



**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  
2014**

**STOCK CODE : 1176**



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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

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  
 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

Room 5702-5703, 57/F  
 Two International Finance Centre  
 8 Finance Street  
 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  
 Level 22 Hopewell Centre  
 183 Queen's Road East  
 Hong Kong

**AUDITOR**

RSM Nelson Wheeler  
29th Floor Caroline Centre  
28 Yun Ping Road  
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**LEGAL ADVISORS ON BERMUDA LAW**

Conyers Dill & Pearman  
2901 One Exchange Square  
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Hong Kong

**PRINCIPAL BANKERS**

Agricultural Bank of China Hong Kong Branch  
China Construction Bank (Asia) Corporation Limited  
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](http://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 2014 together with the comparative figures as follows:

## FINANCIAL HIGHLIGHTS

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

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### 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> HK\$'000	<b>GFA Sold</b> (sqm)
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
	3,192,764	82,765

## 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.



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

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

##### **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 Baiyun Mountain, Guangzhou, the PRC which is a traditional high-end residential and scenic area. The site area of 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.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### BUSINESS REVIEW *(continued)*

#### Property Investments

The Group owns certain floors of Royal Mediterranean Hotel (“Hotel”) located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, as a leased property with GFA of approximately 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).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### Turnover and Segmental Information *(continued)*

##### 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).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### 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 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
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
	<b>6,086,874</b>	4,545,928

## 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>6,086,874</b>	4,545,928

(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);



## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### Liquidity and Capital Resources *(continued)*

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

(b) *Bank loans (continued)*

- (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).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW *(continued)*

#### Liquidity and Capital Resources *(continued)*

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

(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”);

\* *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)*

(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 Shun 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.

\* English name is translated for identification purposes only.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### 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>1,012,425</b>	860,245

Pursuant to the terms of the guarantees, if there are any defaults on the mortgages, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees will be released upon issuance of the purchasers' property ownership certificates and completion of the relevant registration of the mortgaged properties.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### 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

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(30,656)</b>	(41,209)
Non-controlling interests		<b>(27,464)</b>	(14,593)
		<b>(58,120)</b>	(55,802)
<b>Loss per share</b>			
	10		
Basic		<b>(0.72 cents)</b>	(1.13 cents)
Diluted		<b>N/A</b>	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 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(58,120)</b>	(55,802)
<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	<b>(9,460)</b>	47,565
<b>Total comprehensive income for the period</b>	<b>(67,580)</b>	(8,237)
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>(37,149)</b>	1,392
Non-controlling interests	<b>(30,431)</b>	(9,629)
	<b>(67,580)</b>	(8,237)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Note	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	30,470	20,251
Prepaid land lease payments	12	48,700	49,896
Investment properties	13	681,914	663,024
Intangible assets	14	23,700	23,515
Goodwill		366,605	18,542
Available-for-sale financial assets		637	—
		<b>1,152,026</b>	775,228
<b>Current assets</b>			
Inventories	15	9,532,594	6,097,641
Accounts receivable	16	11,718	11,644
Prepaid land lease payments	12	1,447	1,460
Prepayments, deposits and other receivables	17	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	18	197,111	183,011
Bank and cash balances		2,007,988	996,939
		<b>15,898,129</b>	10,143,181
Assets of disposal groups classified as held for sale		—	620,703
		<b>15,898,129</b>	10,763,884

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2014

	Note	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
<b>Current liabilities</b>			
Accounts payable	19	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	20	1,741,504	1,488,816
Finance lease payables		204	203
Provision for contingent liabilities	21	25,051	9,733
Current tax liabilities		69,628	15,647
		<b>7,054,306</b>	4,264,040
Liabilities directly associated with assets of disposal groups classified as held for sale		—	47,056
		<b>7,054,306</b>	4,311,096
<b>Net current assets</b>		<b>8,843,823</b>	6,452,788
<b>Total assets less current liabilities</b>		<b>9,995,849</b>	7,228,016

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2014

	Note	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Bank and other borrowings	20	4,345,370	3,057,112
Finance lease payables		400	503
Deferred tax liabilities		1,740,909	438,164
		<b>6,086,679</b>	3,495,779
<b>NET ASSETS</b>			
		<b>3,909,170</b>	3,732,237
<b>Capital and reserves</b>			
Share capital	22	423,787	422,412
Reserves		2,586,878	2,904,958
Equity attributable to owners of the Company		<b>3,010,665</b>	3,327,370
Non-controlling interests		<b>898,505</b>	404,867
<b>TOTAL EQUITY</b>		<b>3,909,170</b>	3,732,237

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	(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	Warrant reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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
<b>At 1 January 2014</b>	<b>422,412</b>	<b>2,857,938</b>	<b>(101,922)</b>	<b>129,486</b>	<b>239,404</b>	<b>5,611</b>	<b>104,799</b>	<b>(330,358)</b>	<b>3,327,370</b>	<b>404,867</b>	<b>3,732,237</b>
Total comprehensive income for the period	–	–	–	(6,493)	–	–	–	(30,656)	(37,149)	(30,431)	(67,580)
Capital contribution	–	–	–	–	–	–	–	–	–	2	2
Acquisition of subsidiaries (note 23)	–	(284,580)	–	–	–	–	–	–	(284,580)	524,067	239,487
Disposal of assets and liabilities of disposal groups classified as held for sale	–	–	–	(26,176)	–	–	–	–	(26,176)	–	(26,176)
Issue of shares upon exercise of warrants (note 22)	1,375	41,155	–	–	–	–	(11,330)	–	31,200	–	31,200
Changes in equity for the period	1,375	(243,425)	–	(32,669)	–	–	(11,330)	(30,656)	(316,705)	493,638	176,933
<b>At 30 June 2014</b>	<b>423,787</b>	<b>2,614,513</b>	<b>(101,922)</b>	<b>96,817</b>	<b>239,404</b>	<b>5,611</b>	<b>93,469</b>	<b>(361,014)</b>	<b>3,010,665</b>	<b>898,505</b>	<b>3,909,170</b>

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

During the six months ended 30 June 2013, the Group made capital contribution of approximately HK\$295,165,000 to Guangdong Hailian. The carrying amounts of the controlling and non-controlling interests were adjusted directly in equity to reflect the changes in their relative interests in Guangdong Hailian.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>7,525</b>	<b>(1,592,010)</b>
Purchase of property, plant and equipment		<b>(11,664)</b>	(1,469)
Acquisition of subsidiaries	23	<b>34,384</b>	—
Net proceeds from disposal of assets and liabilities of disposal groups classified as held for sale		<b>696,529</b>	—
Deposits for acquisition of equity interest/land use right		<b>(1,056,590)</b>	—
Prepayments for acquisition of property development projects/equity interests		<b>(203,497)</b>	—
Other investing cash flows (net)		<b>(416)</b>	858
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(541,254)</b>	<b>(611)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2013</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Bank loans raised	<b>2,553,318</b>	356,926
Payment for arrangement fee		
attributable to bank loans raised	—	(6,925)
Repayment of bank loans	<b>(667,953)</b>	(59,773)
Proceeds from other borrowings	—	1,883,115
Repayment of other borrowings	<b>(325,039)</b>	—
Repayment of finance lease payables	<b>(98)</b>	(187)
Issue of shares	<b>7,800</b>	—
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>1,568,028</b>	2,173,156
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,034,299</b>	580,535
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>996,960</b>	138,385
Effect of foreign exchange rate changes	<b>(23,271)</b>	(20,714)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY</b>		
Bank and cash balances	<b>2,007,988</b>	698,206

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended 30 June 2014

### **1. BASIS OF PREPARATION**

These unaudited 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.

These condensed consolidated financial statements are unaudited and 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.

### **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 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.



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

For the six months ended 30 June 2014

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

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.

### 3. FAIR VALUE MEASUREMENTS

Except for Senior Notes and certain bank borrowings and other borrowings with the carrying amounts of approximately HK\$1,386,401,000, HK\$1,637,792,000 and HK\$1,575,634,000 respectively, the directors consider that the carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position are not materially different from their fair value as at 30 June 2014. The directors estimate the fair value of the Senior Notes and certain bank borrowings and other borrowings as at 30 June 2014 to be approximately HK\$1,403,703,000, HK\$1,445,497,000 and HK\$1,632,897,000 respectively. The fair value has been calculated by discounting the future cash flows at the market interest rates (level 2 measurement under HKFRS 13).

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

For the six months ended 30 June 2014

### 3. FAIR VALUE MEASUREMENTS *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

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

For the six months ended 30 June 2014

### 3. FAIR VALUE MEASUREMENTS *(continued)*

#### (a) Disclosures of level in fair value hierarchy for financial instruments:

	Fair value measurements using: Level 3 HK\$'000
At 30 June 2014	<b>(Unaudited)</b>
Recurring fair value measurements:	
Financial assets at fair value through profit or loss	
Derivatives — call options	1,639
Available-for-sale financial assets-Unlisted equity investment	637
	<b>2,276</b>
At 31 December 2013	(Audited)
Recurring fair value measurements:	
Financial assets at fair value through profit or loss	
Derivatives — call options	38,503

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

For the six months ended 30 June 2014

### 3. FAIR VALUE MEASUREMENTS *(continued)*

#### (b) Reconciliation of financial assets measured at fair value based on level 3:

Description	Financial assets at fair value through profit or loss	Available -for-sale financial assets – Unlisted equity investment	Total
	– Derivatives HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
At 1 January 2014	38,503	—	38,503
Total gains or losses recognised in profit or loss <sup>(#)</sup> in other comprehensive income	(36,864)	—	(36,864)
Acquisition of subsidiaries	—	(1)	(1)
	—	638	638
At 30 June 2014	1,639	637	2,276
<sup>(#)</sup> Include gains or losses for assets held at end of reporting period	(36,864)	—	(36,864)

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

For the six months ended 30 June 2014

### 3. FAIR VALUE MEASUREMENTS *(continued)*

#### **(b) Reconciliation of financial assets measured at fair value based on level 3: *(continued)***

The total losses recognised in profit or loss are presented in the line item “fair value losses financial assets at fair value through profit or loss” on the face of the condensed consolidated statement of profit or loss.

#### **(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements for financial instruments as at 30 June 2014:**

The senior management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The senior management reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the senior management and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group normally engages external valuation experts with recognised professional qualifications and recent experience to perform the valuations.

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

For the six months ended 30 June 2014

### 3. FAIR VALUE MEASUREMENTS *(continued)*

**(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements for financial instruments as at 30 June 2014: *(continued)***

#### Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Fair value at 30 June 2014 HK\$'000 (Unaudited)
Derivatives – call options	Binomial option pricing model	Volatility	30.68% to 46.11%	1,639
		Stock price (RMB million)	98.29	
Unlisted available -for-sale equity investment	Guideline public company method	Discount for lack of marketability	37.50%	637

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

For the six months ended 30 June 2014

### 3. FAIR VALUE MEASUREMENTS *(continued)*

#### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements for financial instruments as at 30 June 2014: *(continued)*

##### Level 3 fair value measurements *(continued)*

Description	Valuation technique	Unobservable inputs	Range	Fair value at 31 December 2013 HK\$'000 (Audited)
Derivatives – call options	Binomial option pricing model	Volatility	39.08% to 45.72%	38,503
		Stock price (RMB million)	210.26	

The fair value of the call options obtained by the Group are determined using binomial option pricing model and the significant unobservable inputs used in the fair value measurement are expected volatility and underlying stock price.

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

For the six months ended 30 June 2014

### 3. FAIR VALUE MEASUREMENTS *(continued)*

#### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements for financial instruments as at 30 June 2014: *(continued)*

The expected volatility is estimated based on historical volatility of the comparable companies. The fair value measurement is positively correlated to the expected volatility. At 30 June 2014, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss after tax by approximately HK\$569,000/HK\$460,000 (At 31 December 2013: HK\$5,167,000/HK\$4,957,000) respectively.

The underlying stock price is estimated based on the fair value of identifiable assets and liabilities of the acquiree (At 31 December 2013: business enterprise value). The fair value measurement is positively correlated to the stock price. At 30 June 2014, it is estimated that with all other variables held constant, an increase/decrease in the stock price by 5% would have decreased/increased the Group's loss after tax by approximately HK\$352,000/HK\$306,000 (At 31 December 2013: HK\$5,788,000/HK\$5,319,000) respectively.

The fair value of unlisted available-for-sale equity investment is determined using the valuation multiples of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. At 30 June 2014, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 10% would have increased/decreased the Group's other comprehensive income by approximately HK\$101,000.



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

For the six months ended 30 June 2014

### 4. TURNOVER

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

### 5. SEGMENT INFORMATION

	Property sales HK\$'000 (Unaudited)	Property rental HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<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	11,332,261	163,384	11,495,645
<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)
	(Audited)	(Audited)	(Audited)
<b>At 31 December 2013:</b>			
Segment assets	7,843,791	1,300,094	9,143,885
Segment liabilities	5,921,767	199,072	6,120,839

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

For the six months ended 30 June 2014

### 5. SEGMENT INFORMATION *(continued)*

#### Reconciliations of reportable segment profit or loss

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

### 6. FINANCE COSTS

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

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

For the six months ended 30 June 2014

### 7. INCOME TAX

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

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%).

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

For the six months ended 30 June 2014

### 8. LOSS FOR THE PERIOD

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

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

### 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).

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

For the six months ended 30 June 2014

### 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 of 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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately HK\$11,664,000.

At 30 June 2014, the Group's the construction in progress were pledged as security for the Group's bank loans (details of which are set out in note 20(b) to the condensed consolidated financial statements).

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

For the six months ended 30 June 2014

### 12. PREPAID LAND LEASE PAYMENTS

At 30 June 2014, 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 2014, the land use rights were pledged as security for the Group's bank loans (details of which are set out in note 20(b) to the condensed consolidated financial statements).

### 13. INVESTMENT PROPERTIES

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
At beginning of the period/year	<b>663,024</b>	1,126,037
Fair value gains	<b>25,228</b>	120,625
Classified as held for sale	<b>—</b>	(620,682)
Exchange differences	<b>(6,338)</b>	37,044
At end of the period/year	<b>681,914</b>	663,024

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

For the six months ended 30 June 2014

### 13. INVESTMENT PROPERTIES *(continued)*

- (a) At 30 June 2014, 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 2014 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, adjusted for a premium or a discount specific to the quality of the investment properties. A valuation report is prepared at each interim and annual reporting date, and is reviewed and approved by the Company's senior management.

- (b) At 30 June 2014, all investment properties were pledged for the Group's bank loans (details of which are set out in note 20(b) to the condensed consolidated financial statements).

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

For the six months ended 30 June 2014

### 13. INVESTMENT PROPERTIES *(continued)*

- (c) At 30 June 2014, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within one year	<b>53,159</b>	52,374
In the second to fifth years inclusive	<b>186,601</b>	215,551
	<b>239,760</b>	267,925

### 14. INTANGIBLE ASSETS

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



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

For the six months ended 30 June 2014

### 15. INVENTORIES

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Properties for sale under development (note (a))	<b>9,512,009</b>	6,075,409
Properties held for sale	<b>20,585</b>	22,232
	<b>9,532,594</b>	6,097,641

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

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within one year	<b>1,060,739</b>	214,189
After more than one year	<b>8,451,270</b>	5,861,220
	<b>9,512,009</b>	6,075,409

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

For the six months ended 30 June 2014

### 15. INVENTORIES *(continued)*

- (b) At 30 June 2014, 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 20(b) and 20(d) to the condensed consolidated financial statements).

### 16. 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	<b>4,375</b>	11,644
7 to 12 months	<b>7,343</b>	—
	<b>11,718</b>	11,644

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

For the six months ended 30 June 2014

### 17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Prepayments for acquisition of equity interest	—	1,155,287
Deposits for acquisition of equity interest/land use rights	<b>1,834,541</b>	781,567
Prepayments for acquisition of property development projects/equity interests	<b>602,267</b>	398,770
Prepaid construction costs	<b>856,767</b>	237,506
Other prepayments, deposits and receivables	<b>706,702</b>	164,538
	<b>4,000,277</b>	2,737,668

### 18. RESTRICTED BANK DEPOSITS

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Guarantee deposits for construction of pre-sale properties	<b>181,398</b>	169,456
Pledged bank deposits (note 20(b))	<b>15,713</b>	13,555
	<b>197,111</b>	183,011

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

For the six months ended 30 June 2014

### 19. 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	<b>709,023</b>	435,650
Land premium related charge and penalty payable	<b>57,480</b>	124,414
	<b>766,503</b>	560,064

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	<b>765,120</b>	555,641
4 to 6 months	<b>652</b>	1,348
7 to 12 months	<b>395</b>	2,931
Over 1 year	<b>336</b>	144
	<b>766,503</b>	560,064

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

For the six months ended 30 June 2014

### 20. BANK AND OTHER BORROWINGS

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
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
	<b>6,086,874</b>	4,545,928

(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>6,086,874</b>	4,545,928

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

For the six months ended 30 June 2014

### 20. BANK AND OTHER BORROWINGS *(continued)*

(b) Bank loans

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;
- (iii) the Group's properties for sale under development of approximately HK\$4,835,583,000;
- (iv) the Group's pledged bank deposits of approximately HK\$15,713,000;
- (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;
- (vi) assignment of all rental income from the Group's investment properties with carrying amount of approximately HK\$681,914,000;
- (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.

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 2014

### 20. BANK AND OTHER BORROWINGS *(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;
- (ii) 100% equity interest of the Company’s subsidiaries: Top Perfect, Ever Crown, East Orient and 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).

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

For the six months ended 30 June 2014

### 20. BANK AND OTHER BORROWINGS *(continued)*

(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 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;
- (iii) corporate guarantees executed by related companies – Guangdong Zhuguang, Guangzhou Zhuguang Property, Beijing Zhuguang Property and Guangzhou Zhuguang Investment;
- (iv) guarantee executed by the Company's director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi);
- (v) corporate guarantee executed by a non-controlling shareholder of Guangdong Hailian; and
- (vi) entire equity interest in Guangdong Hailian.



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

For the six months ended 30 June 2014

### 20. BANK AND OTHER BORROWINGS *(continued)*

(d) Other borrowings *(continued)*

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 Shun 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.

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

For the six months ended 30 June 2014

### 21. PROVISION FOR CONTINGENT LIABILITIES

	30 June 2014 HK\$'000 (Unaudited)
At beginning of the period	9,733
Reductions resulting from settlement without cost and amortisation	(9,783)
Fair value adjustment on business combination	25,122
Exchange differences	(21)
At end of the period	25,051

A provision for contingent liability of approximately HK\$25,122,000 arising on a business combination (Note 23) has been recognised, in relation to the guarantee provided by Guangzhou Yifa to a bank for a loan facility of RMB300,000,000 (equivalent to approximately HK\$377,952,000) granted to Guangzhou Yifa's investee company, Guangdong Province Huashui Shui Li Investment Company Limited\* (「廣東省樺水水利投資有限公司」) (“Guangdong Huashui”), as the Group has a present obligation arising from the guarantee provided.

\* English name is translated for identification purposes only.

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

For the six months ended 30 June 2014

### 22. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Note	(Unaudited)	(Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each	<b>6,000,000,000</b>	6,000,000,000	<b>600,000</b>	600,000
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.10 each				
At beginning of the period/year	<b>4,224,118,458</b>	3,655,806,000	<b>422,412</b>	365,581
Issue of shares upon exercise of warrants (a)	<b>13,749,944</b>	10,312,458	<b>1,375</b>	1,031
Issue of shares	—	558,000,000	—	55,800
At end of the period/year	<b>4,237,868,402</b>	4,224,118,458	<b>423,787</b>	422,412

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

For the six months ended 30 June 2014

### 22. SHARE CAPITAL *(continued)*

Note:

- (a) Upon exercise of the subscription rights conferred by the Company's warrants, two lots of the Company's new ordinary shares of 10,312,458 shares and 3,437,486 shares were issued on 8 January 2014 and 15 January 2014 respectively (totalled 13,749,944 new ordinary shares), at the exercise price of HK\$2.2691 per share. The new shares rank *pari passu* in all respects with the existing shares of the Company. The premium on issue of shares amounted to approximately HK\$29,825,000 and was credited to the Company's share premium. In addition, an amount of approximately HK\$11,330,000 was reclassified from warrant reserve to share premium upon exercise of warrants.

### 23. ACQUISITION OF SUBSIDIARIES

On 31 March 2014, the Group acquired 50% issued capital of Joygain Holdings Limited ("Joygain") at a cash consideration of approximately HK\$151,599,000 and the issuance of 558,000,000 new ordinary shares of HK\$0.10 ("the Consideration Shares") by the Company (the "Joygain Acquisition").

Joygain is an investment holding company, together with its wholly-owned subsidiaries, Ocean Leader Investments Limited and Guangzhou Yifa (collectively referred to as "Joygain Group") are principally engaged in property development in the PRC. Joygain Group was acquired so as to enhance the Group's property development operations.

The directors are of the opinion that, the currently exercisable call options to acquire the remaining 50% equity interest of Joygain, if exercised, would give the Group 100% voting rights over Joygain, which gave the Group current power to direct the relevant activities of Joygain Group. Accordingly, Joygain Group are consolidated from the acquisition date.

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

For the six months ended 30 June 2014

### 23. ACQUISITION OF SUBSIDIARIES *(continued)*

The provisional fair value of the identifiable assets and liabilities of Joygain Group acquired as at its date of acquisition is as follows:

Note	HK\$'000 (Unaudited)
Net assets acquired:	
Available-for-sale financial assets	638
Properties for sale under development	2,723,652
Prepayments, deposits and other receivables	357,010
Bank balances	35,983
Accounts payable	(239,581)
Accruals and other payables	(448,538)
Provision for contingent liability	(25,122)
Deferred tax liabilities	(1,355,908)
	1,048,134
Non-controlling interests	(524,067)
Goodwill	348,239
	872,306
Satisfied by:	
Cash	151,599
Issue of Consideration Shares (a)	1,551,240
Total consideration transferred	1,702,839
Impairment loss made in 2013	(830,533)
	872,306
Net cash inflow arising on acquisition:	
Total cash consideration paid	(151,599)
Cash consideration paid in 2013	150,000
Cash and cash equivalents acquired	35,983
	34,384

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

For the six months ended 30 June 2014

### 23. ACQUISITION OF SUBSIDIARIES *(continued)*

Note:

- (a) In 2013, prepayments for the Joygain Acquisition were provisionally recognised for the fair value of the Consideration Shares issued on 31 December 2013 by reference to the closing market price of the Company's ordinary shares on the issue date. On the acquisition date, the fair value of the Consideration Shares issued was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date. The difference between the fair value of the Consideration Shares on the issue date and the Consideration Shares' acquisition date fair value of approximately HK\$284,580,000 was recognised as a reduction in the share premium and a reduction in the carrying value of the prepayments which now become part of cost of the investment in Joygain.

The directors are of the opinion that the goodwill is attributable to the anticipated future operating synergies from the business combination and opportunities for the Group to bring its expertise to access to the region of the PRC that are provided by Joygain Group.

Goodwill arising on the acquisition of Joygain Group and the non-controlling interest in Joygain Group are measured on a provisional basis as the nature and fair value of the identifiable assets and liabilities acquired can be determined on a provisional value only. The Group is in the process of obtaining independent professional valuation to access the fair value. The provisional amounts may be adjusted upon the completion of initial accounting year.

The non-controlling interest recognised at the acquisition date was measured by the non-controlling shareholder's proportionate share of the net provisional fair value of the identifiable assets and liabilities of Joygain Group at the acquisition date.

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

For the six months ended 30 June 2014

### 23. ACQUISITION OF SUBSIDIARIES *(continued)*

A provision for contingent liability of approximately HK\$25,122,000 (details of which are set out in Note 21) arising on the business combination has been recognised.

Acquisition-related costs amounting to approximately HK\$207,000 have been excluded from the consideration transferred and have been recognised as expenses in the six months ended 30 June 2014, within the “administrative expenses” line item in the condensed consolidated statement of profit or loss.

Joygain Group’s contribution of turnover and results to the Group from the date of acquisition to the end of the reporting period are as follows:

	HK\$'000
Turnover	—
Loss	<b>(20,546)</b>

If the acquisition had been completed on 1 January 2014, total Group turnover for the period would have been approximately HK\$24,400,000 and loss for the period would have been approximately HK\$58,353,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is intended to be a projection of future results.

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

For the six months ended 30 June 2014

### 24. DISPOSAL OF ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 30 June 2014, the Group completed the disposal of the entire issued share capital of two subsidiaries, Rainbow High Holdings Limited (“Rainbow High”) and Zhang Tong Holdings Limited (“Zhang Tong”) at a total consideration of approximately HK\$862,614,000, resulting in a gain on disposal of assets and liabilities of disposal groups classified as held for sale of approximately HK\$198,607,000. Rainbow High and Zhang Tong together with their respective subsidiary, Big Wisdom Limited and Light-Up Investments Limited, are engaged in the property investment and property rental activities.

The assets and liabilities attributable to the disposal groups (included in the Group’s property rental segment), which were expected to be sold within twelve months from 31 December 2013, had been classified as held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2013.

### 25. 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</b>	31 December 2013
	<b>HK\$’000</b>	HK\$’000
	<b>(Unaudited)</b>	(Audited)
Guarantees given to banks for mortgage facilities utilised by purchasers	<b>1,012,425</b>	860,245



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

For the six months ended 30 June 2014

### 25. CONTINGENT LIABILITIES *(continued)*

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.

### 26. CAPITAL COMMITMENTS

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

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Contracted but not provided for		
Property, plant and equipment	<b>3,830</b>	5,443
Joygain Acquisition	—	1,599
	<b>3,830</b>	7,042

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

For the six months ended 30 June 2014

### 27. LEASE COMMITMENTS

At 30 June 2014, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within one year	<b>31,471</b>	9,472
In the second to fifth years inclusive	<b>100,030</b>	84,271
After five years	<b>290,079</b>	303,498
	<b>421,580</b>	397,241

Operating lease payments represent rentals payable by the Group for Hong Kong and PRC premises.

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

For the six months ended 30 June 2014

### 28. 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\$1,210,000 (At 31 December 2013: HK\$810,000) representing accrued directors' emoluments due to the Company's directors. The accrued directors' emoluments are unsecured, interest-free and are settled in cash.

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

For the six months ended 30 June 2014

### 28. RELATED PARTY TRANSACTIONS *(continued)*

- (c) Included in prepayments, deposits and other receivables are the following amounts:

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Deposits for acquisition of equity interest/land use rights:		
– Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) and Mr. Chu Muk Chi (alias Mr. Zhu La Yi) (being key management personnel of the Company)	<b>400,000</b>	—
– Rong De Investments Limited (being ultimate holding company of the Company)	—	400,000
– Guangdong Zhuguang	<b>377,952</b>	—
– Sanya Zhuguang Investment Company Limited* (“Sanya Zhuguang”)	<b>251,968</b>	—
Other receivables:		
– Guangdong Zhuguang	<b>68,378</b>	—

Sanya Zhuguang is a wholly-owned subsidiary of Guangdong Zhuguang. Sanya Zhuguang is considered as a related party of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence in Guangdong Zhuguang and Sanya Zhuguang.

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

For the six months ended 30 June 2014

### 28. RELATED PARTY TRANSACTIONS *(continued)*

- (d) Included in prepayments, deposits and other receivables are prepayments for acquisition of property development projects/equity interests of approximately HK\$500,518,000 (At 31 December 2013: HK\$398,770,000) prepaid through an authorised agent for the acquisition of certain property development projects/equity interests held by Guangdong Zhuguang's subsidiaries. Guangdong Zhuguang has undertaken to the Group to guarantee the due performance of its subsidiaries with respect to their obligations under certain memorandum of understanding and/or agreement entered into with the Group's authorised agent.
- (e) Included in other payables are amounts of approximately HK\$5,304,000 (At 31 December 2013: HK\$18,253,000), HK\$1,344,000 (At 31 December 2013: HK\$1,347,000) and HK\$1,107,000 (At 31 December 2013: HK\$1,118,000) due to Guangdong Zhuguang, Guangzhou Zhuguang Property and Guangzhou Zhuguang Bay Property Company Limited\* (「廣州市珠江灣房地產有限公司」) (“Guangzhou Zhuguang Bay Property”) respectively.

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

\* English name is translated for identification purposes only.

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

For the six months ended 30 June 2014

### 29. 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.

### 30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 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).

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 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 2014, 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 2014, the interests and short positions of the directors or chief executives of the Company in the shares and underlying shares (as the case may be) of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules:

### Interest and short position in shares

Name of director of the Company	Nature of interest	Total number of shares	Approximate percentage of total issued shares
Mr. Liao Tengjia	Interest of a controlled corporation	2,470,018,000 (L)	58.28% (L)
		174,528,079 (S)	4.12% (S)
Mr. Chu Hing Tsung	Interest of a controlled corporation	2,470,018,000 (L)	58.28% (L)
		174,528,079 (S)	4.12% (S)

(L) Long position

(S) Short position

Note: Rong De Investments Limited ("Rong De") is legally and beneficially owned as to 36.00% by Mr. Liao Tengjia and as to 34.06% by Mr. Chu Hing Tsung. Mr. Liao Tengjia and Mr. Chu Hing Tsung are deemed to be interested in the 2,470,018,000 shares beneficially owned by Rong De under the SFO. To the best knowledge of the Directors, among the shares held by Rong De, (i) 458,000,000 shares, 465,000,000 shares and 1,200,000,000 shares have been pledged by Rong De to 中國華融資產管理股份有限公司(廣東省)分公司(「中國華融」), Shoreline Value 1, Limited ("Shoreline") and The Bank of New York Mellon, Hong Kong Branch ("BNY HK") and Shoreline 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; and (ii) pursuant to the stock borrowing agreement entered into between Rong De and Senior Note 2013 Investors ("2013 Note Investors"), the 2013 Note Investors have the right to borrow 104,000,000 shares in aggregate from Rong De.



## 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 2014, 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.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2014, as far as the directors were aware, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as follows:

Name of shareholder	Notes	Nature of interest	Number of ordinary shares	Approximate percentage	Number of underlying shares	Approximate percentage
Rong De	1	Beneficial owner	2,470,018,000 (L) 174,528,079 (S)	58.28% 4.12%	–	–
Central Huijin Investment Limited ("Central Huijin")	2,3,4	Interest of a controlled corporation	1,304,787,376 (L) 104,787,376 (S)	30.79% 2.47%	54,999,780(L) 54,999,780(S)	1.30% 1.30%
Agricultural Bank of China Limited ("ABCL")	2	Interest of a controlled corporation	1,231,200,000 (L) 31,200,000 (S)	29.05% 0.74%	41,249,834(L) 41,249,834(S)	0.97% 0.97%
ABC International Holdings Limited ("ABCIH")	2	Interest of a controlled corporation	1,231,200,000 (L) 31,200,000 (S)	29.05% 0.74%	41,249,834(L) 41,249,834(S)	0.97% 0.97%
ABC Investment Management Limited ("ABCIM")	2	Interest of a controlled corporation	1,231,200,000 (L) 31,200,000 (S)	29.05% 0.74%	41,249,834(L) 41,249,834(S)	0.97% 0.97%
Silver Bloom Investments Limited ("Silver Bloom")	2	Security interest	1,200,000,000 (L)	28.32%	–	–
		Beneficial owner	31,200,000 (L) 31,200,000 (S)	0.74% 0.74%	41,249,834(L) 41,249,834(S)	0.97% 0.97%

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

Name of shareholder	Notes	Nature of interest	Number of ordinary shares	Approximate percentage	Number of underlying shares	Approximate percentage
Ministry of Finance of the People's Republic of China ("MOF")	2	Interest of a controlled corporation	1,231,200,000 (L)	29.05%	41,249,834(L)	0.97%
			31,200,000 (S)	0.74%	41,249,834(S)	0.97%
China Construction Bank Corporation ("CCB")	3	Interest of a controlled corporation	1,225,287,456 (L)	28.91%	13,749,946(L)	0.32%
			25,287,456 (S)	0.60%	13,749,946(S)	0.32%
ICBC International Holdings Limited ("ICBCIH")	4	Interest of a controlled corporation	1,248,299,890 (L)	29.46%	—	—
			48,299,890 (S)	1.14%	—	—
The Bank of New York Mellon Corporation ("BNY")	5	Security interest	1,200,000,000 (L)	28.32%	—	—
China Orient Asset Management Corporation ("COAM")	1,6	Interest of a controlled corporation	136,224,629 (L)	3.21%	136,224,629(L)	3.21%
			Security interest	465,000,000 (L)	10.97%	—
Cheung Fong Wing	7	Interest of controlled corporation	557,500,000 (L)	13.16%	—	—
Quan Xing Holdings Limited ("Quan Xing")	7	Beneficial owner	557,500,000 (L)	13.16%	—	—
中國華融資產管理股份有限公司 (廣東省) 分公司 (「中國華融」)	1,7	Security interest	923,000,000 (L)	21.78%	—	—

*(L) Long position*

*(S) Short position*

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

Note:

- (1) To the best knowledge of the Directors, among the shares owned by Rong De, (i) 458,000,000 shares, 465,000,000 shares and 1,200,000,000 shares have been pledged by Rong De to 中國華融, Shoreline and BNY HK and Shoreline 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; and (ii) pursuant to the stock borrowing agreement entered into between Rong De and 2013 Note Investors, the 2013 Note Investors have the right to borrow 104,000,000 shares in aggregate from Rong De.
- (2) According to the disclosure of interest notices filed by Central Huijin and MOF on 15 January 2014, 9 January 2014 and 8 January 2014 respectively, Silver Bloom held direct interest in the shares and underlying shares of the Company. Silver Bloom is a wholly-owned subsidiary of ABCIIM. ABCIIM is a wholly-owned subsidiary of ABCIH. ABCIH is a wholly-owned subsidiary of ABCL. ABCL was in turn owned as to 40.28% by Central Huijin and as to 39.21% by MOF. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in these shares of the Company by virtue of the provisions of the SFO.
- (3) According to the disclosure of interest notice filed by CCB on 8 January 2014, Design Time Limited held direct interest in the shares and underlying shares of the Company, and is a wholly-owned subsidiary of CCBI Investments Limited ("CCBII"). CCBII is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH"). CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited ("CCBFH"). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited ("CCBIG"). CCBIG is a wholly-owned subsidiary of CCB. According to the disclosure of interest notice filed by Central Huijin on 15 January 2014 and 9 January 2014, CCB is owned as to 57.26% by Central Huijin. Accordingly, CCBII, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in these shares of the Company by virtue of the provisions of the SFO.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

- (4) According to the disclosure of interest notice filed by ICBCIH on 15 October 2013, Fine Process Limited held direct interest in the shares and underlying shares of the Company and is a wholly-owned subsidiary of ICBC International Investment Management Limited ("ICBCIIM"). ICBCIIM is a wholly-owned subsidiary of ICBCIH. ICBCIH is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited ("ICBC"). According to the disclosure of interest notice filed by Central Huijin on 15 January 2014 and 9 January 2014, ICBC is owned as to 35.36% by Central Huijin. Accordingly, ICBCIIM, ICBCIH, ICBC and Central Huijin are deemed to be interested in these shares of the Company by virtue of the provisions of the SFO.
- (5) According to the disclosure of interest notice filed by BNY on 17 October 2013, BNY HK held direct interest in the shares of the Company and is wholly-owned by BNY.
- (6) According to the disclosure of interest notice filed by COAM on 7 January 2014, Shoreline held direct interest in the 575,099,734 shares of the Company and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"), which is held as to 50% by Wise Leader Assets Limited ("Wise Leader") and as to 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the shares of the Company held by Shoreline by virtue of the provisions of the SFO.

According to the disclosure of interest notice filed by COAM on 7 January 2014, Bright Creation Investment Limited held direct interest in 26,124,895 shares of the Company and is also a wholly-owned of COAM International. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the shares of the Company held by Bright Creation Investment Limited by virtue of the provisions of the SFO.

- (7) According to the disclosure of interest notice filed by Quan Xing on 14 January 2014, Quan Xing pledged 465,000,000 shares to 中國華融. Quan Xing was the beneficial owner of these shares of the Company, which is wholly-owned by Mr. Cheung Fong Wing. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in these shares of the Company by virtue of the provisions of the SFO.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES** *(continued)*

- (8) For the purpose of this section, the shareholding percentage in the Company is calculated of the basis of 4,237,868,402 shares in issue.

Save as disclosed above, so far as known to the directors, the Company had not been notified of any interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## **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.

## **CORPORATE GOVERNANCE** *(continued)*

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 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.

## **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**  
**Chu Hing Tsung**  
*Chairman*

Hong Kong, 27 August 2014