



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)



INTERIM REPORT **2013**

STOCK CODE : 1176

*For identification purposes only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Liao Tengjia (*Chairman*)
Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)
(*Deputy Chairman and
Chief Executive Officer*)
Mr. Chu Muk Chi (alias Mr. Zhu La Yi)
Mr. Huang Jia Jue

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping *JP*
Mr. Law Shu Sang Joseph
Mr. Wong Chi Keung

AUDIT COMMITTEE

Mr. Leung Wo Ping *JP*
(*Committee Chairman*)
Mr. Law Shu Sang Joseph
Mr. Wong Chi Keung

REMUNERATION COMMITTEE

Mr. Wong Chi Keung (*Committee Chairman*)
Mr. Law Shu Sang Joseph
Mr. Huang Jia Jue

NOMINATION COMMITTEE

Mr. Law Shu Sang Joseph
(*Committee Chairman*)
Mr. Leung Wo Ping *JP*
Mr. Huang Jia Jue

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

21/F., Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Ng Hoi Leung Leo

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda)
Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

AUDITOR

RSM Nelson Wheeler
29th Floor, Caroline Centre, Lee Gardens
Two
28 Yun Ping Road
Hong Kong

LEGAL ADVISORS ON BERMUDA LAW

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong)
Limited
Industrial and Commercial Bank of China
(Asia) Limited
Bank of China Limited

WEBSITE

www.zhuguang.com.hk

STOCK CODE

1176



The board of Directors (“Board”) of Zhuguang Holdings Group Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013 together with the comparative figures as follows:

FINANCIAL HIGHLIGHTS

RESULTS	Six months ended 30 June	
	2013 HK\$’000 (Unaudited)	2012 HK\$’000 (Unaudited)
Turnover — rental income	42,766	39,280
Fair value gains on investment properties	28,570	13,647
(Loss)/profit for the period attributable to owners of the Company	(41,209)	8,245
	At 30 June 2013 HK\$’000 (Unaudited)	At 31 December 2012 HK\$’000 (Audited)
Total assets	8,149,737	6,104,047
Total liabilities	5,552,989	3,499,062
Total equity	2,596,748	2,604,985

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").

For the first half of 2013, the world economy remained complicated and fast changing. The Federal Reserve's plan for reducing the current quantitative easing program during the year has brought turmoil to the global financial market. The slight slowing down of China economy, sentiment of the property market showed the signs of recovery, with property price rose gently, reflecting the strong underlying demand despite the anti-speculation measures by the government that are aimed at prevention of overheating in the property market.

Despite the ever-changing macroeconomic environment, the Group continued to follow the planned pace of development of its real estate projects.

PROPERTY DEVELOPMENT AND SALES

During the period, the Group as usual, in accordance with national policies, reacted calmly to market changes and continued to take steps to enhance actively its overall management capability. Backing on its well established brand name, offered high value-for-money products to suit the customers demand, the Group achieved contracted sales amounted to approximately HK\$320,000,000 for the first half of 2013, and contracted gross floor area ("GFA") approximately 49,000 square meters ("sqm"). The contracted sales were contributed by the sales from Phase II of Pearl Nansha Scenic ("Nansha Scenic") of approximately HK\$2,000,000 and Phase I of Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden") of approximately HK\$318,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

PROPERTY DEVELOPMENT AND SALES *(continued)*

In accordance with the planned schedule, it is expected that approximately 320,383 sqm GFA is available for pre-sales in the second half of 2013, and the details are as follows:

	Expected pre-sales date	GFA available for sale/leasing (square meter)	Expected completion year
Hailian Project	Fourth quarter of 2013	133,326	2015
Yujing Scenic Garden — Phase I	Third and fourth quarter of 2013	29,470	2014-2015
Yujing Scenic Garden — Phase II	Third and fourth quarter of 2013	124,487	2015-2016
Feili Business Building (Note)	Third quarter of 2013	33,100	2015
		320,383	

Note: On 25 June 2013, the Group entered into a sale and purchase agreement with Feng Shun Jia Rong Trading Company Limited* (“Jia Rong”) (豐順佳榮貿易有限公司) to conditionally acquire 100% of income right of Jia Rong, which includes, but not limits to, the income arising from the holding of the equity interest in Guangdong Xilong Property Development Company Limited* (“Guangdong Xilong”) (廣東喜龍房地產開發有限公司). 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 (known as “Feili Business Building”). The acquisition has been completed on 16 August, 2013. Upon completion, the Group is entitled to the income of the saleable GFA of 33,100 sqm of the above mentioned project (details of which are set out in note 24(a) to the condensed consolidated financial statements).

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

PROPERTY DEVELOPMENT AND SALES *(continued)*

As at 30 June 2013, the Group owned 5 property development sites. Details are as follows:

NANSHA SCENIC — 100% INTEREST

Nansha Scenic is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC, which is the central business district in Nansha. With the site area of approximately 28,319 sqm, the project comprises ten 18-storeys towers including residential units, a street-level commercial podium and a car park at basement level, with a GFA of approximately 103,909 sqm. There are two phases for Nansha Scenic. The delivery of Phase I with a GFA of approximately 65,546 sqm was completed in December 2012, and Phase II, with a GFA of approximately 38,363 sqm, is currently in its final stage of construction and is expected to be delivered in the fourth quarter of 2013.

HAILIAN PROJECT — 80% INTEREST

Hailian Project is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, which is at the junction of Guangzhou Avenue and Huang Pu Avenue. With the site area of approximately 10,449 sqm, the project will be developed into a 35-storeys high-rise commercial complex including a 6-storeys commercial podium, a 29-storeys Grade A office building and a 3-storeys underground car park, adding up to a GFA of approximately 133,326 sqm. The superstructure works is in progress and is available for pre-sales in the fourth quarter of 2013. The development is expected to be completed in the third quarter of 2015. The project has a huge potential for capital appreciation given its prominent location in the commercial hub of Zhujiang New Town in Guangzhou. It is estimated that the project will bring significant revenue to the Group thanks to its geographical location.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

PROPERTY DEVELOPMENT AND SALES *(continued)*

PEARL YUNLING LAKE (“YUNLING LAKE”) — 100% INTEREST

Yunling Lake is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou, which is adjacent to the Fengyunling Forest Park, and is the main connection point between the downtown of Conghua and Guangzhou. The site area is approximately 200,083 sqm, of which the developable area is approximately 139,182 sqm and the remaining land area for public facilities use. According to the latest design, the project will be developed into a residential and resort complex, comprising villas, low-rise apartment buildings and a hotel. The total GFA is approximately 124,521 sqm. The development is divided into two phases. Phase I comprises 57 villas and 5 apartment buildings with a GFA of approximately 43,004 sqm. Phase II comprises 28 villas, 3 apartment buildings and a hotel, with a GFA of approximately 81,517 sqm. Around 80% of villas and residential units have already completed the major construction work. Currently, the Group plans that the villas and apartment buildings are available for sales and the hotel is for operation under the Group upon the completion of the project.

YUJING SCENIC GARDEN — 70% INTEREST

Yujing Scenic Garden is located at Provincial Highway G105 line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou and is well connected via a number of highways from and to Guangzhou. It takes around 20 minutes drive from the downtown of Conghua and 10 minutes drive from Wenquan Town, Conghua. The site area of the project is approximately 294,684 sqm. The project will be developed into a commercial and residential complex, comprising residential and commercial buildings, service apartments and car parks. According to the latest design, the total GFA is expected to be approximately 886,216 sqm. The proposed development is divided into four phases. The GFA of Phase I is 225,027 sqm and the pre-sale permit has already been obtained. Approximately 80% of the units were pre-sold and the result is encouraging. During the period, the construction progress is smooth. A GFA of approximately 48,738 sqm is expected to be delivered in 2014. The remaining GFA of Phase I is expected to be delivered between 2015 and 2016. The GFA of Phase II is 223,981 sqm and the total GFA of Phase III and Phase IV is 437,208 sqm, which is expected to be completed between 2015 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

PROPERTY DEVELOPMENT AND SALES *(continued)*

LAND PARCEL IN SHUI DI VILLAGE, CONGHUA — 100% INTEREST

In December 2012, the Group successfully won the tender for the land use right of the land lot which is situated at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm. As 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. According to the construction and design plans, the project foundation works is expected to be commenced in the third quarter of 2013 and the project is primarily named as "Pearl Tianhu Yujing Garden". The project is mainly comprised of 32-storeys residential buildings with total GFA of approximately 245,182 sqm.

PROPERTY INVESTMENT

Alongside the continuing expansion in property development and sales, the Group retained Royal Mediterranean Hotel, which is located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, as a leased property. The Group owned the interest in certain floors of the hotel of approximately 34,592 sqm. The rental income from the investment property has brought in a steady stream of recurring income for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

BUSINESS PROSPECT

The Group estimated that the tough restrictive policies will likely remain in place for a period. With the effective suppression of speculation and investment as well as the appropriate consolidation of the property industry, the PRC property market is expected to remain dynamic in the future and the whole industry presents both challenges and opportunities. The Group will continue to strictly adhere to its undertakings and conduct business with complete integrity and make progress while ensuring stability. Looking forward to the year ahead, the Group will actively expand financial resources and seize investment opportunities including the acquisition of prime land parcels through various channels. Maintaining suitable precautions against risk, the Group will eagerly seek market opportunities to ensure sustainable growth. As the rapid ongoing urbanisation will continue to drive the property market in the PRC for some time, the Group is still full of confidence of the long-term development in the PRC property market. The Group will stick to a development model focused on mid-range to high-end products that aims to maximise profit for the Group with its focus on products and brand, so as to enhance its elite image.

FINANCIAL REVIEW

TURNOVER AND SEGMENTAL INFORMATION

TURNOVER

The Group's turnover represented rental income generated. During the period, the turnover of the Group was approximately HK\$42,766,000 (six months ended 30 June 2012: HK\$39,280,000).

OTHER INCOME

The Group's other income increased significantly to approximately HK\$37,136,000 (six months ended 30 June 2012: HK\$153,000), which was contributed by write back of other payables of approximately HK\$34,794,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

TURNOVER AND SEGMENTAL INFORMATION *(continued)*

FAIR VALUE GAINS ON INVESTMENT PROPERTIES

Fair value gains on investment properties increased significantly to approximately HK\$28,570,000 (six months ended 30 June 2012: HK\$13,647,000), which was mainly due to the 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 current period were approximately HK\$7,078,000 (six months ended 30 June 2012: HK\$268,000) due to the significant increase in promotion expenses incurred as a result of the pre-sale of Phase I of Yujing Scenic Garden during the current period.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses of the Group increased significantly to approximately HK\$66,567,000 in the current period (six months ended 30 June 2012: HK\$23,991,000). It was primarily due to a professional financial advisory fee paid during the period and additional administrative expenses incurred for the subsidiaries acquired by the Group in the mid and the end of year 2012. Moreover, the Group continued to recruit more high calibre employees for key positions as strategic reservoir of personnel who will satisfy the Group's growing demand for human resources in the foreseeable future, which will be required by the Group's sustainable development and expansion.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

TURNOVER AND SEGMENTAL INFORMATION *(continued)*

FINANCE COSTS

Finance costs for the current period were approximately HK\$74,706,000 (six months ended 30 June 2012: HK\$48,331,000), which were made up of interest expenses incurred in the period after deduction of the amount capitalised to development costs. The significant increase was mainly due to the additions of bank loans and other borrowings during the period.

INCOME TAX

Income tax comprises corporate income tax in the PRC and the deferred tax arising from the revaluation of investment properties. In the current period, the Group's total income tax amounted to approximately HK\$15,923,000 (six months ended 30 June 2012: HK\$5,499,000).

LIQUIDITY AND CAPITAL RESOURCES

CASH POSITION

As at 30 June 2013, the Group's bank and cash balances (including restricted bank deposits) amounted to approximately HK\$810,526,000 (31 December 2012: HK\$249,335,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

BORROWINGS, CHARGES ON GROUP ASSETS AND GEARING RATIO

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Bank loans — secured	1,439,517	1,129,800
Senior Notes — secured	481,844	476,756
Other borrowings — secured	1,884,447	—
	3,805,808	1,606,556

(a) *Bank loans*

As at 30 June 2013, the bank loans were secured by the following:

- (i) all the Group's investment properties;
- (ii) the Group's land use rights classified under prepaid land lease payments and the construction in progress thereon of approximately HK\$51,411,000 and HK\$12,152,000 respectively (31 December 2012: HK\$51,212,000 and HK\$10,682,000 respectively);
- (iii) the Group's properties for sale under development of approximately HK\$1,427,565,000 (31 December 2012: HK\$1,560,909,000);

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

BORROWINGS, CHARGES ON GROUP ASSETS AND GEARING RATIO *(continued)*

(a) *Bank loans (continued)*

- (iv) the Group's pledged bank deposits of approximately HK\$22,426,000 (31 December 2012: HK\$17,668,000);
- (v) charge over the entire issued share capital of the Company's subsidiaries, Big Wisdom Limited, Diamond Crown Limited, Graceful Link Limited, Light-Up Investments Limited and Speedy Full Limited;
- (vi) assignment of all rental income from the Group's investment properties; and
- (vii) corporate guarantees executed by Guangdong Zhuguang Group Company Limited* ("Guangdong Zhuguang") (「廣東珠光集團有限公司」), Guangdong New Southern Group Company Limited* ("Guangdong New Southern") (「廣東新南方集團有限公司」) 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).

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

BORROWINGS, CHARGES ON GROUP ASSETS AND GEARING RATIO *(continued)*

(a) Bank loans (continued)

At 30 June 2013, bank loans of approximately HK\$408,735,000 are grouped under current liabilities following the fact that the Group had 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 constitute an early repayment option by the bank. The bank has not requested for the early repayment of the bank loans. The Group is in active negotiation with the bank with a view to renegotiate the terms of the bank loans.

Bank loans of approximately HK\$13,495,000 (31 December 2012: HK\$32,102,000) are arranged at fixed interest rates thus expose the Group to fair value interest rate risk. Other bank loans of approximately HK\$1,426,022,000 (31 December 2012: HK\$1,097,698,000) are arranged at floating rates thus expose the Group to cash flow interest rate risk. As at 30 June 2013, the effective interest rates on the bank loans ranged from 4.9% to 24.0% (31 December 2012: 5.0% to 24.0%) per annum.

As at 30 June 2013, the bank loans with total carrying amount of approximately HK\$408,735,000 (31 December 2012: HK\$252,144,000) are denominated in HK\$, currency other than the functional currency of the relevant group entities.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

BORROWINGS, CHARGES ON GROUP ASSETS AND GEARING RATIO *(continued)*

(b) Senior Notes

Pursuant to an investment agreement dated 6 December 2011 (the “Investment Agreement”), a wholly-owned subsidiary of the Company, Zhuguang Group Limited (“ZGL”) issued secured and guaranteed senior notes in an aggregate principal amount of HK\$500 million, interest-bearing at 15% per annum (the “Senior Notes I”) to Silver Prosper (BVI) Investments Limited (“Silver Prosper”) 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 (“Cheng Chang”) 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).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

BORROWINGS, CHARGES ON GROUP ASSETS AND GEARING RATIO *(continued)*

(b) Senior Notes (continued)

During the period ended 30 June 2013, the Group breached its covenant with Silver Prosper that so long as any Senior Notes I remain outstanding, Guangdong Hailian would not repay any indebtedness owed by it to its non-controlling shareholder. As a consequence, the Senior Notes I are subject to an early repayment option by Silver Prosper and is therefore grouped under current liabilities at 30 June 2013. Silver Prosper has not requested for early redemption of the Senior Notes I.

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

(c) Other borrowings

Other borrowings are secured and guaranteed by:

- (i) the Group's properties for sale under development of approximately HK\$1,911,046,000; and
- (ii) corporate guarantee executed by Guangdong Zhuguang.

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.

The gearing ratio as at 30 June 2013, expressed as total borrowings over the total equity was 147% (31 December 2012: 62%). The rise of the gearing ratio was mainly attributable to the additions of other borrowings of HK\$1,883,115,000 by transferring of the income right of Hailian Project to Guangdong Finance Trust Co., Ltd..

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Guarantees given to banks for mortgage facilities utilised by purchasers	468,192	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.

- (b) Pursuant to a Subscription and Shareholders Agreement dated 6 December 2011 (the "Subscription Agreement"), Silver Prosper agreed conditionally to subscribe for Cheng Chang's ordinary shares (the "Subscription"). The Company's director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) has provided guarantee to Silver Prosper for the punctual performance by the Group of all its obligations under the Subscription Agreement. As the conditions under the Subscription Agreement have not been fully fulfilled, Cheng Chang has not asked and Silver Prosper has not called for the Subscription up to the date of the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CONTINGENT LIABILITIES *(continued)*

(b) *(continued)*

In consideration of Silver Prosper agreeing to complete the Subscription and the subscription of the Senior Notes I, on 20 December 2011, the Group and Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) entered into a deed of indemnity (the “Deed”) to indemnify Silver Prosper and other indemnified parties from and against any losses and damages may suffer in relation to (i) Fully Wise’s non-compliance with applicable laws and regulations and other irregularities and (ii) certain liabilities owed by Guangdong Hailian as set out in the Deed.

At the reporting date, the directors do not consider it probable that a claim will be made against the Group under the Deed.

FOREIGN EXCHANGE RATE

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

STAFF AND REMUNERATION POLICIES

The Group had approximately 100 employees in Hong Kong and the PRC as at 30 June 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	3	42,766	39,280
Other income		37,136	153
Fair value gains on investment properties		28,570	13,647
Selling and marketing expenses		(7,078)	(268)
Administrative expenses		(20,039)	(12,545)
Other operating expenses		(46,528)	(11,446)
Profit from operations		34,827	28,821
Finance costs	5	(74,706)	(48,331)
Gain on bargain purchase in respect of business combination		—	31,897
(Loss)/Profit before tax		(39,879)	12,387
Income tax	6	(15,923)	(5,499)
(Loss)/Profit for the period	7	(55,802)	6,888
(Loss)/Profit for the period attributable to:			
Owners of the Company		(41,209)	8,245
Non-controlling interests		(14,593)	(1,357)
		(55,802)	6,888
Basic (loss)/earnings per share	9	(1.13 cents)	0.32 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
(Loss)/Profit for the period	(55,802)	6,888
Other comprehensive income for the period, net of tax		
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	47,565	(3,940)
Total comprehensive income for the period	(8,237)	2,948
Total comprehensive income for the period attributable to:		
Owners of the Company	1,392	4,030
Non-controlling interests	(9,629)	(1,082)
	(8,237)	2,948

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	14,809	13,746
Prepaid land lease payments	11	49,970	49,796
Investment properties	12	1,175,064	1,126,037
Intangible assets	13	38,099	38,786
Goodwill		4,149	4,149
Deferred tax assets		1,926	1,892
		1,284,017	1,234,406
Current assets			
Inventories	14	4,654,098	4,029,518
Accounts receivable	15	2,699	4,277
Prepaid land lease payments	11	1,441	1,416
Prepayments, deposits and other receivables		1,374,737	577,794
Current tax assets		22,219	7,301
Restricted bank deposits	16	112,320	110,950
Bank and cash balances		698,206	138,385
		6,865,720	4,869,641
Current liabilities			
Accounts payable	17	322,531	420,286
Proceeds received from pre-sale of properties		961,538	533,275
Accruals and other payables		143,090	186,281
Amount due to the ultimate holding company		4,212	99,200
Bank and other borrowings	18	3,283,780	838,914
Finance lease payables		195	379
Current tax liabilities		38,254	37,546
		4,753,600	2,115,881
Net current assets		2,112,120	2,753,760
Total assets less current liabilities		3,396,137	3,988,166

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2013

		30 June 2013	31 December 2012
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Audited)
Non-current liabilities			
Amount due to a non-controlling shareholder of a subsidiary		—	342,303
Bank and other borrowings	18	522,028	767,642
Finance lease payables		1	4
Deferred tax liabilities		277,360	273,232
		799,389	1,383,181
NET ASSETS		2,596,748	2,604,985
Capital and reserves			
Share capital	19	365,581	365,581
Reserves		1,858,351	1,915,992
Equity attributable to owners of the Company		2,223,932	2,281,573
Non-controlling interests		372,816	323,412
TOTAL EQUITY		2,596,748	2,604,985

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Reserve on merger accounting HK\$'000	Exchange fluctuation reserve HK\$'000	Contributed surplus HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012	246,882	98,771	(101,922)	47,944	239,404	—	563,634	1,094,713	158,314	1,253,027
Total comprehensive income for the period	—	—	—	(4,215)	—	—	8,245	4,030	(1,082)	2,948
* Loss on the Group's contribution to a subsidiary	—	—	—	—	—	—	(73,054)	(73,054)	73,054	—
Issue of shares	43,745	236,225	—	—	—	—	—	279,970	—	279,970
Changes in equity for the period	43,745	236,225	—	(4,215)	—	—	(64,809)	210,946	71,972	282,918
At 30 June 2012	290,627	334,996	(101,922)	43,729	239,404	—	498,825	1,305,659	230,286	1,535,945
At 1 January 2013	365,581	1,047,052	(101,922)	58,529	239,404	5,611	667,318	2,281,573	323,412	2,604,985
Total comprehensive income for the period	—	—	—	42,601	—	—	(41,209)	1,392	(9,629)	(8,237)
* Loss on the Group's contribution to a subsidiary	—	—	—	—	—	—	(59,033)	(59,033)	59,033	—
Changes in equity for the period	—	—	—	42,601	—	—	(100,242)	(57,641)	49,404	(8,237)
At 30 June 2013	365,581	1,047,052	(101,922)	101,130	239,404	5,611	567,076	2,223,932	372,816	2,596,748

* The subsidiary, Guangdong Hailian Building Co., Ltd. ("Guangdong Hailian") is a sino-foreign contractual joint venture enterprise under the law of the People's Republic of China ("PRC"). In accordance with the joint venture contract, and the memorandum and article of association of the subsidiary, the PRC joint-venture partner is responsible for making available the land use rights of the construction site; whereas the Group is responsible for the full amount of the subsidiary's registered capital. In addition, the non-controlling shareholder is entitled to share 20% of the profit or loss of the subsidiary and 20% of its surplus assets on expiry of the joint venture or on a winding up.

During the period, the Group made capital contribution of approximately HK\$295,165,000 (six months ended 30 June 2012: HK\$365,270,000) to the subsidiary. The carrying amounts of the controlling and non-controlling interests were adjusted directly in equity to reflect the changes in their relative interests in the subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(1,592,010)	(349,761)
Purchase of property, plant and equipment	(1,469)	(572)
Other investing cash flows (net)	858	(30,514)
NET CASH USED IN INVESTING ACTIVITIES	(611)	(31,086)
Bank loans raised	356,926	61,333
Payment for arrangement fee attributable to bank loans raised	(6,925)	—
Repayment of bank loans	(59,773)	(43,627)
Repayment of finance lease payables	(187)	(179)
Proceeds from other borrowings	1,883,115	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	2,173,156	17,527
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	580,535	(363,320)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	138,385	393,830
Effect of foreign exchange rate changes	(20,714)	9,720
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY		
Bank and cash balances	698,206	40,230

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated financial statements should be read in conjunction with the 2012 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except as stated below.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA 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 period and prior years except as stated below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

A. AMENDMENTS TO HKAS 1 “PRESENTATION OF FINANCIAL STATEMENTS”

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

B. 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 condensed consolidated financial statements. HKFRS 13 has been applied prospectively.

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

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.

3. TURNOVER

Turnover represents rental income generated during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

4. SEGMENT INFORMATION

	Property sales HK\$'000 (Unaudited)	Property rental HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 30 June 2013:			
Revenue from external customers	—	42,766	42,766
Segment (loss)/profit	(95,897)	56,310	(39,587)
At 30 June 2013:			
Segment assets	6,946,577	1,200,215	8,146,792
Segment liabilities	4,966,064	176,417	5,142,481
Six months ended 30 June 2012:			
Revenue from external customers	—	39,280	39,280
Segment (loss)/profit	(10,855)	41,156	30,301
	(Audited)	(Audited)	(Audited)
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

4. SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit or loss		
Total profit or loss of reportable segments	(39,587)	30,301
Unallocated amounts		
Other corporate expenses	(16,215)	(23,413)
Consolidated (loss)/profit for the period	(55,802)	6,888

5. FINANCE COSTS

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Finance lease charges	6	15
Interest on bank loans	54,830	15,840
Interest on Senior Notes	42,582	38,927
Interest on other borrowings	22,041	—
Total borrowings costs	119,459	54,782
Amount capitalised	(44,753)	(6,451)
	74,706	48,331

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

6. INCOME TAX

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Current tax		
PRC Corporate Income Tax	13,200	4,135
Deferred tax	2,723	1,364
	15,923	5,499

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2012: Nil).

Subsidiaries established in the PRC are subject to PRC Corporate Income Tax at 25% (six months ended 30 June 2012: 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 (six months ended 30 June 2012: 10%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

7. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest income	(858)	(145)
Write back of other payables (Note)	(34,794)	—
Amortisation	718	78
Depreciation	620	369
Directors' remuneration	1,760	1,738
Financial advisory fee	37,346	—
Operating lease charges in respect of land and buildings	1,371	663

Note: The amount represents write back of long outstanding payables owed by the Group taken up upon the acquisition of a subsidiary in September 2011. The directors considered that it was probable that the Group would be required to settle the long outstanding payables and did not write back the sum upon acquisition. However, as the time limit for claim by creditors lapsed according to the PRC law. In the opinion of the directors, it is remote for the Group to be legally responsible for the long outstanding payables. Hence, the amount was written back in the current period.

8. DIVIDENDS

The directors have not recommended any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

9. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of approximately HK\$41,209,000 (six months ended 30 June 2012: profit of approximately HK\$8,245,000) divided by the weighted average number of ordinary shares of 3,655,806,000 (six months ended 30 June 2012: 2,601,017,335) in issue during the period.

There were no dilutive potential shares during the six months ended 30 June 2013 and 2012. Therefore, no diluted earnings per share have been presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment of approximately HK\$1,469,000.

At 30 June 2013, the Group's land use rights classified under prepaid land lease payments and the construction in progress thereon were pledged as security for the Group's bank loans (details of which are set out in note 18(b) to the condensed consolidated financial statements).

11. PREPAID LAND LEASE PAYMENTS

At 30 June 2013, the Group's prepaid land lease payments in relation to land use rights were under medium term leases in Guangzhou, the PRC for hotel buildings.

At 30 June 2013, the land use rights were pledged as security for the Group's bank loans (details of which are set out in note 18(b) to the condensed consolidated financial statements).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

12. INVESTMENT PROPERTIES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
At beginning of the period/year	1,126,037	1,095,966
Fair value gains	28,570	30,174
Exchange differences	20,457	(103)
At end of the period/year	1,175,064	1,126,037

- (a) At 30 June 2013, all the Group's investment properties, situated in Guangzhou, the PRC, were held under medium-term leases.

All of the Group's investment properties held under operating leases for rental purposes are measured using the fair value model. The fair value of the Group's investment properties at 30 June 2013 was based on a valuation carried out by A.G. Wilkinson & Associates (Surveyors) Limited, an independent qualified professional valuer not connected with the Group with substantial experience in valuation of properties. The valuation of investment properties was carried out, on the basis of market value, by comparison method with reference to comparable market transactions and/or by investment method based on capitalisation of the net rental income with due allowance for the reversionary income potential.

- (b) At 30 June 2013, all investment properties were pledged for the Group's bank loans (details of which are set out in note 18(b) to the condensed consolidated financial statements).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

12. INVESTMENT PROPERTIES *(continued)*

- (c) As at 30 June 2013, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within one year	94,173	90,283
In the second to fifth years inclusive	426,194	325,290
Over five years	19,785	—
	540,152	415,573

13. INTANGIBLE ASSETS

The Group's intangible assets mainly included favourable terms of certain land use rights under medium term leases in Guangzhou, the PRC on business combination.

14. INVENTORIES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Properties for sale under development (note (a))	4,653,732	4,029,159
Properties held for sale	366	359
	4,654,098	4,029,518

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

14. INVENTORIES *(continued)*

- (a) Properties for sale under development expected to be completed:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within normal operating cycle under current assets	4,653,732	4,029,159

- (b) At 30 June 2013, certain properties for sale under development were pledged for the Group's bank loans and other borrowings (details of which are set out in note 18(b) and 18(d) to the condensed consolidated financial statements).

15. 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:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 3 months	2,699	4,277

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

16. RESTRICTED BANK DEPOSITS

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Guarantee deposits for construction of pre-sale properties	89,894	93,282
Pledged bank deposits	22,426	17,668
	112,320	110,950

17. ACCOUNTS PAYABLE

The Group's accounts payable comprise the following:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Land payment surcharge payable	—	177,351
Construction fee payable	322,531	242,935
	322,531	420,286

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 3 months	316,996	242,935
4 to 6 months	877	—
7 to 12 months	4,658	—
Over 1 year	—	177,351
	322,531	420,286

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

18. BANK AND OTHER BORROWINGS

	30 June 2013	31 December 2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Bank loans — secured	1,439,517	1,129,800
Senior Notes — secured	481,844	476,756
Other borrowings — secured	1,884,447	—
	3,805,808	1,606,556

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

	30 June 2013	31 December 2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Non-current	522,028	767,642
Current	3,283,780	838,914
	3,805,808	1,606,556

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

18. BANK AND OTHER BORROWINGS *(continued)*

(b) Bank loans

At 30 June 2013, the bank loans were secured by the following:

- (i) all the Group's investment properties;
- (ii) the Group's land use rights classified under prepaid land lease payments and the construction in progress thereon of approximately HK\$51,411,000 and HK\$12,152,000 respectively (31 December 2012: HK\$51,212,000 and HK\$10,682,000 respectively);
- (iii) the Group's properties for sale under development of approximately HK\$1,427,565,000 (31 December 2012: HK\$1,560,909,000);
- (iv) the Group's pledged bank deposits of approximately HK\$22,426,000 (31 December 2012: HK\$17,668,000);
- (v) charge over the entire issued share capital of the Company's subsidiaries, Big Wisdom Limited, Diamond Crown Limited, Graceful Link Limited, Light-Up Investments Limited and Speedy Full Limited;
- (vi) assignment of all rental income from the Group's investment properties; and
- (vii) corporate guarantees executed by Guangdong Zhuguang Group Company Limited* ("Guangdong Zhuguang"), 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).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

18. BANK AND OTHER BORROWINGS *(continued)*

(b) Bank loans *(continued)*

At 30 June 2013, bank loans of approximately HK\$408,735,000 are grouped under current liabilities following the fact that the Group had 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 constitute an early repayment option by the bank. The bank has not requested for the early repayment of the bank loans. The Group is in active negotiation with the bank with a view to renegotiate the terms of the bank loans.

(c) Senior Notes

Pursuant to an investment agreement dated 6 December 2011 (the “Investment Agreement”), a wholly-owned subsidiary of the Company, Zhuguang Group Limited (“ZGL”) issued secured and guaranteed senior notes in an aggregate principal amount of HK\$500 million, interest-bearing at 15% per annum (the “Senior Notes I”) to Silver Prosper (BVI) Investments Limited (“Silver Prosper”) 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 (“Cheng Chang”) and Fully Wise Investment Limited (“Fully Wise”), being the holding companies of Guangdong Hailian, and the related rights;
- (ii) 80% equity interests in Guangdong Hailian;
- (iii) security assignment of all of the rights and interests in respect of certain intra-group loans; and
- (iv) guarantee executed by the Company’s director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

18. BANK AND OTHER BORROWINGS *(continued)*

(c) Senior Notes *(continued)*

During the period ended 30 June 2013, the Group breached its covenant with Silver Prosper that so long as any Senior Notes I remain outstanding, Guangdong Hailian would not repay any indebtedness owed by it to its non-controlling shareholder. As a consequence, the Senior Notes I are subject to an early repayment option by Silver Prosper and is therefore grouped under current liabilities at 30 June 2013. Silver Prosper has not requested for the early redemption of the Senior Notes I.

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

(d) Other borrowings

Other borrowings are secured and guaranteed by:

- (i) the Group's properties for sale under development of approximately HK\$1,911,046,000; and
- (ii) corporate guarantee executed by Guangdong Zhuguang.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

19. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.10 each				
At beginning of the period/year	6,000,000,000	4,000,000,000	600,000	400,000
Increase	—	2,000,000,000	—	200,000
At end of the period/year	6,000,000,000	6,000,000,000	600,000	600,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At beginning of the period/year	3,655,806,000	2,468,820,000	365,581	246,882
Issue of shares	—	1,186,986,000	—	118,699
At end of the period/year	3,655,806,000	3,655,806,000	365,581	365,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

20. 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:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Guarantees given to banks for mortgage facilities utilised by purchasers	468,192	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

20. CONTINGENT LIABILITIES *(continued)*

- (b) Pursuant to a Subscription and Shareholders Agreement dated 6 December 2011 (the “Subscription Agreement”), Silver Prosper agreed conditionally to subscribe for Cheng Chang’s ordinary shares (the “Subscription”). The Company’s director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) has provided guarantee to Silver Prosper for the punctual performance by the Group of all its obligations under the Subscription Agreement. As the conditions under the Subscription Agreement have not been fully fulfilled, Cheng Chang has not asked and Silver Prosper has not called for the Subscription up to the date of the condensed consolidated financial statements.

In consideration of Silver Prosper agreeing to complete the Subscription and the subscription of the Senior Notes I, on 20 December 2011, the Group and Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) entered into a deed of indemnity (the “Deed”) to indemnify Silver Prosper and other indemnified parties from and against any losses and damages may suffer in relation to (i) Fully Wise’s non-compliance with applicable laws and regulations and other irregularities and (ii) certain liabilities owed by Guangdong Hailian as set out in the Deed.

At the reporting date, the directors do not consider it probable that a claim will be made against the Group under the Deed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

21. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Property, plant and equipment contracted but not provided for	3,816	3,749

22. LEASE COMMITMENTS

At 30 June 2013, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within one year	1,389	1,389
In the second to fifth years inclusive	1,158	1,852
	2,547	3,241

Operating lease payments represent rentals payable by the Group for its Hong Kong office.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

23. RELATED PARTY TRANSACTIONS

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

- (a) During the period, the Group's principal place of business in the PRC was provided by Guangdong Zhuguang for which no charge was made.

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.

- (b) Included in accruals are amounts in total of HK\$260,000 (31 December 2012: HK\$260,000) representing accrued directors' emoluments due to the Company's directors. The accrued directors' emoluments are unsecured, interest-free and are settled in cash.
- (c) Included in other payables is an amount of approximately HK\$10,927,000 (31 December 2012: HK\$7,881,000) due to Guangdong Zhuguang.

24. EVENTS AFTER THE REPORTING PERIOD

- (a) On 25 June 2013 and 15 July 2013, the Group announced its intention to acquire the right to receive all the income arising from the business of Feng Shun Jia Rong Trading Company Limited* ("Jia Rong"), including, but not limited to, the income arising from the holding of the 100% equity interest in, Guangdong Xilong Property Development Company Limited* ("Guangdong Xilong") at a cash consideration of RMB350,000,000. A conditional agreement dated 25 June 2013 was entered into among the Group, Jia Rong and Guangdong Xilong. Guangdong Xilong is principally engaged in property development.

Details of the acquisition are set out in the Company's announcements dated 25 June 2013 and 15 July 2013.

Since the acquisition was completed on 16 August 2013, it is impracticable at this moment to disclose further information about the acquisition.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2013

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

- (b) Pursuant to a note purchase agreement dated 22 July 2013, the Company issued secured and guaranteed senior notes in an aggregate principal amount of US\$95 million (the “Senior Notes II”) to certain investors on 5 August 2013 and 6 August 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 arrear.

Concurrent with the issuance of the Senior Notes II, warrants (the “Warrants”) representing a total aggregate amount of exercise moneys of US\$19 million were granted by the Company to these investors to subscribe for 65,312,237 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 adjustment events. The warrants are exercisable at any time up to three years from 5 August 2013.

Details of the Senior Notes II and the Warrants are set out in the Company’s announcements dated 22 July 2013, 5 August 2013 and 6 August 2013.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2013.

OTHER INFORMATION

INTERIM DIVIDEND

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 23 to the condensed consolidated financial statements, no other 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.

COMPETING INTERESTS

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), during the period and as at 30 June 2013, Mr. Huang Jia Jue and Mr. Liao Tengjia, both are executive directors of the Company, were interested as directors in companies that are engaged in the businesses of property development, investment and property rental in the PRC (the “Competing Businesses”). As such, they were regarded as being interested in such competing businesses, which competed or might compete with the Group. However, as the above directors cannot control the Board, that a director who has material interest in a subject matter to be resolved will abstain from voting in the Board meeting concerned, the interests of the above directors in the competing businesses will not prejudice their capacity as director nor compromise the interests of the Group and the shareholders.

Other than as disclosed above, none of the directors or any of their respective associates of the Company were interested in any business apart from the Company’s business, which competed or was likely to compete, either directly or indirectly, with the Company’s business.

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and 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 in 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

LONG POSITION IN THE SHARES

Name of Director/ chief executive of the Company	Nature of interest	Number of shares	Approximate percentage of total issued share capital of the Company <i>(Note 2)</i>
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of controlled corporation <i>(Note 1)</i>	2,470,018,000	67.56%
Liao Tengjia	Interest of controlled corporation <i>(Note 1)</i>	2,470,018,000	67.56%

Notes:

1. The 2,470,018,000 Shares were held by Rong De Investments Limited (“Rong De”), which was owned as to 34.06% by Mr. Chu Hing Tsung and as to 36.00% by Mr. Liao Tengjia. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO.
2. The total number of the issued Shares as at 30 June 2013 (that was, 3,655,806,000 Shares) had been used for the calculation of the approximate percentage.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(continued)

SHORT POSITION IN THE UNDERLYING SHARES

Name of Director/ chief executive of the Company	Nature of interest	Number of shares	Approximate percentage of total issued share capital of the Company
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of controlled corporation (Note 1)	70,528,079	1.92%
Liao Tengjia	Interest of controlled corporation (Note 1)	70,528,079	1.92%

Note:

- Among the 2,470,018,000 Shares held by Rong De as stated under "Directors' interests — Long position in the Shares", 465,000,000 Shares have been pledged by Rong De to Shoreline Value I, Limited ("Shoreline Value I"). Shoreline Value I has the right to convert the loan secured by the said 465,000,000 Shares into 70,528,079 shares pursuant to the relevant loan agreement.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

INTEREST IN SHARES OF THE COMPANY'S ASSOCIATED CORPORATION

Name of Director/chief executive of the Company	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of interest
Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Chu Hing Tsung (alias Mr. Zhu Qing Yi)	Rong De	Beneficial owner	68,120	34.06%
Chu Muk Chi (alias Mr. Zhu La Yi)	Rong De	Beneficial owner	59,888	29.94%

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company had any interest and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the 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 in which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, so far as is known to the Directors or chief executive of the Company, the following persons, other than a director or chief executive of the Company, had an interest or short position in the Shares and 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, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

LONG POSITION IN THE SHARES

Name of shareholder	Notes	Nature of interest	Number of shares	Approximate percentage of total issued share capital of the Company (Note 4)
Rong De	1	Beneficial owner	2,470,018,000	67.56%
Shoreline China Value I, L.P. ("Shoreline China")	1,2	Interest of a controlled corporation	465,000,000	12.72%
Shoreline Capital Management, Ltd ("Shoreline Capital")	1,2	Interest of a controlled corporation	465,000,000	12.72%
Zhang Xiao Lin	1,2	Interest of a controlled corporation	465,000,000	12.72%
Yang Lin Yu	1,2	Interest of a controlled corporation	465,000,000	12.72%
Fanger Benjamin Warren	1,2	Interest of a controlled corporation	465,000,000	12.72%
Bunstat International Group Limited ("Bunstat")	1,3	Person having a security interest in shares	500,000,000	13.67%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(continued)

Name of shareholder	Notes	Nature of interest	Number of shares	Approximate percentage of total issued share capital of the Company (Note 4)
Mass Achieve International Limited ("Mass Achieve")	1,3	Interest of a controlled corporation	500,000,000	13.67%
Able Fortune Limited ("Able Fortune")	1,3	Interest of a controlled corporation	500,000,000	13.67%
HSBC International Trustee Limited	1,3	Trustee	500,000,000	13.67%
廣東匯源通投資管理有限公司 (「廣東匯源通」) (formerly known as 佛山市匯源通企業管理有限公司)	1	Person having a security interest in shares	458,000,000	12.53%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(continued)

Note:

- (1) Among the 2,470,018,000 Shares held by Rong De, 465,000,000, 500,000,000 and 458,000,000 Shares have been pledged by Rong De to Shoreline Value I, Bunstat and 廣東源通 respectively.
- (2) Shoreline Value I was a wholly-owned subsidiary of Shoreline China. Shoreline China was owned as to 0.28% by Shoreline Capital. Shoreline Capital was owned as to 27.25%, 37.25% and 35.5% by Yang Lin Yu, Zhang Xiao Lin and Fanger Benjamin Warren respectively.
- (3) Bunstat was owned as to 37.25% by Mass Achieve. Mass Achieve was a wholly-owned subsidiary of Able Fortune. Able Fortune was a wholly-owned subsidiary of HSBC International Trustee Limited. Accordingly, Mass Achieve, Able Fortune and HSBC International Trustee Limited were deemed to be interested in the Shares held by Bunstat by virtue of the provisions of the SFO.
- (4) For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 3,655,806,000 shares in issue.

SHORT POSITION IN THE UNDERLYING SHARES

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest (Note 2)
Rong De	Beneficial owner (Note 1)	70,528,079	1.92%

Notes:

- (1) Among the 2,470,018,000 Shares held by Rong De as stated under note 1 to “Substantial shareholders’ interests — Long position in the Shares”, 465,000,000 shares have been pledged by Rong De to Shoreline Value I. Shoreline Value I has the right to convert the loan secured by the said 465,000,000 Shares into 70,528,079 shares pursuant to the relevant loan agreement.
- (2) The total number of the issued Shares as at 30 June 2013 (that was, 3,655,806,000 Shares) had been used for the calculation of the approximate percentage.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(continued)

LONG POSITION IN THE UNDERLYING SHARES

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest
Shoreline China	Interest of a controlled corporation (Note 1)	70,528,079	1.92%
Shoreline Capital	Interest of a controlled corporation (Note 1)	70,528,079	1.92%
Zhang Xiao Lin	Interest of a controlled corporation (Note 1)	70,528,079	1.92%
Yang Lin Yu	Interest of a controlled corporation (Note 1)	70,528,079	1.92%
Fanger Benjamin Warren	Interest of a controlled corporation (Note 1)	70,528,079	1.92%

Notes:

- (1) Shoreline Value I was interested in the 70,528,079 shares. Shoreline Value I was a wholly-owned subsidiary of Shoreline China. Shoreline China was owned as to 0.28% by Shoreline Capital. Shoreline Capital was owned as to 27.25%, 37.25% and 35.5% by Yang Lin Yu, Zhang Xiao Lin and Fanger Benjamin Warren respectively.

Save as disclosed above, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Mr. Liao Tengjia is the sole director of Rong De.

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 Listing Rules during the six months period ended 30 June 2013, other than code provision A.4.2 of the CG Code.

Under code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. Pursuant to the Bye-Laws No. 87(1) 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 strategies. As such, the Board is of the view that the Chairman of the Board should not be subject to retirement by rotation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code as contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors. Special enquiry has been made to all directors, and all directors have confirmed that they have complied with the required standards set out in the Model Code for the period ended 30 June 2013.

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 2013, which is of opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

APPRECIATION

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

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

Hong Kong, 28 August 2013