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**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)**

## 2014 INTERIM RESULTS

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 2014 together with the comparative figures as follows:

### FINANCIAL HIGHLIGHTS

<b>RESULTS</b>	<b>Six months ended 30 June</b>	
	<b>2014</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>2013</b> <i>HK\$'000</i> <i>(Unaudited)</i>
Turnover — rental income	<b>24,400</b>	42,766
Fair value gains on investment properties	<b>61,215</b>	28,570
Gains on disposal of assets and liabilities of disposal groups classified as held for sale	<b>198,607</b>	—
Loss for the period attributable to owners of the Company	<b>(30,656)</b>	(41,209)
	<b>At 30 June</b> <b>2014</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>At 31 December</b> <b>2013</b> <i>HK\$'000</i> <i>(Audited)</i>
Total assets	<b>17,050,155</b>	11,539,112
Total liabilities	<b>13,140,985</b>	7,806,875
Total equity	<b>3,909,170</b>	3,732,237

\* For identification purposes only

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the first half of 2014, the residential market in China continued to be overshadowed by various control imposed by the Central Government, resulting in a challenging market environment. Under these circumstances, China's economy underwent structural changes with a moderate growth of GDP by 7.4%, the Central Government's adjustment policy will put more emphasis on long-term mechanism in the property sector, formalising the policy of "two-way control". The significance of this policy is to allow flexibility in applying tightening measures for the property market, with first-tier cities maintaining tight controls while second and third tier cities are able to adjust policies to local conditions in order to maintain growth for China property market.

At the same time, the financial sector reforms have led to tightened liquidity and credit, drop in home price, transaction volume and cool down in the sentiment of the land market was generally seen. The transaction level of property market may have already reached a maximum at the current phase. However, with more family nuclearisation, urbanisation and upgrading demand, there are still strong driving forces for the long-term development of the property market.

In view of government policy trends, economic and social development, the current slowdown in the property market is not a sign of a fundamental downturn but a transitional phase for structural reform. Property market will continue to be one of China's key industries with vast potential in future. The economic forces driven by urbanisation and marketisation will enable rapid and healthy growth in the property sector.

### Property Development and Sales

During the period, the Group as usual, reacted calmly and positively 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\$3,192,764,000 for the first half of 2014, and contracted gross floor area ("GFA") approximately 82,765 square meters ("sqm"). The details are as follows:

	<b>Contracted sales</b> <i>HK\$'000</i>	<b>GFA Sold</b> <i>(sqm)</i>
Zhukong International	2,528,107	41,466
Central Park	368,946	6,788
Zhuguang Yujing Scenic Garden — Phase I	55,090	6,740
— Phase II	240,621	27,771
	<u>3,192,764</u>	<u>82,765</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (*Continued*)

### BUSINESS REVIEW (*Continued*)

#### Property Development and Sales (*Continued*)

As at 30 June 2014, the Group owned 6 property development projects. Details are as follows:

##### *Zhukong International — 80% interest*

“Zhukong International” previously named as Hailian Building and is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, which is at the junction of Guangzhou Avenue and Huang Pu Da Dao. With a site area of approximately 10,449 sqm, the project will be developed into a 35-storey high-rise commercial complex. This will include a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park, amounting to an aggregate GFA of approximately 133,326 sqm. During the period, a sale and purchase agreement was signed with PingAn Bank, Guangzhou Branch on 23 January 2014 to sell an aggregate GFA of approximately 39,803 sqm. The remaining portion of approximately 93,523 sqm was available for sale and completion of the project is scheduled between the fourth quarter of 2014 to first half of 2015.

##### *Central Park — 100% interest*

“Central Park” was situated at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and is entitled to total GFA of approximately 36,559 sqm, which will be developed into a 30-storey tower including service apartments, a street-level commercial podium and a 4-storey underground car park. The project was launched for pre-sale in second half of 2013, and expected to be delivered between the fourth quarter of 2014 to first half of 2015.

##### *Zhuguang Yujing Scenic Garden — 70% interest*

“Zhuguang Yujing Scenic Garden” is located at Provincial Highway G105 line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. The project is a 20 minutes drive from the downtown Conghua and a 10 minutes drive from Wenquan Town, Conghua. The project site area is approximately 294,684 sqm and will be developed into a commercial and residential complex, comprising residential and commercial buildings, service apartments and car parks. According to the latest design, the total GFA is expected to be approximately 886,216 sqm. The proposed development will be divided into four phases. The Phase I comprises GFA of approximately 225,027 sqm and certain units are expected to be completed and delivered in the second half of 2014. The total GFA of Phase II is approximately 223,981 sqm and pre-sale permit is already obtained, it is expected certain units will be completed and delivered in 2015. Phase III and IV is approximately 437,208 sqm which is expected to be completed between 2016 and 2018.

##### *Pearl Tianhu Yujing Garden — 100% interest*

“Pearl Tianhu Yujing Garden” was 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 may consider developing the land together with Yujing Scenic Garden and thus expand the Group’s development and presence in Conghua. The project will be developed into a 32-storeys modern residential building with total GFA of approximately 245,182 sqm. The construction was commenced during the period and expected to be available for pre-sale in the second half of 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS (*Continued*)

### BUSINESS REVIEW (*Continued*)

#### Property Development and Sales (*Continued*)

##### *Yunshan Yujing — 50% interest*

“Yunshan Yujing” is located at the east side of Baiyuan Mountain, Guangzhou, the PRC which is a traditional high-end residential and scenic area. The site area was approximately 94,221 sqm will be developed into high-end villas and apartments, and public facilities. The foundation work was commenced during the period and expected to be pre-sale in the first half of 2015.

##### *Pearl Yunling Lake — 100% interest*

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

#### Property Investments

The Group owns certain floors of Royal Mediterranean Hotel (“Hotel”) located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, as a leased property with GFA of approximately 18,184 sqm as at 30 June 2014. During the period, the Group completed the disposal of its entire interests in Rainbow High Holdings Limited and its subsidiaries (“Rainbow High Group”) and Zhang Tong Holdings Limited and its subsidiaries (“Zhang Tong Group”) which hold the 3rd, 4th and 6th floors of the Hotel with total GFA of approximately 16,408 sqm. Such disposal contributed approximately of HK\$198,607,000 gain to the Group. The Group will maintain certain portion of investment properties in order to keep a steady income stream to the Group.

#### Business Prospect

The market environment in the first half of 2014 was full of challenges, such challenges will not go away in the second half year. The regulators will continue to promote long-term fundamentals in the property sector, including reforms in land and property, the taxation system reforms, the establishment of property registration system, and the enhancement of internet information network, while following the principle of “two-way control”. The government will continue to support demand by owner-occupiers through adopting financial measures. It will attempt to guide market expectations to a reasonable and stable level. In terms of market trends, most of the property developers in the second half of 2014 will face pressure from oversupply, which is expected to last until the end of 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS (*Continued*)

### BUSINESS REVIEW (*Continued*)

#### **Business Prospect** (*Continued*)

The prospect of the Group's property development business in China is bright and promising. The Board is very confident of the future of the Group. The Group will persistently enhance its competitive advantages through improvement in its management capability, operation mode and product structure, quality and branding. The competitive edges of the Group will lead to ample opportunities and excellent performance and the Group is confident that it can maintain its pioneer and leading position in the China property industry.

Meanwhile, the Company will continuously pay attention to the change of customers' needs, optimising the project portfolios and types of product, to develop a model which can create synergy of our operation and financing strategy and to explore other opportunities. We endeavor for increasing the capital utilisation efficiency to create value for shareholders.

### 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\$24,400,000 (six months ended 30 June 2013: HK\$42,766,000).

##### *Other income*

Current period other income decreased to approximately HK\$18,412,000 mainly due to decrease in write back of other payables of approximately HK\$34,777,000 as compared to the corresponding period of last year, and offset by increase in interest income and reversal of provision of contingent liabilities during the period of approximately to HK\$7,247,000 and HK\$9,783,000 respectively .

##### *Fair value gains on investment properties*

Fair value gains on investment properties increased significantly to approximately HK\$61,215,000 (six months ended 30 June 2013: HK\$28,570,000), 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\$17,829,000 (six months ended 30 June 2013: HK\$7,078,000) due to the significant increase in promotion expenses incurred as a result of the pre-sale of various projects during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL REVIEW (Continued)

#### Turnover and Segmental Information (Continued)

##### *Administrative and other operating expenses*

Administrative and other operating expenses of the Group increased to approximately HK\$98,017,000 in the current period (six months ended 30 June 2013: HK\$66,567,000). It was primarily due to increase in office rentals, staff costs and exchange loss. The Company moved to a new office and continuous recruiting high calibre staff during the period to meet with the Group's expansion requirement. Therefore the relevant office rentals and staff costs increased accordingly.

##### *Finance costs*

Finance costs for the current period were approximately HK\$204,766,000 (six months ended 30 June 2013: HK\$74,706,000), 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\$3,278,000 (six months ended 30 June 2013: HK\$15,923,000).

#### Liquidity and Capital Resources

##### *Cash position*

As at 30 June 2014, the Group's bank and cash balances (including restricted bank deposits) amounted to approximately HK\$2,205,099,000 (31 December 2013: HK\$1,179,950,000).

##### *Borrowings and charges on group assets*

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

	<b>30 June 2014</b>	31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Bank loans — secured	<b>3,112,241</b>	1,226,482
Senior Notes — secured	<b>1,386,401</b>	1,387,851
Other borrowings — secured	<b>1,588,232</b>	1,931,595
	<hr/> <b>6,086,874</b> <hr/>	<hr/> 4,545,928 <hr/>



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL REVIEW (Continued)

#### Liquidity and Capital Resources (Continued)

##### *Borrowings and charges on group assets (Continued)*

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

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Non-current	<b>4,345,370</b>	3,057,112
Current	<b>1,741,504</b>	1,488,816
	<b><u>6,086,874</u></b>	<u>4,545,928</u>

(b) *Bank loans*

As at 30 June 2014, the bank loans were secured by the following:

- (i) the Group's investment properties with carrying amount of approximately HK\$681,914,000;
- (ii) the Group's land use rights classified under prepaid land lease payments and the construction in progress thereon of approximately HK\$50,147,000 and HK\$25,102,000 respectively (31 December 2013: HK\$51,356,000 and HK\$16,447,000 respectively);
- (iii) the Group's properties for sale under development of approximately HK\$4,835,583,000 (31 December 2013: HK\$2,061,669,000);
- (iv) the Group's pledged bank deposits of approximately HK\$15,713,000 (31 December 2013: HK\$13,555,000);
- (v) charge over the entire issued share capital of the Company's subsidiaries, Diamond Crown Limited, Graceful Link Limited, Speedy Full Limited and Guangzhou Yifa Development Company Limited\* (廣州怡發實業發展有限公司) ("Guangzhou Yifa");
- (vi) assignment of all rental income from the Group's investment properties;
- (vii) guarantee executed by the Company's director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) and a director of Guangzhou Yifa; and
- (viii) corporate guarantees executed by Guangdong Zhuguang Group Company Limited\* (廣東珠光集團有限公司) ("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.

\* English name is translated for identification purposes only.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL REVIEW (Continued)

#### Liquidity and Capital Resources (Continued)

##### *Borrowings and charges on group assets (Continued)*

###### (c) Senior Notes 2013

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

The Senior Notes 2013 are secured and guaranteed by:

- (i) 1,200 million ordinary shares of the Company owned by Rong De Investments Limited (“Rong De”);
- (ii) 100% equity interest of the Company’s subsidiaries: Top Perfect Development Limited (“Top Perfect”), Ever Crown Corporation Limited (“Ever Crown”), East Orient Investment Limited (“East Orient”) and Fully Wise Investment Limited (“Fully Wise”);
- (iii) corporate guarantees executed by Rong De, Top Perfect, Ever Crown, East Orient, Fully Wise and Zhuguang Group (Hong Kong) Limited; and
- (iv) guarantees executed by the Company’s directors, Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) and Mr. Chu Muk Chi (alias Mr. Zhu La Yi).

###### (d) Other borrowings

Other borrowings are secured and guaranteed by:

- (i) the Group’s properties for sale under development of approximately HK\$1,150,653,000;
- (ii) charge over the assets provided by Guangdong Feng Shun Lu Hu Hot Spring Resort Company Limited\* (「廣東豐順鹿湖溫泉渡假村有限公司」) (“Feng Shun Lu Hu”), the registered capital of Feng Shun Lu Hu was owned, as to 80% by Guangdong Zhuguang and as to 20% owned by Guangdong New Southern Group Company Limited\* (「廣東新南方集團有限公司」) (“Guangdong New Southern”);
- (iii) corporate guarantees executed by related companies - Guangdong Zhuguang, Guangzhou Zhuguang Property Development Company Limited\* (「廣州珠光房地產開發有限公司」) (“Guangzhou Zhuguang Property”), Beijing Zhuguang Property Development Company Limited\* (「北京珠光房地產開發有限公司」) (“Beijing Zhuguang Property”) and Guangzhou Zhuguang Investment Company Limited\* (「廣州珠光投資有限公司」) (“Guangzhou Zhuguang Investment”);



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL REVIEW (Continued)

#### Liquidity and Capital Resources (Continued)

##### *Borrowings and charges on group assets (Continued)*

###### *(d) Other borrowings (Continued)*

- (iv) guarantee executed by the Company's director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi);
- (v) corporate guarantee executed by a non-controlling shareholder of Guangdong Hailian Building Co., Limited\* (「廣東海聯大廈有限公司」) (“Guangdong Hailian”); and
- (vi) entire equity interest in Guangdong Hailian.

Feng Shun Lu Hu is considered as a related company of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence over Guangdong Zhuguang and Feng Shu Lu Hu. In addition, the Company's director, Mr. Chu Muk Chi (alias Mr. Zhu La Yi) has control over Guangdong New Southern.

Guangdong Zhuguang, Guangzhou Zhuguang Property, Beijing Zhuguang Property, and Guangzhou Zhuguang Investment are considered as related companies of the Group as the ultimate controlling party of the Company. Mr. Liao Tengjia, has significant influence in Guangdong Zhuguang, Guangzhou Zhuguang Property, Beijing Zhuguang Property, and Guangzhou Zhuguang Investment.

## CONTINGENT LIABILITIES

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

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Guarantees given to banks for mortgage facilities utilised by purchasers	<b><u>1,012,425</u></b>	<b><u>860,245</u></b>

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.

\* English name is translated for identification purposes only.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **CONTINGENT LIABILITIES** *(Continued)*

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

The fair value of the guarantees at date of inception is not material and is not recognised.

### **FOREIGN EXCHANGE RATE**

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

### **STAFF AND REMUNERATION POLICIES**

The Group had approximately 126 employees in Hong Kong and the PRC as at 30 June 2014 (31 December 2013: 119). They are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	<i>Note</i>	Six months ended 30 June	
		2014 <i>HK\$'000</i> <i>(Unaudited)</i>	2013 <i>HK\$'000</i> <i>(Unaudited)</i>
<b>Turnover</b>	4	24,400	42,766
Other income		18,412	37,136
Fair value gains on investment properties		61,215	28,570
Fair value losses on financial assets at fair value through profit or loss		(36,864)	—
Selling and marketing expenses		(17,829)	(7,078)
Administrative expenses		(35,685)	(20,039)
Other operating expenses		(62,332)	(46,528)
<b>(Loss)/profit from operations</b>		<b>(48,683)</b>	34,827
Finance costs	6	(204,766)	(74,706)
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		198,607	—
<b>Loss before tax</b>		<b>(54,842)</b>	(39,879)
Income tax	7	(3,278)	(15,923)
<b>Loss for the period</b>	8	<b>(58,120)</b>	<b>(55,802)</b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(30,656)	(41,209)
Non-controlling interests		(27,464)	(14,593)
		<b>(58,120)</b>	<b>(55,802)</b>
<b>Loss per share</b>	10		
Basic		<b>(0.72 cents)</b>	(1.13 cents)
Diluted		N/A	N/A

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss for the period</b>	<u>(58,120)</u>	<u>(55,802)</u>
<b>Other comprehensive income for the period, net of tax</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(9,460)</u>	<u>47,565</u>
<b>Total comprehensive income for the period</b>	<u><b>(67,580)</b></u>	<u><b>(8,237)</b></u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	(37,149)	1,392
Non-controlling interests	<u>(30,431)</u>	<u>(9,629)</u>
	<u><b>(67,580)</b></u>	<u><b>(8,237)</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2013 <i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment		30,470	20,251
Prepaid land lease payments		48,700	49,896
Investment properties		681,914	663,024
Intangible assets		23,700	23,515
Goodwill		366,605	18,542
Available-for-sale financial assets		637	—
		<u>1,152,026</u>	<u>775,228</u>
<b>Current assets</b>			
Inventories		9,532,594	6,097,641
Accounts receivable	11	11,718	11,644
Prepaid land lease payments		1,447	1,460
Prepayments, deposits and other receivables		4,000,277	2,737,668
Financial assets at fair value through profit or loss		1,639	38,503
Current tax assets		145,355	76,315
Restricted bank deposits		197,111	183,011
Bank and cash balances		2,007,988	996,939
		<u>15,898,129</u>	<u>10,143,181</u>
Assets of disposal groups classified as held for sale		—	620,703
		<u>15,898,129</u>	<u>10,763,884</u>
<b>Current liabilities</b>			
Accounts payable	12	766,503	560,064
Proceeds received from pre-sale of properties		4,065,347	1,934,096
Accruals and other payables		386,060	235,498
Amount due to the ultimate holding company		9	19,983
Bank and other borrowings		1,741,504	1,488,816
Finance lease payables		204	203
Provision for contingent liabilities		25,051	9,733
Current tax liabilities		69,628	15,647
		<u>7,054,306</u>	<u>4,264,040</u>
Liabilities directly associated with assets of disposal groups classified as held for sale		—	47,056
		<u>7,054,306</u>	<u>4,311,096</u>
<b>Net current assets</b>		<u>8,843,823</u>	<u>6,452,788</u>
<b>Total assets less current liabilities</b>		<u>9,995,849</u>	<u>7,228,016</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

As at 30 June 2014

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<b>Non-current liabilities</b>		
Bank and other borrowings	4,345,370	3,057,112
Finance lease payables	400	503
Deferred tax liabilities	<u>1,740,909</u>	<u>438,164</u>
	<u>6,086,679</u>	<u>3,495,779</u>
<b>NET ASSETS</b>	<u><b>3,909,170</b></u>	<u><b>3,732,237</b></u>
<b>Capital and reserves</b>		
Share capital	423,787	422,412
Reserves	<u>2,586,878</u>	<u>2,904,958</u>
Equity attributable to owners of the Company	<u>3,010,665</u>	<u>3,327,370</u>
Non-controlling interests	<u>898,505</u>	<u>404,867</u>
<b>TOTAL EQUITY</b>	<u><b>3,909,170</b></u>	<u><b>3,732,237</b></u>



**Notes:**

**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 5702-5703, 57/F, Two International Finance Centre, 8 Finance Street, 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 Group is principally engaged in property development and property investment in the PRC.

**2. BASIS OF PREPARATION**

These condensed 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.

These condensed consolidated financial statements should be read in conjunction with the 2013 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 2013 except as stated below.

**3. 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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position. The Group shall adopt these new HKFRSs that are relevant to its operations and effective for its accounting year.

#### 4. TURNOVER

The Group's turnover represents rental income generated during the period, net of business tax.

#### 5. SEGMENT INFORMATION

	<b>Property sales HK\$'000 (Unaudited)</b>	<b>Property rental HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>Six months ended 30 June 2014:</b>			
Revenue from external customers	—	24,400	24,400
Segment (loss)/profit	(140,072)	270,723	130,651
<b>At 30 June 2014:</b>			
Segment assets	13,754,610	703,204	14,457,814
Segment liabilities	<u>11,332,261</u>	<u>163,384</u>	<u>11,495,645</u>
<b>Six months ended 30 June 2013:</b>			
Revenue from external customers	—	42,766	42,766
Segment (loss)/profit	(95,897)	56,310	(39,587)
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
<b>At 31 December 2013:</b>			
Segment assets	7,843,791	1,300,094	9,143,885
Segment liabilities	<u>5,921,767</u>	<u>199,072</u>	<u>6,120,839</u>

#### Reconciliations of reportable segment profit or loss

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit or loss</b>		
Total profit or loss of reportable segments	<b>130,651</b>	(39,587)
Unallocated amounts		
Other corporate expenses	<u>(188,771)</u>	<u>(16,215)</u>
Consolidated loss for the period	<u><b>(58,120)</b></u>	<u>(55,802)</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2014 <i>HK\$'000</i> <i>(Unaudited)</i>	2013 <i>HK\$'000</i> <i>(Unaudited)</i>
Finance lease charges	15	6
Interest on bank loans	118,481	54,830
Interest on Senior Notes	117,494	42,582
Interest on other borrowings	64,293	22,041
	<hr/>	<hr/>
Total borrowings costs	300,283	119,459
Amount capitalised	(95,517)	(44,753)
	<hr/>	<hr/>
	<b>204,766</b>	<b>74,706</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7. INCOME TAX

	Six months ended 30 June	
	2014 <i>HK\$'000</i> <i>(Unaudited)</i>	2013 <i>HK\$'000</i> <i>(Unaudited)</i>
Current tax		
PRC Corporate Income Tax	2,569	13,200
Deferred tax	709	2,723
	<hr/>	<hr/>
	<b>3,278</b>	<b>15,923</b>
	<hr/> <hr/>	<hr/> <hr/>

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 2013: Nil).

Subsidiaries established in the PRC are subject to PRC Corporate Income Tax at 25% (six months ended 30 June 2013: 25%) based on the relevant income tax rules and regulations in the PRC.

According to the PRC corporate income tax law and the relevant PRC issued implementation regulation, the Group is subject to PRC withholding income tax of 10% on the gross rental income (six months ended 30 June 2013: 10%).

## 8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	(7,247)	(858)
Write back of other payables	(17)	(34,794)
Reversal of provision for contingent liabilities	(9,783)	—
Amortisation	1,339	718
Depreciation	816	620
Directors' remuneration	2,360	1,760
Accounts custodian fee/financial advisory fee	37,881	37,346
Loss on disposal of property, plant and equipment	450	—
Operating lease charges in respect of land and buildings	<u>6,209</u>	<u>1,371</u>

## 9. DIVIDENDS

The directors have not recommended any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 10. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$30,656,000 (six months ended 30 June 2013: HK\$41,209,000) divided by the weighted average number of ordinary shares 4,237,203,695 (six months ended 30 June 2013: 3,655,806,000) in issue during the period.

### (b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2014 has not been presented as the Company's outstanding warrants during the period has an anti-dilutive effect on the basic loss per share.

There were no dilutive potential shares during the six months ended 30 June 2013. Therefore, no diluted loss per shares was presented.

## 11. ACCOUNTS RECEIVABLE

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

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

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within 3 months	4,375	11,644
7 to 12 months	7,343	—
	<u>11,718</u>	<u>11,644</u>

## 12. ACCOUNTS PAYABLE

The Group's accounts payable comprise the following:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Construction fee payable	709,023	435,650
Land premium related charge and penalty payable	57,480	124,414
	<u>766,503</u>	<u>560,064</u>

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

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within 3 months	765,120	555,641
4 to 6 months	652	1,348
7 to 12 months	395	2,931
Over 1 year	336	144
	<u>766,503</u>	<u>560,064</u>

### **13. EVENTS AFTER THE REPORTING PERIOD**

Pursuant to a conditional Note Purchase Agreement dated 20 June 2014 (“the Note Purchase Agreement”), the Company has agreed to issue to certain investors, under two tranches, secured and guaranteed senior notes in an aggregate principal amount of up to US\$350 million (the “Senior Notes 2014”). The Senior Notes 2014, due on 36 months after the issue date, are interest-bearing at 11.8% per annum and interests are payable in each three-month period in arrears. Concurrent with the issuance of the Senior Notes 2014, nil-paid warrants (the “2014 Warrants”) representing a total amount of exercise moneys of US\$70 million would be granted by the Company to the investors to subscribe for 229,624,022 ordinary shares of the Company at an initial exercise price of HK\$2.3778 per ordinary share of the Company, which are subject to certain adjustment events. The 2014 Warrants are exercisable at any time up to 36 months from the issue date.

Pursuant to the Note Purchase Agreement, the Company issued the first tranche senior notes in an aggregate principal amount of US\$100 million to certain investors in July 2014. Concurrent with the issuance of the first tranche senior notes, nil-paid warrants representing a total amount of exercise moneys of US\$20 million were granted by the Company to these investors.

Details of the Senior Notes 2014 and the 2014 Warrants are set out in the Company’s announcements dated 22 June 2014, 26 June 2014, 17 July 2014 and 18 July 2014.



## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

### **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.

### **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company has complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months period ended 30 June 2014, other than code provisions A.2.1 and A.4.2 of the CG Code.

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

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company adopted the Model Code for Securities Transactions by Directors (the "Model Code") as contained in Appendix 10 of the Listing Rules. 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 2014.

## **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 with the management regarding auditing, internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2014, which is of opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

## **PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The interim report of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.zhuguang.com.hk](http://www.zhuguang.com.hk) in due course.

## **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.

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

Hong Kong, 27 August 2014

*As at the date of this announcement, the Board comprises Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Chairman and Chief Executive Officer), Mr. Chu Muk Chi (alias Mr. Zhu La Yi), Mr. Liao Tengjia and Mr. Huang Jia Jue as executive Directors, and Mr. Leung Wo Ping JP, Mr. Law Shu Sang Joseph and Mr. Wong Chi Keung as independent non-executive Directors.*