珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

珠 光 控 股 集 團 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 1176)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board ("**Board**") of directors ("**Directors**") of Zhuguang Holdings Group Company Limited (the "**Company**") is pleased to announce its annual consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 together with the comparative figures for the previous year as follows:

FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Revenue — Sales of properties	**1,401,812**	3,192,330
— Rental income	**101,720**	62,037
— Decoration income	**21,418**	38,951
— Project management services	**383,203**	—
(Loss)/profit for the year attributable to owners of the Company	**(175,645)**	591,409

	At 31 December	
	2016	2015
	HK$'000	*HK$'000*
Total assets	**18,746,947**	17,428,582
Total liabilities	**13,940,856**	13,262,372
Total equity	**4,806,091**	4,166,210

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property development, property investment, project management, and other property development related services in the People's Republic of China (the "**PRC**").

BUSINESS REVIEW

In 2016, under the support of multiple favorable policies including cutting down-payment, tax reduction and credit easing, the real estate market in China experienced strong growth in terms of both transaction volumes and prices. Along with strong growth in real estate sales, differentiation in the property market became more obvious. The transaction volumes in the first tier cities and selected second tier cities rose significantly and prices increased rapidly, and the property market was overheated. However, since the land supply was in shortage in hot cities, the competition for land projects was extremely intense. As a result, the "Land King" frequently came out and overall premium rate reached records high. Market risk was also accumulating and increasing gradually. To control the overheated property market in the first tier cities and some second tier cities, the Chinese government tightened control policies on property market regulation from the second quarter in 2016. In particular, since the end of the third quarter in 2016, control policies have been fully tightened in the first tier cities and some second tier cities by strictly restricting purchase, mortgage and property prices in order to suppress the excessive growth in the price of the properties.

Property Development and Sales

During the year under review, the Group continued its focus on the first tier cities and key second tier cities with potential growth in demand, as a result, the Group achieved contracted sales of approximately HK$2,505,296,000 and contracted gross floor area ("**GFA**") of approximately 249,445 square meters ("**sqm**") for the year under review, representing an increase of approximately 52% and 131% as compared with those of last year respectively. The details are set out below:

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

	Total contracted sales *HK$'000*	**GFA sold** *sqm*
Projects		
Zhuguang Yujing Scenic Garden ("**Yujing Scenic Garden**")	**1,310,808**	141,422
Pearl Yijing	**708,471**	57,796
Pearl Tianhu Yujing Garden ("**Tianhu Yujing**")	**363,768**	47,129
Central Park	**15,634**	315
	2,398,681	246,662
Car Park	**106,615**	2,783
	2,505,296	249,445

It is expected that the following projects will be available for sale/pre-sale and/or leasing in 2017:

		Available for sale/Pre-sale/leasing period	**GFA available for sale** *(sqm)*	**Usage**
Yujing Scenic Garden	— Phase I, II, III	1st quarter	75,144	Sale
	— Phase IV	2nd quarter	127,075	Sale
Tianhu Yujing		1st quarter	63,726	Sale
Zhukong International		1st quarter	8,985	Leasing
Central Park		1st quarter	1,828	Sale
Pearl Yijing		1st quarter	53,964	Sale
Pearl Yunling Lake	— Phase I	1st quarter	38,976	Sale
	— Phase II	3rd quarter	28,777	Sale
Pearl Xincheng Yujing	— Phase I	1st quarter	47,686	Sale
("**Xincheng Yujing**")	— Phase II	3rd quarter	52,389	Sale
			498,550	

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

As at 31 December 2016, the Group owned the following property development projects and the details are as follows:

Nansha Scenic — 100% interest

"Nansha Scenic" is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC, which is the central business district in Nansha. The project was completed and only certain car parks are available for sale. During the year under review, car parks with area of approximately 282 sqm were delivered. The remaining 458 sqm will be delivered in 2017.

Zhukong International — 80% interest

"Zhukong International" is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, which is at the junction of Guangzhou Avenue and Huang Pu Da Dao. It is developed into a 35-storey high-rise commercial complex including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The aggregate GFA for sale was approximately 109,738 sqm. The complex was completed in previous year. During the year under review, the total areas of the office building and car park delivered were approximately 41,412 sqm and 2,537 sqm respectively. The total GFA of approximately 43,918 sqm was designated as investment properties and held for long-term purpose and GFA of approximately 21,871 sqm will be available for sale.

Central Park — 100% interest

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and the total GFA for sale of approximately 28,370 sqm is developed into a 30-storey building including service apartments, a street-level commercial podium and a 4-storey underground car park. The aggregate GFA for sale of the service apartment of approximately 22,420 sqm was delivered, of which 763 sqm was delivered during the year under review. The street-level commercial podium of 1,318 sqm was leased out during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Yujing Scenic Garden — 70% interest

"Yujing Scenic Garden" is located at Provincial Highway G105 line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. The project is a 20-minute drive from the downtown Conghua and a 10-minute drive from Wenquan Town, Conghua. The project site area is approximately 294,684 sqm and will be developed into a commercial and residential complex, comprising residential and a street-level commercial podium , service apartments and car parks. The total GFA for sale is approximately 754,947 sqm and divided into four phases for development. Properties of GFA for sale of approximately 309,209 sqm in total under Phase I and Phase II have already been delivered. The total GFA of 3,283 sqm of the street-level commercial podium was leased out in pervious year and the remaining part of Phase II will be delivered in 2017. Phase III and IV with total GFA for sale of approximately 373,065 sqm is expected to be completed in 2017 and 2018 respectively.

Tianhu Yujing — 100% interest

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm. The land is located adjacent to Yujing Scenic Garden, and the Group developed the land together with Yujing Scenic Garden to expand the Group's development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA for sale of approximately 227,973 sqm. The development is divided into two phases. The total GFA for sale of Phase I is approximately 96,799 sqm, of which 73,157 sqm was delivered during the year under review. Phase II will be delivered in 2017.

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 downtown Guangzhou. The project site area is approximately 200,083 sqm, of which approximately 139,182 sqm will be developed and the remaining area will be reserved for public facilities. The project will be developed into an integrated tourism project and the total GFA is expected to be approximately 127,509 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 43,179 sqm and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 84,330 sqm. Phase I and Phase II will be launched for sale in the first and third quarter of 2017 respectively whilst the hotel will be retained as a long-term investment asset of the Group.

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Pearl Yijing — 100% interest

"Pearl Yijing" is located at No.168 Xinkai Street, Xianghe County, Hebei Province, the PRC. The total GFA for sale was approximately 183,033 sqm and developed into two phases with several residential buildings and street-level commercial areas. The pre-sale of Phase I commenced in the first quarter of 2016 and delivery is expected to be in 2017. Phase II was under development and expected to be completed in 2018.

Xincheng Yujing—100% interest

"Xincheng Yujing" was acquired by the Group in September 2016. It is located at Zhong Su Shang Wei* (種王上圍), Sunshine Village* (陽光村), Tang Nan Town* (湯南鎮), Fengshun County* (豐順縣), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for the hot spring resources which is a major tourism attraction. The project site area is approximately 280,836 sqm and the total GFA of approximately 344,162 sqm is expected to be developed. It will be developed into various types of villas, high-rise apartment buildings and ancillary commercial development. The development of the project will be divided into four phases. Phase I comprising GFA for sale of approximately 54,431 sqm is expected to be launched for pre-sale in the first half of 2017.

Land Bank

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for at least three years. The Group has actively expanded its land reserve through various channels, including participation in government public auctions, urban redevelopment projects and acquisitions of other property development projects. During the year under review, the Group has successfully acquired a land located in Fengshun County through the government public auction. Up to the date of this announcement, the Group has entered into certain non-legally binding memorandum of understanding to acquire land located in Guangzhou, Shenzhen and second tier cities. The Group continues to explore new opportunities in cities the Group already invested in and explore new cities in the PRC with growth potential and best investment value.

** English name is translated for identification purpose only*

BUSINESS REVIEW *(continued)*

Property Investments

The Group owns certain floors of Royal Mediterranean Hotel ("**RM Hotel**") located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC with GFA of approximately 18,184 sqm, and Zhukong International with GFA of approximately 43,917 sqm as investment properties. Together with certain commercial properties, Zhukong International and the RM Hotel will be held for medium to long term investment properties. The Group will continue to seek high quality properties for investment purposes in the future and building up a portfolio of investments properties that generate a steady cash flows. The Group will continue to enhance its investment portfolio at an appropriate price to a portfolio of office buildings, hotels and street-level commercial podium of high quality and capital value.

Project management services

During the year under review, the Group provided several funding and project management services to customers. The Group is entitled to property management services income based on the entrusted construction and management service agreements entered into with these customers. During the year under review, the Group recognised project management services income of approximately HK$383,203,000, which successfully broadened the Group's revenue source. The Group will continue to utilise its expertise in project management in order to maintain a steady revenue stream in the future.

Events after the statement of financial position date

On 3 January 2017, Victory Global Investments Limited ("**Victory Global**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with two independent third parties, pursuant to which Victory Global has agreed to acquire 100% equity interests in Guangzhou Zhenchao Property Development Company Limited* (廣州振超房地產開發有限公司) ("**GZ Zhenchao**") located in Guangzhou, the PRC, at a total consideration of RMB91,879,000 (equivalent to approximately HK$102,714,000). GZ Zhenchao is principally engaged in property development in the PRC.

As at 31 December 2016, Victory Global prepaid RMB15,000,000 (equivalent to approximately HK$16,769,000) to acquire GZ Zhenchao.

On 18 January 2017, the industrial and commercial registration in relation to the equity transfer of GZ Zhenchao was completed and GZ Zhenchao has become a wholly-owned subsidiary of Victory Global since then.

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OUTLOOK

Looking ahead in 2017, the recovery of the global economy is expected to be slow and accompanied with growing instability and uncertainties. The economy is still facing relatively considerable challenge, and the market demand is uncertain. The risk of a downturn of economy remains high. It is anticipated that against such economy downturn challenge, the Chinese government will further enhance the "supply side reform", which is expected to continue to deliver effective results and the macro economy of China would maintain steady speed of growth. The real estate industry will continue to undergo a long-term structural change as new and more specific policies and regulations will continue to be implemented. The real estate industry's policy environment will be tightened as the policies will restore the real estate's positioning of living function, aiming for steady and healthy development of the real estate market. The real estate industry will continue to play a role in stabilizing the economy and promoting growth.

The Group will continue to maintain its market share in cities where the Group has established its market presence and actively participate in urban redevelopment, in order to greatly boost the market share over the regions. The Group will actively participate in construction of featured small towns so as to facilitate the transformation and derive the profits from such transformation.

Apart from engaging in property development, the Group will also proactively participate in primary land development project for the purpose of acquiring land parcels for future development. Going forward to 2017, the Group will accelerate the development pace of its primary land development project in core cities in China, flexibly respond to market changes to procure sales proactively, monitor market risks continuously and strengthen cash flow management.

FINANCIAL REVIEW

Revenue

The Group's revenue included revenue from property sales, rental income, project management services and decoration income. The total revenue of the Group for 2016 was approximately HK$1,908,153,000 (2015: HK$3,293,318,000), which represents a 42% decrease as compared with that of 2015. Revenue from sale of properties for 2016 amounted to approximately HK$1,401,812,000 (2015: HK$3,192,330,000), representing a 56% decrease as compared with that of 2015 because the selling price of the properties delivered in 2016 is lower than that of the properties delivered in 2015. The rental income and project management services recorded an increase of 64% and 100% respectively, as compared with those of 2015. The rental income increased from approximately HK$62,037,000 in 2015 to approximately HK$101,720,000 in 2016, mainly due to the increase of GFA leased out in 2016. The total GFA leased out was approximately 58,139 sqm in 2016 (2015: 39,455 sqm), which represented a 47% increase as compared with that of 2015. The income from project management services contributed approximately HK$383,203,000 (2015: Nil) to the revenue during the year under review, being a new income stream developed by the Group since 2014.

FINANCIAL REVIEW *(continued)*

Gross profit and margin

For the year ended 31 December 2016, the Group recorded a gross profit of approximately HK$669,658,000 (2015: HK$651,549,000). The Group's gross profit on property development amounted to approximately HK$182,878,000 (2015: HK$584,687,000), representing a 69% decrease as compared with that of 2015. The decrease was mainly due to the properties delivered in 2016 were middle-end properties, but those delivered in 2015 were high-end properties with higher profit margin.

Investment and other income

The Group's investment and other income increased to approximately HK$155,539,000 (2015: HK$120,815,000) during the year under review, mainly due to the increase in interest income from financial products and other receivables.

Fair value gains on investment properties, net

For the year ended 31 December 2016, the Group recorded the fair value gains on investment properties amounted to approximately HK$309,337,000 (2015: HK$61,198,000), which represents a four times increase as compared with that of 2015. The fair value gains on investment properties was mainly attributable to the capital appreciation of the Zhukong International.

Other gains/(losses), net

Other gains/(losses), net changed from losses of approximately HK$307,997,000 in 2015 to gains of approximately of HK$125,989,000 in 2016, mainly due to (i) reversal of provision for claims and administrative penalties incurred during the year under review; and (ii) reduction in exchange losses in 2016 because there is no material depreciation in RMB during the year under review.

Administrative expenses and selling and marketing costs

Administrative expenses and selling and marketing costs of the Group increased from approximately HK$192,918,000 in 2015 to approximately HK$214,963,000 in 2016. It was primarily due to (i) the increase in marketing campaign in 2016 to boost up the sales; and (ii) the general inflation of administrative expenses in 2016.

FINANCIAL REVIEW *(continued)*

Finance costs, net

Finance costs, net for the year under review was approximately HK$798,796,000 (2015: HK$1,004,642,000), which was made up of interest expenses incurred during the year under review after deduction of the amount capitalised to development costs. The decrease in finance costs was mainly due to a reduction in high costs debt as a result of a disposal of a subsidiary group in 2015.

Income tax expenses

Income tax expenses comprised corporate income tax ("**CIT**") and land appreciation tax ("**LAT**") in the PRC. CIT of approximately HK$273,092,000 (2015: HK$474,674,000) and LAT of approximately HK$153,104,000 (2015: HK$299,417,000) brought about the Group's total income tax of approximately HK$426,196,000 (2015: HK$774,091,000) in 2016. The decrease was mainly due to the lower gross profit margin of the properties delivered in 2016 and fewer projects which were of a high gross margin and subject to high LAT tax rate band during the year under review.

Cash position

As at 31 December 2016, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$4,999,639,000 (31 December 2015: HK$5,848,861,000).

Borrowings, charges on group assets and gearing ratio

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

	31 December 2016	31 December 2015
	HK$'000	*HK$'000*
Bank loans — secured	**317,231**	1,443,118
Senior Notes — secured	**3,013,591**	2,914,608
Other borrowings — secured	**4,453,564**	3,652,517
Other borrowings — unsecured	**—**	158,118
	7,784,386	8,168,361

FINANCIAL REVIEW *(continued)*

Borrowings, charges on group assets and gearing ratio (continued)

(a) As at 31 December 2016, the bank and other borrowings were secured by (i) investment properties; (ii) land use rights; (iii) the construction in progress; (iv) properties under development; (v) completed properties held for sale; (vi) charge over the entire issued share capital of certain subsidiaries of the Group; (vii) corporate guarantee executed by the Company, certain subsidiaries, related parties and controlling shareholder of the Company; (viii) guarantees executed by the Directors, Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Zhu Qing Yi) and Mr. Chu Muk Chi (alias Zhu La Yi) and an independent third party; (ix) 3,021,112,000 ordinary shares of the Company beneficially owned by the controlling shareholder of the Company; and (x) charge over the assets provided by Beijing Zhuguang Property Development Company Limited* (北京珠光房地產開發有限公司), Beijing Zhuguang Yujing Property Development Company Limited* (北京珠光御景房地產開發有限公司), Guangdong Fengshun Luhu Hotspring Resort Company Limited* (廣東豐順鹿湖溫泉度假村有限公司) and Xianghe Zhuguang Property Development Company Limited* (香河珠光房地產開發有限公司).

(b) The gearing ratio is measured by the net debt (total interest-bearing borrowings net of cash and cash equivalents, terms deposits with initial terms of over three months and restricted cash) over the total capital. As at 31 December 2016, the gearing ratio was 37% (2015: 36%).

FINANCIAL GUARANTEE CONTRACTS

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

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,760,359**	1,124,355

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

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FINANCIAL GUARANTEE CONTRACTS *(continued)*

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The Directors are of the view that the fair value of financial guarantees is not significant.

(b) Financial guarantee contract for a previous owner of the Group's subsidiary:

	31 December 2016	31 December 2015
	HK$'000	*HK$'000*
Financial guarantee contract for a previous owner of the Group's subsidiary	—	134,283

FOREIGN EXCHANGE RATE

During the year under review, the Group conducted its business almost exclusively in RMB except that certain borrowings were 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. During the year under review, the Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 176 employees in Hong Kong and the PRC as at 31 December 2016 (31 December 2015: 148). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefit. The Directors' remuneration is determined based on the qualifications, experience, duties, responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group has not experienced any significant problem with its employees or disruption to its operations due to labour discipline nor has it experienced any difficulty in the recruitment and retention of experienced staffs. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,908,153**	3,293,318
Cost of sales	*4*	**(1,238,495)**	(2,641,769)
Gross profit		**669,658**	651,549
Fair value gains on investment properties, net		**309,337**	61,198
Investment and other income	*5*	**155,539**	120,815
Selling and marketing costs	*4*	**(59,639)**	(39,937)
Administrative expenses	*4*	**(155,324)**	(152,981)
Other gains/(losses), net	*6*	**125,989**	(307,997)
Operating profit		**1,045,560**	332,647
Gain on disposal of subsidiaries	*7*	—	1,954,560
Finance costs, net	*8*	**(798,796)**	(1,004,642)
Profit before income tax		**246,764**	1,282,565
Income tax expenses	*9*	**(426,196)**	(774,091)
(Loss)/profit for the year		**(179,432)**	508,474
(Loss)/profit attributable to:			
Owners of the Company		**(175,645)**	591,409
Non-controlling interests		**(3,787)**	(82,935)
		(179,432)	508,474
(Loss)/earnings per share for profit attributable to owners of the Company for the year (expressed in HK cents per share)	*10*		*(Restated)*
— Basic and diluted		**(3.68)**	11.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(179,432)**	508,474
Other comprehensive loss		
Items that have been/may be subsequently reclassified to profit or loss:		
Currency translation differences	**(438,360)**	(180,090)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**—**	(7,543)
Total comprehensive (loss)/income for the year	**(617,792)**	320,841
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(596,100)**	423,717
Non-controlling interests	**(21,692)**	(102,876)
	(617,792)	320,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property and equipment		**51,126**	33,707
Investment properties		**2,165,788**	1,237,878
Intangible assets		**60,842**	67,268
Properties under development		—	523,358
Deferred income tax assets		**31,302**	33,422
Goodwill		**15,868**	17,401
Financial assets at fair value through profit or loss		**35,651**	23,896
		2,360,577	1,936,930
Current assets			
Properties under development		**2,805,689**	2,818,794
Completed properties held for sale		**2,335,188**	2,055,350
Trade and other receivables	*12*	**1,743,034**	2,034,643
Prepayments	*13*	**4,404,180**	1,719,013
Prepaid income tax		**98,640**	60,087
Financial assets at fair value through profit or loss		—	954,904
Restricted cash		**453,873**	187,747
Term deposits with initial terms of over three months		**3,460,105**	—
Cash and cash equivalents		**1,085,661**	5,661,114
		16,386,370	15,491,652
Total assets		**18,746,947**	17,428,582
EQUITY			
Equity attributable to owners of the Company			
Share capital		**642,441**	481,831
Other reserves		**4,303,421**	3,626,813
Accumulated losses		**(473,574)**	(297,929)
		4,472,288	3,810,715
Non-controlling interests		**333,803**	355,495
Total equity		**4,806,091**	4,166,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

		31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**7,083,675**	4,702,108
Deferred income tax liabilities		**600,408**	373,543
Finance lease payable		**658**	1,369
		7,684,741	5,077,020
Current liabilities			
Borrowings		**700,711**	3,466,253
Trade and other payables	*14*	**1,749,072**	1,883,265
Amount due to the ultimate holding company		**880**	880
Advances from customers		**2,161,198**	1,189,098
Current income tax liabilities		**1,522,132**	1,505,145
Finance lease payable		**711**	833
Derivative financial instruments		**121,411**	139,878
		6,256,115	8,185,352
Total liabilities		**13,940,856**	13,262,372
Total equity and liabilities		**18,746,947**	17,428,582

Notes:

1 GENERAL INFORMATION

Zhuguang Holdings Group Company Limited (the "**Company**") was incorporated in Bermuda on 22 August 1996 as an exempted company with limited liability and was registered under Part XI of the Predecessor Companies Ordinance of Hong Kong. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's principal activity is investment holding. The Company and its subsidiaries (together, the "**Group**") are principally engaged in property development, property investment, project management, and other property development related services in the People's Republic of China (the "**PRC**").

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 December 1996.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

Certain comparative figures have been regrouped to conform with current presentation.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

HKFRS 14	Regulatory deferral accounts
Amendment to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendment to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendment to HKAS 27	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012-2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 BASIS OF PREPARATION *(continued)*

(b) New standards and interpretations not yet adopted

The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15 *(note (i))*	Revenue from contracts with customers	1 January 2018
HKFRS 9 *(note (ii))*	Financial instruments	1 January 2018
HKFRS 16 *(note (iii))*	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

(i) HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

2 BASIS OF PREPARATION *(continued)*

(b) New standards and interpretations not yet adopted *(continued)*

(i) HKFRS 15, "Revenue from contracts with customers" (continued)

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(ii) HKFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale ("**AFS**") financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income ("**FVOCI**") and hence there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 BASIS OF PREPARATION *(continued)*

(b) New standards and interpretations not yet adopted *(continued)*

(ii) HKFRS 9, "Financial instruments" *(continued)*

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(iii) HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$24,258,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. SEGMENT INFORMATION

The executive directors, as the chief operating decision-maker ("**CODM**") of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into three business segments: property development, property investment and project management services.

Revenue consists of sales of properties, rental income of investment properties, income of project management services and other property development related services. Revenue of the year consists of the following:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Sales of properties	**1,401,812**	3,192,330
Rental income	**101,720**	62,037
Decoration income	**21,418**	38,951
Project management services	**383,203**	—
	1,908,153	3,293,318

3. **SEGMENT INFORMATION** *(continued)*

Segment results represents the profit earned by each segment without net change in fair value of derivative financial liabilities, finance costs and income tax expenses. The segment results and other segment items included in the loss for the year ended 31 December 2016 are as follows:

	Property development	**Property investment**	**Project management services**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross segment revenue	**1,423,230**	**101,720**	**383,203**	**1,908,153**
Segment results	**248,523**	**409,400**	**380,445**	**1,038,368**
Fair value gains on derivative financial instruments				**7,192**
Finance costs, net *(note 8)*				**(798,796)**
Profit before income tax				**246,764**
Income tax expenses				**(426,196)**
Loss for the year				**(179,432)**
Capital expenditure	**24,694**	—	—	**24,694**
Depreciation	**4,167**	—	—	**4,167**
Amortisation of intangible assets recognised as expenses	**4,696**	—	—	**4,696**
Fair value gains on investment properties, net	—	**309,337**	—	**309,337**

The segment results and other segment items included in the profit for the year ended 31 December 2015 are as follows:

	Property development	**Property investment**	**Project management services**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross segment revenue	3,231,281	62,037	—	3,293,318
Segment results	175,900	119,643	—	295,543
Fair value gains on derivative financial instruments				37,104
Finance costs, net *(note 8)*				(1,004,642)
Gain on disposal of subsidiaries				1,954,560
Profit before income tax				1,282,565
Income tax expenses				(774,091)
Profit for the year				508,474
Capital expenditure	21,420	—	—	21,420
Depreciation	2,804	—	—	2,804
Amortisation of intangible assets recognised as expenses	4,426	—	—	4,426
Fair value gains on investment properties, net	—	61,198	—	61,198

3. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2016 are as follows:

	Property development	Property investment	Project management services	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**14,849,841**	**2,347,847**	**1,482,306**	**18,679,994**
Other assets				**66,953**
Total assets				**18,746,947**
Segment liabilities	**3,847,163**	**63,987**	**—**	**3,911,150**
Other liabilities				**10,029,706**
Total liabilities				**13,940,856**

Segment assets and liabilities as at 31 December 2015 are as follows:

	Property development	Property investment	Project management services	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	15,103,983	1,312,377	—	16,416,360
Other assets				1,012,222
Total assets				17,428,582
Segment liabilities	3,014,258	58,985	—	3,073,243
Other liabilities				10,189,129
Total liabilities				13,262,372

Segment assets are reconciled to total assets as follows:

	31 December	
	2016	2015
	HK$'000	*HK$'000*
Segment assets	**18,679,994**	16,416,360
Other assets		
— Financial assets at fair value through profit or loss	**35,651**	978,800
— Deferred income tax assets	**31,302**	33,422
Total assets	**18,746,947**	17,428,582

3. SEGMENT INFORMATION *(continued)*

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2016	2015
	HK$'000	*HK$'000*
Segment liabilities	**3,911,150**	3,073,243
Other liabilities		
— Borrowings	**7,784,386**	8,168,361
— Deferred tax liabilities	**600,408**	373,543
— Current tax liabilities	**1,522,132**	1,505,145
— Finance lease payable	**1,369**	2,202
— Derivative financial liabilities	**121,411**	139,878
Total liabilities	**13,940,856**	13,262,372

Non-current assets, other than financial instruments and deferred income tax assets by geographical location:

	31 December	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**16,035**	3,996
Mainland China	**2,277,589**	1,875,616
Total	**2,293,624**	1,879,612

There are no sales between segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of profit or loss.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, prepayments for acquisition of equity interests in property development projects, receivables, term deposits and cash and cash equivalents.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation, borrowings, finance lease payable and derivative financial liabilities.

Capital expenditure comprises additions to property and equipment and intangible assets.

Revenues of approximately HK$363,382,000 were derived from a single related party customer during 2016 which are attributable to the project management services segment, while HK$1,091,255,000 were derived from a single external customer during 2015 which are attributable to the property development segment.

4 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Cost of properties sold (excluding staff costs)	**1,235,350**	2,634,058
Staff costs (including directors' emoluments)	**64,455**	53,539
Selling and marketing expenses	**42,459**	35,620
Entertainment expenses	**22,154**	23,414
Other taxation	**19,855**	13,978
Property management fees	**8,511**	2,832
Legal and other consulting fees	**6,790**	11,957
Property rental fees	**7,517**	13,702
Amortisation	**4,696**	4,426
Depreciation	**4,167**	2,804
Auditor's remuneration		
— Audit services	**3,600**	2,400
— Non-audit services	**1,424**	560
Office expenses	**3,121**	2,644
Others	**29,359**	32,753
	1,453,458	2,834,687

5. INVESTMENT AND OTHER INCOME

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Interest income from bank deposits	**78,314**	89,857
Interest income from other receivables	**61,673**	30,774
Interest income from financial products	**15,552**	184
	155,539	120,815

6. OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Reversal of provisions for/(provisions for) claims and administrative penalties	**133,357**	(202,161)
Fair value gains on derivative financial instruments	**7,192**	37,104
Exchange losses	**(6,748)**	(92,810)
Written back of impairment provision	**—**	12,578
Write-down of properties under development	**—**	(28,349)
Sundry income	**3,173**	6,338
Others	**(10,985)**	(40,697)
	125,989	(307,997)

7. GAIN ON DISPOSAL OF SUBSIDIARIES

In 2015, the Group disposed of Joygain Holdings Limited and its subsidiaries (together as "**Joygain Group**"), which were principally engaged in property development in the PRC. The net gain on disposal of Joygain Group amounted to HK$1,945,560,000.

8. FINANCE COSTS, NET

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Interest expenses:		
— Bank and other borrowings	**525,780**	677,539
— Senior notes	**554,864**	468,140
— Finance lease	**65**	97
Less: interest capitalised	**(281,913)**	(141,134)
	798,796	1,004,642

9. INCOME TAX EXPENSES

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current income tax:		
— PRC corporate income tax	**168,464**	448,931
— PRC land appreciation tax	**5,875**	272,333
Deferred income tax:		
— PRC corporate income tax	**104,628**	25,743
— PRC land appreciation tax	**147,229**	27,084
	426,196	774,091

9. INCOME TAX EXPENSES *(continued)*

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25% (2015: 25%).

According to the Corporate income tax Law, starting from 1 January 2008, a withholding tax of 10% will be levied on immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Hong Kong profits tax

The applicable Hong Kong profit tax rate is 16.5% for the year ended 31 December 2016 (2015: 16.5%).

Overseas income tax

The Company was incorporated in the Bermuda as an exempted company with limited liability and is exempted from Bermuda income tax. The Company's direct subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

10. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company.

	Year ended 31 December		
	2016	2015 *(as restated)*	2015 *(as previously reported)*
(Loss)/profit attributable to owners of the Company *(HK$'000)*	**(175,645)**	591,409	591,409
Weighted average number of ordinary shares in issue *(thousand shares)*	**4,773,226**	5,061,146	4,818,313
Basic (loss)/earnings per share *(HK cents per share)*	**(3.68)**	11.69	12.27

The comparative figures for the basic earnings per share for the year ended 31 December 2015 are restated to take into account the effect of the Company's rights issue during the year retrospectively.

(b) Diluted

Diluted earnings per share for the year ended 31 December 2016 and 2015 has not been presented as the Company's outstanding warrants had no dilutive effect for the year ended 31 December 2016 and 2015 as the exercise prices of those warrants were higher than the average market price for shares.

11. DIVIDENDS

No dividend in respect of the year ended 31 December 2016 and 2015 was proposed by the Board.

12. TRADE AND OTHER RECEIVABLES

	31 December	
	2016 *HK$'000*	2015 *HK$'000*
Trade receivables *(note(a))*	**199,118**	1,062,898
— Related parties	**167,690**	—
— Third parties	**31,428**	1,062,898
Less: provision for impairment of trade receivables *(note(a))*	**—**	—
Trade receivables, net	**199,118**	1,062,898
Other receivables from:		
— Related parties *(note(c))*	**1,118,251**	—
— Third parties *(note(d))*	**425,665**	971,745
	1,743,034	2,034,643

12. TRADE AND OTHER RECEIVABLES *(continued)*

(a) The majority of the Group's revenue are derived from sales of properties, project management services and rental income. The remaining amounts are with credit terms of related sales and purchase agreements and rental contracts.

	31 December	
	2016	2015
	HK$'000	*HK$'000*
Not due	**189,524**	1,015,700
Over due	**9,594**	47,198
	199,118	1,062,898

As at 31 December 2016 and 2015, the ageing analysis of overdue trade receivables based on the payment due date were as follows:

	31 December	
	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**9,005**	47,198
91 days to 180 days	**442**	—
181 days to 365 days	**147**	—
	9,594	47,198

As at 31 December 2016, trade receivables of HK$9,594,000 (2015: HK$47,198,000) were past due but not impaired. The Group consider that these past due trade receivables would be recovered and no provision was made.

(b) As at 31 December 2016 and 2015, the fair value of trade and other receivables approximated their carrying amounts.

(c) HK$1,117,930,000 of other receivables from related parties consist of funding for project development. Pursuant to a project management service agreement in April 2015, the Group agreed to provide funding of RMB1 billion and management service to a property development project (the "**Project**") in the PRC. In return, the Group will be entitled to (i) a fixed percentage of the total funding incurs for the Project and (ii) a bonus which will be determined with reference to the estimated profit of the Project.

(d) Other receivables from third parties mainly consist of advances to third parties.

(e) Except for those disclosed in note (a), no material trade and other receivables were impaired or past due as at 31 December 2016 and 2015.

(f) The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

12. TRADE AND OTHER RECEIVABLES *(continued)*

(g) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31 December	
	2016	2015
	HK$'000	*HK$'000*
HK$	**3,945**	3,381
RMB	**1,739,089**	2,031,262
	1,743,034	2,034,643

13. PREPAYMENTS

	31 December	
	2016	2015
	HK$'000	*HK$'000*
Prepayments and advances to related parties		
— for acquisition of equity interests in property development projects *(note (a))*	**2,824,099**	348,351
— for decoration services	**157,192**	147,663
Prepayments and advances to third parties		
— for acquisition of equity interests in property development projects *(note (a))*	**1,173,932**	1,073,742
— prepaid construction costs	**43,784**	100,223
— others	**959**	2,915
Prepayments for acquisition of land use rights *(note (b))*	**147,280**	-
Prepaid business taxes and other levies	**56,934**	46,119
	4,404,180	1,719,013

(a) In 2016, the Group had prepaid a total amount of HK$3,998,031,000 (2015: HK$1,422,093,000) to invest in private project companies in the PRC. The prepayments are to acquire equity interests in certain PRC entities, which owns land use rights or property development projects in the PRC.

(b) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts with local Land and Resources Bureau.

14. TRADE AND OTHER PAYABLES

	31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade payables	**1,074,617**	1,266,311
Amounts due to related parties	**49,463**	51,850
Provisions for claims and administrative penalties	**79,403**	221,152
Other payables and accruals	**313,679**	135,753
Other taxes payables	**231,910**	208,199
	1,749,072	1,883,265

As at 31 December 2016 and 2015, the ageing analysis of trade payables based on the payment due date were as follows:

	31 December	
	2016	2015
	HK$'000	*HK$'000*
Within one year	**798,324**	1,165,730
Over one year	**276,293**	100,581
	1,074,617	1,266,311

Other payables and accruals from third parties mainly comprise deposits of customers, professional service and operating expenses.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors (the "**Code**") as contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Special enquiry has been made of all Directors, and all Directors have confirmed that they have complied with the required standards set out in the Code for the year ended 31 December 2016 save for the incident disclosed below.

Rule A.3(a)(ii) of the Code provides that a director must not deal in any securities of the issuer on any day on which is financial results are published and during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results. Rule B.8 of the Code provides that a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. In his own case, the chairman must first notify the board at a board meeting, or alternatively notify a director (otherwise than himself) designated by the board for the purpose and receive a dated written acknowledgement before any dealing. Paragraph 7(a) of the Code states that "dealing" includes any creation of pledge, charge or any other security interest in any securities of the issuer.

On 3 August 2016, Rong De Investment Limited ("**Rong De**") (a company beneficially owned as to 36% by Mr. Liao Tengjia ("**Mr. Liao**"), 34.06% by Mr. Chu Hing Tsung ("**Mr. Chu HT**") and 29.94% by Mr. Chu Muk Chi ("**Mr. Chu MC**'), each being an executive Director, with Mr. Chu HT also being the Chairman and Mr. Liao being the then chief executive officer of the Company) executed a share charge (the "**Share Charge**") of 2,542,000,000 shares of the Company in favour of an independent security agent, as collateral security for the senior secured guaranteed notes (the "**Senior Notes**") issued by the Company in the aggregate principal amount of HK$500 million under a note purchase agreement signed between the Company, Rong De and the beneficial owners of Rong De, further details of which are set out in the Company's announcement dated 3 August 2016. The security and guarantee created in favour of the independent security agent under the Senior Notes was a continuation and, in effect, a "re-charge" of the shares of the Company which had been charged or under the custody of the independent security agent for the purpose of securing the Company's obligations under the Senior Notes issued by the Company in 2013 and

2014. As the Share Charge was created on 3 August 2016, which was within 30 days immediately before the Company published its interim results for the six months ended 30 June 2016 on 30 August 2016, and neither Mr. Liao, Mr. Chu HT nor Mr. Chu MC provided the notification as required in accordance with Rule B.8 of the Code before creating the Share Charge under the mistaken belief of Mr. Liao, Mr. Chu HT, Mr. Chu MC and the Company that the re-charge of the shares of the Company under the Share Charge did not fall within the scope of "dealing" under paragraph 7(a) of the Code, Mr. Liao, Mr. Chu HT and Mr. Chu MC were in breach of Rules A.3(a)(ii) and B.8 of the Code during the year under review.

To prevent such incidents of non-compliance with the Code in the future, the Company has designated a personnel to double check before entering into a transaction involving a dealing of the Company's shares held by the Directors, whether any compliance requirements under the Code are required. In addition, where they considered necessary, the Directors would consult external legal advisers to advise with relevant compliance requirements under the Code in any dealings of the Company's shares held directly or indirectly by the Directors.

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 to the Listing Rules during the year ended 31 December 2016, other than Code Provisions A.1.8 and E.1.2 of the CG Code.

Under Code Provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Such insurance cover has not yet been arranged for the Directors during the year ended 31 December 2016 as the Company has been negotiating and reviewing proposed insurance plans, with an aim to securing an insurance plan appropriate for the Directors at reasonable costs. The Company understands the importance of arranging insurance cover for its Directors and will make the required arrangements as soon as practicable.

Code Provision E.1.2 of the CG Code requires that the Chairman should attend the annual general meeting of the Company (the "**AGM**"). Mr. Chu HT, the Chairman, did not attend the AGM held on 29 June 2016 (the "**2016 AGM**") due to his prior engagement.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has reviewed the accounting principles and practice adopted by the Group and the Company's audited results for the year ended 31 December 2016 and discussed with the management regarding auditing, internal control and financial reporting matters.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

APPRECIATION

The Board would like to take this opportunity to thank the shareholders of the Company and the management and the staff members of the Group for their dedication and support.

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

Hong Kong, 28 March 2017

As at the date of this announcement, the Board comprises Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Chairman), Mr. Liu Jie (Chief Executive Officer), Mr. Liao Tengjia (Deputy Chairman), Mr. Huang Jiajue (Deputy Chairman), Mr. Chu Muk Chi (alias Mr. Zhu La Yi) and Ms. Ye Lixia as executive Directors, and Mr. Leung Wo Ping JP, Mr. Wong Chi Keung and Dr. Feng Ke as independent non-executive Directors.

This announcement is published on the website of the Company (www.zhuguang.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk).