assignment of all rental income from investment properties; (vii) corporate guarantee by an independent third party, related companies, controlling shareholder and a non-controlling shareholder of a subsidiary; (viii) guarantees executed by the Company's directors Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Zhu Qing Yi) and Mr. Chu Muk Chi (alias Zhu La Yi); (ix) ordinary shares of the Company beneficially owned by controlling shareholder; and (x) charge over the assets provided by 廣東豐順鹿湖溫泉渡假村有限公司 (Guangdong Feng Shun Lu Hu Hot Spring Resort Company Limited)*.

(b) The gearing ratio is measured by the net borrowings (total interest-bearing borrowings net of cash and cash equivalents and restricted bank deposits) over the equity attributable to owners of the Company. As at 31 December 2014 the gearing ratio was 140% (2013: 101%).

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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:

	2014 ***HK$'000***	2013 *HK$'000*
Guarantees given to banks for mortgage facilities utilised by purchasers	**1,019,554**	860,245

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.

(b)

	2014 ***HK$'000***	2013 *HK$'000*
Guarantee given to a bank in respect of bank facilities granted to Guangdong Province Huashui Shui Li Investment Company Limited* ("Guangdong Huashui")	**380,292**	—

As at 31 December 2014, the banking facilities granted to Guangdong Huashui were utilised to the extent of approximately HK$337,078,000.

As at 31 December 2014, approximately HK$100,297,000 was recognised in the consolidated statement of financial position as liabilities.

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CONTINGENT LIABILITIES *(continued)*

(c) During the year, the Group has provided guarantee and pledged certain of its properties for sale under development with carrying amount of approximately HK$247,117,000 to a financial institution regarding a loan and the interest thereon totalling RMB125,000,000 (equivalent to approximately HK$158,455,000) granted to a previous owner of the Group's newly-acquired subsidiary, Xianghe Yijing. The guarantee and the charged assets will be released, in accordance with the terms of the guarantee contract, up to a maximum of two years after the full repayment of the loan and interest thereon.

As at 31 December 2014, the Directors do not consider it probable that a claim will be made against the Group under the above guarantee. The Directors believe that all the outstanding amounts will be settled by the previous owner of Xianghe Yijing. In addition, the Group also owed approximately HK$126,764,000 to the previous owner of Xianghe Yijing as at 31 December 2014. If there were any default payment of loan by the previous owner of Xianghe Yijing, the Group would be responsible to repay the outstanding loan principal together with accrued interest and penalty owed by the previous owner of Xianghe Yijing to the financial institution. The Directors indicated that, in the event of default payment by the previous owner of Xianghe Yijing, the Group would then withhold the repayment of its loan due to the previous owner of Xianghe Yijing.

MATERIAL ACQUISITIONS OF THE SUBSIDIARIES

On 31 March 2014, the Group acquired 50% equity interest in Joygain Holdings Limited ("**Joygain**"). Accordingly, Joygain has been consolidated from the acquisition date due to the existence of substantive potential voting rights.

On 23 December 2014, the Group had completed the acquisition of the remaining 50% equity interest of Joygain through exercise of the option agreement dated 12 September 2013. Since then, Joygain become wholly own subsidiary of the Group. Please refer to the announcement of the Company dated 13 November 2014, 24 December 2014 and 30 December 2014 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 140 employees in Hong Kong and the PRC as at 31 December 2014 (31 December 2013: 119). They are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefit.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	2	**2,919,522**	280,880
Cost of sales		**(1,686,016)**	(171,692)
Gross profit		**1,233,506**	109,188
Investment and other income	3	**735,131**	72,176
Other gains and losses	4	**(404,458)**	(697,106)
Selling and marketing expenses		**(48,111)**	(44,371)
Administrative expenses		**(91,510)**	(56,367)
Other expenses	5	**(106,587)**	(137,594)
Profit/(Loss) from operations		**1,317,971**	(754,074)
Finance costs	6	**(521,737)**	(209,756)
Gain on disposal of subsidiaries		**198,607**	—
Profit/(Loss) before tax		**994,841**	(963,830)
Income tax	7	**(798,888)**	(3,815)
Profit/(Loss) for the year	8	**195,953**	(967,645)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**180,208**	(938,643)
Non-controlling interests		**15,745**	(29,002)
		195,953	(967,645)
Earnings/(Loss) per share	10		
Basic		**4.24 cents**	(25.66 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Profit/(Loss) for the year	**195,953**	(967,645)
Other comprehensive income for the year, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**3,338**	80,122
Total comprehensive income for the year	**199,291**	(887,523)
Total comprehensive income for the year attributable to:		
Owners of the Company	**184,029**	(867,686)
Non-controlling interests	**15,262**	(19,837)
	199,291	(887,523)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**30,715**	20,251
Prepaid land lease payments		**48,273**	49,896
Investment properties		**686,465**	663,024
Intangible assets		**23,055**	23,515
Goodwill		**77,838**	18,542
Deferred tax assets		**123,184**	—
Available-for-sale financial assets		**—**	—
		989,530	775,228
Current assets			
Inventories		**9,585,820**	6,097,641
Accounts receivable	*11*	**989,216**	11,644
Prepaid land lease payments		**1,456**	1,460
Prepayments, deposits and other receivables		**4,485,541**	2,737,668
Financial assets at fair value through profit or loss		**—**	38,503
Current tax assets		**115,628**	76,315
Restricted bank deposits		**171,097**	183,011
Bank and cash balances		**3,897,543**	996,939
		19,246,301	10,143,181
Assets of disposal groups classified as held for sale		**—**	620,703
		19,246,301	10,763,884
Current liabilities			
Accounts payable	*12*	**1,322,537**	560,064
Proceeds received from pre-sale of properties		**2,575,210**	1,934,096
Accruals and other payables		**479,247**	235,498
Amount due to the ultimate holding company		**88,511**	19,983
Derivative financial liabilities		**112,961**	—
Borrowings		**2,584,485**	1,488,816
Finance lease payables		**209**	203
Financial guarantee contracts		**100,297**	—
Provision		**—**	9,733
Current tax liabilities		**971,797**	15,647
		8,235,254	4,264,040
Liabilities directly associated with assets of disposal groups classified as held for sale		**—**	47,056
		8,235,254	4,311,096
Net current assets		**11,011,047**	6,452,788
Total assets less current liabilities		**12,000,577**	7,228,016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings	**6,241,643**	3,057,112
Finance lease payables	**294**	503
Deferred tax liabilities	**1,913,416**	438,164
	8,155,353	3,495,779
NET ASSETS	**3,845,224**	3,732,237
Capital and reserves		
Share capital	**481,831**	422,412
Reserves	**2,905,167**	2,904,958
Equity attributable to owners of the Company	**3,386,998**	3,327,370
Non-controlling interests	**458,226**	404,867
TOTAL EQUITY	**3,845,224**	3,732,237

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and accounting principles generally accepted in Hong Kong. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires 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.

(a) 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 financial year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendment to HKAS 32, Offsetting financial assets and financial liabilities

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. Where applicable, the effect of the disclosure has been reflected in the consolidated financial statements.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these consolidated financial statements as the Group is not currently subjected to significant levies.

1. BASIS OF PREPARATION *(continued)*

(a) Adoption of new and revised HKFRSs *(continued)*

Amendments to HKFRS 3 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. It had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

Other amendments and interpretations which are effective for the accounting year beginning on 1 January 2014 are not relevant to the Group.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014:

HKFRS 9	Financial Instruments [1]
HKFRS 14	Regulatory Deferral Accounts [2]
HKFRS 15	Revenue from Contracts with Customers [3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations [5]
Amendments to HKAS 1	Disclosure Initiative [5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions [4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements [5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception [5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle [6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle [4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle [5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

1. BASIS OF PREPARATION *(continued)*

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

2. TURNOVER AND SEGMENT INFORMATION

The Group has three reportable segments as follows:

Property sales	—	property development and sales
Property rental	—	property investment and property rental activities
Project management	—	project management activities

During the year, the Group has established a new business segment targets on the property development industry in the PRC in relation to provision of project and construction management services to customers in this target market.

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*	Project management *HK$'000*	Total *HK$'000*
Year ended 31 December 2014				
Revenue from external customers *(Note)*	**2,866,361**	**49,372**	**3,789**	**2,919,522**
Segment (loss)/profit	**(279,471)**	**269,272**	**3,789**	**(6,410)**
Other information:				
Interest income	**24,746**	**2**	**—**	**24,748**
Interest expense	**224,938**	**—**	**—**	**224,938**
Depreciation and amortisation	**1,731**	**—**	**—**	**1,731**
Land lease charge (in respect of prepaid land lease payments)	**1,449**	**—**	**—**	**1,449**
Income tax	**698,191**	**32,541**	**—**	**730,732**
Other material items of income and expense:				
Fines, land premium related charges, and penalties	**21,256**	**—**	**—**	**21,256**
Gain on disposal of subsidiaries	**—**	**198,607**	**—**	**198,607**
Other material non-cash items:				
Fair value gains on investment properties	**—**	**61,531**	**—**	**61,531**
Amortisation of financial guarantee contracts	**656**	**—**	**—**	**656**
Reversal of provision	**9,733**	**—**	**—**	**9,733**
Impairment loss on goodwill	**382,087**	**—**	**—**	**382,087**
Additions to segment non-current assets	**11,298**	**—**	**—**	**11,298**
At 31 December 2014				
Segment assets	**15,418,258**	**713,923**	**—**	**16,132,181**
Segment liabilities	**13,417,017**	**192,679**	**—**	**13,609,696**

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

2. TURNOVER AND SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segments' profit or loss, assets and liabilities

	2014 *HK$'000*	2013 *HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**(6,410)**	(73,238)
Unallocated amounts		
Net change in fair value of financial assets at fair value through profit or loss	**(37,729)**	38,503
Net change in fair value of derivative financial liabilities	**(46,973)**	—
Other corporate income/expenses (net)*	**287,065**	(932,910)
Consolidated profit/(loss) for the year	**195,953**	(967,645)
Assets		
Total assets of reportable segments	**16,132,181**	9,143,885
Unallocated amounts		
Other corporate assets	**4,103,650**	2,395,227
Consolidated total assets	**20,235,831**	11,539,112
Liabilities		
Total liabilities of reportable segments	**13,609,696**	6,120,839
Unallocated amounts		
Other corporate liabilities	**2,780,911**	1,686,036
Consolidated total liabilities	**16,390,607**	7,806,875

* Other corporate income/expenses (net) include the following:

	2014 *HK$'000*	2013 *HK$'000*
Other income	**697,224**	2
Impairment loss on prepayments for acquisition of equity interest	**—**	(830,533)
Unallocated administration and finance costs	**(410,159)**	(102,379)
	287,065	(932,910)

Geographical information

All the revenue generated by the Group for the two years ended 31 December 2014 and 2013 were attributable to customers based in the PRC. In addition, the 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 2014, revenue arising from property sales derived from the Group's largest customer which accounted for 10% or more of the Group's total revenue amounted to approximately HK$2,309,535,000.

During the year ended 31 December 2013, revenue arising from property rental 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.

3. INVESTMENT AND OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income on:		
Bank deposits	**24,817**	2,211
Deposits/Prepayments for acquisition of equity interest	**204,244**	—
Loan receivable	**15,592**	—
Total interest income for financial assets that are not at fair value through profit or loss	**244,653**	2,211
Compensation income	**477,318**	—
Write back of other payables	**17**	44,377
Reversal of provision	**9,733**	24,342
Amortisation of financial guarantee contracts	**656**	—
Sundry income	**2,754**	1,246
	735,131	72,176

4. OTHER GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Fair value gains on investment properties	**61,531**	120,625
Net change in fair value of financial assets at fair value through profit or loss	**(37,729)**	38,503
Net change in fair value of derivative financial liabilities	**(46,973)**	—
Net foreign exchange gain/(loss)	**1,250**	(419)
Impairment loss on favourable operating leases on business combination	**—**	(21,133)
Impairment loss on goodwill	**(382,087)**	(4,149)
Impairment loss on prepayments for acquisition of equity interest	**—**	(830,533)
Loss on disposal of property, plant and equipment	**(450)**	—
	(404,458)	(697,106)

5. OTHER EXPENSES

	2014	2013
	HK$'000	*HK$'000*
Fines, land premium related charges and penalties	**21,256**	46,549
Other taxes	**15,885**	16,510
Financial advisory fees	**63,390**	73,276
Sundry expenses	**6,056**	1,259
	106,587	137,594

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Finance lease charges	**29**	34
Interest on bank loans wholly repayable within five years	**280,501**	90,078
Interest on Senior Notes wholly repayable within five years	**286,762**	127,286
Interest on other borrowings wholly repayable within five years	**136,527**	89,323
Total borrowings costs	**703,819**	306,721
Amount capitalised	**(182,082)**	(96,965)
	521,737	209,756

7. INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
Current tax		
PRC Corporate Income Tax ("CIT")		
— Provision for the year	**388,903**	8,457
PRC Land Appreciation Tax ("LAT")		
— Provision for the year	**542,744**	—
— Over-provision in prior years	**—**	(22,315)
	542,744	(22,315)
	931,647	(13,858)
Deferred tax		
— CIT	**(131,970)**	17,673
— LAT	**(789)**	—
	(132,759)	17,673
	798,888	3,815

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 CIT at 25% (2013: 25%) based on the relevant income tax rules and regulations in the 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 (2013: 10%).

Under the PRC corporate income tax law, dividends received by foreign investors from 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.

8. PROFIT/(LOSS) FOR THE YEAR

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

	2014	2013
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)	**35,025**	24,783
Retirement benefit scheme contributions	**1,673**	949
Total staff costs	**36,698**	25,732
Less: amount capitalised	**(6,402)**	(4,072)
	30,296	21,660
Auditor's remuneration		
— Audit	**2,200**	1,800
— Others *(Note)*	**870**	870
Amortisation on intangible assets	**2,730**	1,815
Cost of inventories sold	**1,686,016**	171,692
Depreciation, net of amount capitalised	**1,928**	1,254
Loss on disposal of property, plant and equipment	**450**	—
Operating lease charges in respect of land and buildings	**12,646**	2,758

Note: Apart from the above auditor's remuneration, during the year, an amount of HK$400,000 in relation to transaction related services was included in direct attributable incremental transaction costs which was recognised directly in equity and attributed to the owners of the Company.

9. DIVIDENDS

The directors do not recommend the payment of any dividend (2013: Nil) in respect of the year.

10. EARNINGS/LOSS PER SHARE

(a) Basic earnings/loss per share

The calculation of basic earnings/loss per share is based on the profit for the year attributable to owners of the Company of approximately HK$180,208,000 (2013: loss of approximately HK$938,643,000) divided by the weighted average number of ordinary shares of 4,251,851,111 (2013: 3,657,909,251) in issue during the year.

(b) Diluted earnings/loss per share

Diluted earnings per share for the year ended 31 December 2014 has not been presented as the Company's outstanding warrants had no dilutive effect for the year ended 31 December 2014 as the exercise prices of those warrants were higher than the average market price for shares.

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

11. 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 unless otherwise specified in the underlying agreements with the purchasers.

The aging analysis of accounts receivable, based on revenue recognition date is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**987,798**	11,644
4 to 6 months	**850**	—
Over 1 year	**568**	—
	989,216	11,644

Trade receivables are analysed as follows:

	2014	2013
	HK$'000	*HK$'000*
Fully performing under credit terms	**982,928**	—
Past due but not impaired	**6,288**	11,644
	989,216	11,644

Fully performing under credit term receivables mainly represent receivables from sales of properties to one single independent purchaser. A longer credit period is granted to this purchaser with strong financial background. The Group has policies in place to ensure that sales of properties are made to this purchaser with appropriate percentage of down payment received. Subsequent to the reporting date, the Group has further received approximately HK$614,330,000 payment from this purchaser.

Past due but not impaired receivables represent receivables relating to certain independent purchasers and a tenant. In respect of the accounts receivable that arose from sales of properties of approximately HK$1,886,000 (2013: HK$10,242,000), 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$4,402,000 (2013: HK$1,402,000), 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.

12. ACCOUNTS PAYABLE

The Group's accounts payable comprise the following:

	2014	2013
	HK$'000	*HK$'000*
Land premium related charges and penalties payable	**57,836**	124,414
Construction fee payable	**1,264,701**	435,650
	1,322,537	560,064

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

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**1,296,134**	555,641
4 to 6 months	**9,778**	1,348
7 to 12 months	**16,437**	2,931
Over 1 year	**188**	144
	1,322,537	560,064

13. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 January 2015 and 13 February 2015, the Company issued the second tranche of the Senior Notes 2014 in an aggregate principal amount of US$65 million and US$35 million respectively to certain investors. Concurrent with the issuance of the second tranche senior notes, nil-paid redeemable warrants representing a total amount of exercise money of US$13 million and US$7 million respectively were granted by the Company to these investors.

(b) On 3 March 2015, the Group, as the intended purchaser, and an individual, as the intended vendor, entered into a memorandum of understanding (the "**MOU**") in relation to proposed acquisition of 100% equity interest of 惠源有限公司 (Hui Yuan Company Limited*). Pursuant to the MOU, RMB300 million refundable deposit was made to the vendor. In the event that a sale and purchase agreement in relation to the proposed acquisition is not entered into by the Group, the vendor shall, within three business days upon receipt written notice, refund the RMB300 million deposit to the Group.

Up to the date of these financial statements, 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 MOU).

(c) Pursuant to certain preliminary sale and purchase agreements dated 17 December 2014, the Group has conditionally agreed to purchase 50 apartments in the PRC (the "**Properties**") at a total consideration of RMB1,106,820,000 (equivalent to approximately HK$1,403,049,000) which will be settled by cash. The Properties will be held for sale in the ordinary course of business of the Group. The completion of the acquisition will be conditional upon and subject to the approval of the preliminary sale and purchase agreements and the transactions contemplated thereunder by the shareholders of the Company. The resolution of the said approval was duly passed on 23 March 2015.

The transfer of the Properties are still in progress up to the date of this consolidated financial statements.

* English name is translated for identification purpose 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 2014.

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 2014.

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 2014, other than code provisions A.2.1, A.4.2 and E.1.2, 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.

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. Mr. Chu Hing Tsung, the chairman of the Board, did not attend the 2014 AGM due to his prior engagement.

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 2014.

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 2014 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 2014. 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, 31 March 2015

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. Chu Muk Chi (alias Mr. Zhu La Yi), Mr. Liao Tengjia and Mr. Huang Jiajue 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).