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)

INTERIM REPORT 2010

CONTENTS

(Financial figures in this interim report are expressed in HK$ unless otherwise stated)

FINANCIAL HIGHLIGHTS

The board of Directors ("Board") of Zhuguang Holdings Group Company Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 together with the comparative figures as follows:

	Six months ended 30 June		
RESULTS	**2010**	2009	Change
	$'000	*$'000*	%
	(Unaudited)	*(Unaudited)*	
Turnover — rental income	**3,890**	3,880	0%
Gross profit	**2,059**	2,053	0%
Fair value gains on investment properties	**11,925**	3,627	229%
Profit for the period	**7,249**	302	2,300%
Basic earnings per share	**0.32 cents**	0.02 cents	0.30 cents

	At 30 June	At 31 December	
	2010	2009	Change
	$'000	*$'000*	%
	(Unaudited)	*(Audited)*	
Total assets	**542,210**	542,854	0%
Total liabilities	**17,204**	25,507	(33%)
Total equity	**525,006**	517,347	1%

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Property Investment

During the period under review, the Group's major property investment is certain floors in Royal Mediterranean Hotel, with a total gross floor area of approximately 6,098 square meters, which is located at Tianhe Road, Tianhe District, Guangzhou, the PRC. Such property has generated stable monthly rental income.

Property Development

During the period under review, the Group's core property development project is Pearl Nansha Scenic ("Nansha Scenic"), which is located at Nansha District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 34,904 square meters. The project comprises ten 18-storey towers including residential units, a single-storey commercial podium and a car park at basement level with a total gross floor area of approximately 109,777 square meters. The development of Nansha Scenic commenced in the fourth quarter of 2009 and the pre-sale commenced in August 2010. It is estimated that the development will be completed by the fourth quarter of 2011.

BUSINESS OUTLOOK

In the future, in addition to retaining its certain floors in Royal Mediterranean Hotel, the Board also intends to acquire the entire block of the hotel. As announced on 22 January 2010 and 22 July 2010, the Group entered into two memoranda of understanding and supplemental agreements with two prospective vendors respectively in respect of the acquisition of the entire block of the Royal Mediterranean Hotel, pursuant to which it is preliminarily estimated that the aggregate consideration shall not be more than RMB1,700,000,000, which shall be subject to further negotiation between the parties. The Board considered that the acquired properties will have a higher appreciation potential. Furthermore, the Board expected that if the proposed acquisition is completed, it will bring in stable rental revenue stream to the Group as a support to the business development of the Group.

Besides the existing development project and property investment, the Group will continue to explore quality properties with a view to expanding its land bank should suitable opportunities arise.

FINANCIAL REVIEW

Turnover and Gross Profit

The Group's turnover represents rental income generated. During the period under review, the turnover was approximately HK$3,900,000 (six months ended 30 June 2009: approximately HK$3,900,000), and the gross profit was approximately HK$2,100,000 (six months ended 30 June 2009: approximately HK$2,100,000).

Fair Value Gains on Investment Properties

The fair value model was adopted consistently when accounting for investment properties, whereby such properties were recorded at their fair values as determined by an independent professional valuer.

Liquidity and Capital Resources

Net current assets decreased to approximately HK$207,100,000 as at 30 June 2010 (31 December 2009: approximately HK$246,758,000). As at 30 June 2010, the Group's bank and cash balances amounted to approximately HK$11,900,000 (31 December 2009: approximately HK$108,900,000).

Borrowings, Charges on Group's Assets and Gearing Ratio

Apart from finance lease payable of approximately HK$1,260,000 (31 December 2009: approximately HK$28,000), the Group had no other borrowings and none of the Group's assets were pledged as at 30 June 2010 (31 December 2009: Nil), the gearing ratio as at 30 June 2010, expressed as total borrowing over the total equity was Nil (31 December 2009: Nil).

FOREIGN EXCHANGE RATE

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

CONTINGENT LIABILITIES

As at the close of business on 30 June 2010 and 31 December 2009, the Group did not have any significant contingent liabilities.

STAFF AND REMUNERATION POLICIES

The success of the Group heavily relies on the performance and commitment of all its employees. They are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include year end bonus. As at 30 June 2010, the Group had approximately 40 employees (31 December 2009: approximately 40 employees).

COMPANY PROSPECTS

In the second quarter of the year, the emerging European sovereign debt crisis brought downside risks to the recovery of the global economy by the adversely affected confidence in the investment markets, China is at a critical stage regarding the launch of its macro austerity measures. China's GDP growth in the second quarter was decreased to 10.3%. It is expected that the rate of economic growth will continue to slow down in the second half of the year. Nevertheless, the Group is optimistic about the medium and long term development of the mainland China property market since the Group firmly believes that urbanization and industrialization will generate massive genuine housing demand for some time yet. The Group will not be over-optimistic and will follow closely the change in the trend of the macro economy and the regulatory environment and will address such changes effectively and in a timely manner.

The Group strives to expedite its development through joint venture cooperation and mergers and acquisitions, and also will expand sources in getting high quality land reserve through various means and ways. In the view of the prospect of the property development business in China is bright, the Board is very confident of the future of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		$'000	*$'000*
	Note	***(Unaudited)***	*(Unaudited)*
Turnover	*3,4*	**3,890**	3,880
Rental outgoings		**(1,831)**	(1,827)
Gross profit		**2,059**	2,053
Other income		**1,531**	—
Fair value gains on investment properties		**11,925**	3,627
Other expenses		**(6,646)**	(4,607)
Profit before tax		**8,869**	1,073
Income tax	*5*	**(1,620)**	(771)
Profit for the period	*6*	**7,249**	302
Basic earnings per share	*7*	**0.32 cents**	0.02 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
	(Unaudited)	*(Unaudited)*
Profit for the period	**7,249**	302
Other comprehensive income		
Exchange differences on translating foreign operations arising during the period	**410**	38
Other comprehensive income for the period, net of tax	**410**	38
Total comprehensive income for the period	**7,659**	340

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	**30 June 2010** **$'000** ***(Unaudited)***	31 December 2009 *$'000* *(Audited)*
Non-current assets			
Property, plant and equipment		**2,275**	673
Investment properties	*8*	**162,657**	150,733
Properties under development	*9*	**145,657**	109,731
Prepayments for properties acquisition		**15,000**	15,000
		325,589	276,137
Current assets			
Accounts receivable	*10*	**1,767**	148
Consideration receivables	*11*	**112,000**	144,316
Prepayments, deposits and other receivables		**91,001**	13,322
Bank and cash balances		**11,853**	108,931
		216,621	266,717
Current liabilities			
Accruals and other payables		**7,406**	18,561
Current tax liabilities		**1,801**	1,392
Finance lease payable		**338**	6
		9,545	19,959
Net current assets		**207,076**	246,758
Total assets less current liabilities		**532,665**	522,895
Non-current liabilities			
Finance lease payable		**922**	22
Deferred tax liabilities		**6,737**	5,526
		7,659	5,548
NET ASSETS		**525,006**	517,347
Capital and reserves			
Share capital	*12*	**226,882**	226,882
Reserves		**298,124**	290,465
TOTAL EQUITY		**525,006**	517,347

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	(Unaudited)					
	Share capital *$'000*	**Share premium** *$'000*	**Reserve on merger accounting** *$'000*	**Exchange fluctuation reserve** *$'000*	**Accumulated losses** *$'000*	**Total** *$'000*
At 1 January 2009	163,200	906,000	(101,922)	5,157	(520,354)	452,081
Total comprehensive income for the period	—	—	—	38	302	340
At 30 June 2009	**163,200**	**906,000**	**(101,922)**	**5,195**	**(520,052)**	**452,421**
At 1 January 2010	226,882	905,310	(101,922)	169	(513,092)	517,347
Total comprehensive income for the period	—	—	—	410	7,249	7,659
At 30 June 2010	**226,882**	**905,310**	**(101,922)**	**579**	**(505,843)**	**525,006**

Note:

(a) Reserve on merger accounting

The reserve on merger accounting was set up upon the share swap for the Company to acquire its subsidiaries.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
	(Unaudited)	*(Unaudited)*
Net cash (used in)/generated from operating activities	**(129,299)**	115,686
Net cash generated from/(used in) investing activities	**31,974**	(7,012)
Net cash used in financing activities	**(163)**	—
Net (decrease)/increase in cash and cash equivalents	**(97,488)**	108,674
Effect of foreign exchange rate changes	**410**	38
Cash and cash equivalents as 1 January	**108,931**	179
Cash and cash equivalents at 30 June	**11,853**	108,891
Analysis of cash and cash equivalents		
Bank and cash balances	**11,853**	108,891

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Room 5709, 57th Floor, The Center, 99 Queen's Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are property development, property investment and property rental activities in the PRC.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at their fair values. The accounting policies adopted are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2009.

In the current period, the Group has applied all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2010.

The adoption of these new and revised standards, amendments and interpretations had no material impact on the results and financial position of the Group for the current or prior periods, and did not result in any significant changes in the accounting policies of the Group.

The interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2009.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

[1] *Amendments that are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
[2] *Effective for annual periods beginning on or after 1 January 2011.*
[3] *Effective for annual periods beginning on or after 1 February 2010.*
[4] *Effective for annual periods beginning on or after 1 July 2010.*
[5] *Effective for annual periods beginning on or after 1 January 2013.*

Other than the application of HKFRS 9 "Financial Instruments" which might affect the classification and measurement of the Group's financial assets, the Directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

For the six months ended 30 June 2010

3. TURNOVER

The Group's turnover represents rental income generated during the period.

4. SEGMENT INFORMATION

The Group has two reportable segments as follows:

Property sales — property development and sale
Property rental — property investment and property rental activities

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

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

Information about reportable segments profit or loss, assets and liabilities

	Property sales *'000*	Property rental *'000*	Total *'000*
Six months ended 30 June 2010 ***(Unaudited)***			
Revenue from external customers	—	3,890	3,890
Segment (loss)/profit	(394)	11,861	11,467
Other information			
Interest revenue	6	—	6
Depreciation	32	—	32
Fair value gains on investment properties	—	11,925	11,925
Income tax	—	1,620	1,620
At 30 June 2010 ***(Unaudited)***			
Segment assets	311,640	227,424	539,064
Segment liabilities	1,696	13,733	15,429

	Property sales *'000*	Property rental *'000*	Total *'000*
Six months ended 30 June 2009 ***(Unaudited)***			
Revenue from external customers	—	3,880	3,880
Segment (loss)/profit	(206)	4,323	4,117
Other information			
Depreciation	6	1	7
Fair value gains on investment properties	—	3,627	3,627
Income tax	—	771	771
At 31 December 2009 ***(Audited)***			
Segment assets	293,383	246,197	539,580
Segment liabilities	11,511	11,417	22,928

4. SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended 30 June	
	2010	2009
	(Unaudited)	*(Unaudited)*
Profit or loss		
Total profit or loss of reportable segments	**11,467**	4,117
Unallocated amounts		
Other corporate expenses	**(4,218)**	(3,815)
Consolidated profit for the the period	**7,249**	302

	At 30 June	At 31 December
	2010	2009
	(Unaudited)	*(Audited)*
Assets		
Total assets of reportable segments	**539,064**	539,580
Unallocated amounts		
Other corporate assets	**3,146**	3,274
Consolidated total assets	**542,210**	542,854
Liabilities		
Total liabilities of reportable segments	**15,429**	22,928
Unallocated amounts		
Other corporate liabilities	**1,775**	2,579
Consolidated total liabilities	**17,204**	25,507

5. INCOME TAX

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

(b) Subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at 25% (six months ended 30 June 2009: 25%). According to the PRC enterprise income tax law and the relevant PRC issued implementation regulation, the Group is subject to PRC withholding income tax of 10% on the gross rental income (six months ended 30 June 2009: 10%).

(c) Based on the information available, the Directors considered that the taxation of the Group at 30 June 2010 was adequately provided for in the financial statements.

6. PROFIT FOR THE PERIOD

Profit for the period is stated at after charging the following:

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
	(Unaudited)	*(Unaudited)*
Auditor's remuneration		
— Audit	**450**	—
Depreciation	**140**	7
Operating lease rentals in respect of land and buildings	**553**	1,170
Staff costs including directors' emoluments		
— Salaries and allowances	**2,309**	1,744
— Retirement benefit scheme contributions	**17**	26
	2,326	1,770

For the six months ended 30 June 2010

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period of approximately HK$7,249,000 (six months ended 30 June 2009: approximately HK$302,000) and on 2,268,820,000 (30 June 2009: 1,632,000,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

There were no dilutive potential shares during the six months ended 30 June 2010 and 2009. Therefore, no diluted earnings per shares have been presented.

8. INVESTMENT PROPERTIES

At 30 June 2010, the Group's investment properties, situated in Guangzhou, the PRC, are held under medium-term leases. The investment properties held under operating lease for rental purposes are measured using the fair value model. The fair value of the Group's investment properties at 30 June 2010 was based on the open market value basis, by reference to market evidence of recent transactions for similar properties, appraised by an independent qualified professional valuer. A fair value gain of approximately HK$11,925,000 was recorded for the six months ended 30 June 2010 (six months ended 30 June 2009: approximately HK$3,627,000).

9. PROPERTIES UNDER DEVELOPMENT

At 30 June 2010, the properties under development represented Pearl Nansha Scenic development project located at Nansha District, Guangzhou City, Guangdong Province, the PRC. A certificate of land use rights was granted whereby the Group has the land use rights over the properties for a term of 70 years for residential use, 40 years for commercial use and 50 years for others commencing from 22 December 1997.

10. ACCOUNTS RECEIVABLE

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

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

	At 30 June 2010	At 31 December 2009
	$'000	*$'000*
	(Unaudited)	*(Audited)*
Within 3 months	**1,666**	148
4 — 6 months	**101**	—
	1,767	148

11. CONSIDERATION RECEIVABLES

Included in the consideration receivables are amounts arising from the disposals of the Group's subsidiaries. Further to the supplemental agreements entered on 29 June 2010, interests will be levied on the outstanding considerations at the rate of HIBOR plus 5% and these consideration receivables will be due by 31 December 2010.

12. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	***$'000***
Authorised:		
At 31 December 2009 and 30 June 2010		
Ordinary shares of HK$0.10 each	4,000,000	400,000
Issued and fully paid:		
At 31 December 2009 and 30 June 2010		
Ordinary shares of HK$0.10 each	2,268,820	226,882

13. MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals during the period.

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2010 and 31 December 2009.

15. LEASE COMMITMENTS

At 30 June 2010, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2010 *$'000* ***(Unaudited)***	At 31 December 2009 *$'000* *(Audited)*
Within one year	**1,106**	1,106
In the second to fifth years inclusive	**1,199**	1,752
	2,305	2,858

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

16. OTHER COMMITMENTS

At 30 June 2010, the future minimun property management payments committed by the Group in respect of a property management service arrangement are as follows:

	At 30 June 2010 *$'000* ***(Unaudited)***	At 31 December 2009 *$'000* *(Audited)*
Within one year	**3,691**	608
In the second to fifth years inclusive	**2,460**	—
	6,151	608

17. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions and balances with its related parties:

(a) Key management personnel compensation

The key management personnel of the Group comprises all Directors and their emoluments were disclosed in note 6 to the financial statements.

(b) Balances with related parties

Included in accruals and other payables are amounts in total of approximately HK$145,000 (31 December 2009: approximately HK$169,000) representing accrued Directors' emoluments due to the Company's Directors. The accrued Directors' emoluments are unsecured, interest-free and are settled in cash.

18. EVENTS AFTER THE REPORTING PERIOD

On 22 July 2010, the Group entered into two supplemental agreements to the memoranda of understanding with two prospective vendors with the intention of acquiring entire block of the Royal Mediterranean Hotel, details of which are set out in the Company's announcement dated 22 July 2010. It was agreed to extend the exclusivity period to 31 December 2010.

Saved as disclosed above, the Group did not have any other significant events took place subsequent to the reporting period.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2010, none of the Directors and the chief executive of the Company had or was deemed to have any interests and short positions in the shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted, either directly or indirectly at any time during the period under review.

PURCHASE, SALES OR REDEMPTION OF SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	*Note*	**Nature of interest**	**Total**	**Approximate percentage or attributable percentage of shareholdings** *(Note 3)*
Rong De Investments Limited ("Rong De")	*1*	Beneficial owner	1,302,600,000 (L)	57.41%
Mr. Chu Muk Chi	*2*	Interest of a controlled corporation	1,302,600,000 (L)	57.41%
Mr. Liao Tengjia	*2*	Interest of a controlled corporation	1,302,600,000 (L)	57.41%

(L) Long position

Notes:

(1) 465,000,000 shares have been pledged by Rong De to Shoreline Value 1 Limited, which is deemed to have interest in the capacity of person having security interest in the 465,000,000 shares by virtue of the SFO.

(2) Rong De is legally and beneficially owned as to 40% by Mr. Chu Muk Chi and as to 60% by Mr. Liao Tengjia. Mr. Chu and Mr. Liao are deemed to have interests in the 1,302,600,000 shares beneficially owned by Rong De under the SFO.

(3) For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 2,268,820,000 shares in issue.

Save as disclosed above, so far as are known to the Directors, the Company has not been notified of any interest in the issued share capital of the Company required to be recorded under section 336 of the SFO as at 30 June 2010.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2010 (except code provision A.4.2).

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

COMPLIANCE WITH THE MODEL CODE

The Group has adopted the Model Code. Upon specific enquiry by the Company, all Directors confirmed that they have fully complied with the required standards set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-executive Directors of the Company. The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2010, which is of opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 20 August 2010