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 2017 AND RESUMPTION OF TRADING

The board (the "**Board**") of directors (the "**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 financial year ended 31 December 2017 ("**FY2017**") together with the comparative figures for the previous financial year ("**FY2016**") as follows:

### FINANCIAL HIGHLIGHTS

### RESULTS

| | **Year ended 31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Revenue — Sales of properties | **2,262,085** | 1,401,812 |
| — Rental income | **139,992** | 101,720 |
| — Decoration income | **—** | 21,418 |
| — Project management services | **364,433** | 383,203 |
| Profit/(loss) for the year attributable to owners of the Company | **174,401** | (175,645) |

| | **At 31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Total assets | **24,152,944** | 18,746,947 |
| Total liabilities | **18,970,371** | 13,940,856 |
| Total equity | **5,182,573** | 4,806,091 |

* *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

During FY2017, the economy in the PRC has generally maintained a stable growth while showing positive signs of development. Economic vitality, momentum and potential have constantly been released with remarkable growth in stability, coordination and sustainability. The GDP of the PRC has increased by 6.9% year-on-year, reaching medium-to-high growth for FY2017.

The real estate industry in the PRC has also gradually entered into a new stage of steady development. In order to continuously regulate and actively guide the development of the real estate industry, the PRC government has heightened its control policies by increasing the supply of real estate, optimising the supply structure and adopting the policy to cut excess urban real estate inventory (因城施策去庫存) to strengthen the regulation of the real estate market, so as to prevent significant volatilities from arising in the real estate market due to excessive speculation. Meanwhile, the PRC government has implemented closely-linked short-term controls and a long-term mechanism in the real estate market. A stable long-term mechanism has been established to drive the development of the real estate industry in order to promote the sustainable, stable and healthy development of the real estate market.

According to the data from the National Bureau of Statistics, the sales areas and amount of commercial housing in the PRC continued to rise in FY2017. During FY2017, the sales areas of commercial housing nationwide amounted to 1,694.08 million square meters ("**sqm**"), representing a year-on-year growth of 7.7%, and the sales amount of commercial housing nationwide amounted to RMB13.3701 trillion, representing a year-on-year growth of 13.7%. Meanwhile, the areas of commodity housing pending for sale continued to decrease. As of the end of FY2017, the areas of commodity housing pending for sale nationwide amounted to 589.23 million sqm, representing a year-on-year decrease of 15.3%. This shows that the real estate industry in the PRC is becoming increasingly healthy and the destocking policy has made great progress.

### Property Development and Sales

During FY2017, the Group continued its focus on the first-tier cities and key second-tier cities in the PRC with potential growth in demand, and achieved contracted sales of approximately HK$2,915,212,000 and contracted gross floor area ("**GFA**" ) sold of approximately 284,965 sqm, representing an increase of approximately 16% and 14% respectively as compared with those for FY2016. The details of the contracted sales and contracted GFA sold achieved for FY2017 are set out below:

**MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

**BUSINESS REVIEW** *(continued)*

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

| **Projects** | **Total contracted sales** *HK$'000* | **Contracted GFA sold** *(sqm)* |
|---|---|---|
| Pearl Xincheng Yujing ("**Xincheng Yujing**") | **734,744** | 111,372 |
| Zhuguang Yujing Scenic Garden ("**Yujing Scenic Garden**") | **821,031** | 79,817 |
| Pearl Yunling Lake | **410,406** | 25,550 |
| Pearl Tianhu Yujing Garden ("**Tianhu Yujing**") | **365,361** | 39,010 |
| Pearl Yijing | **341,257** | 15,917 |
| Central Park | **34,850** | 864 |
| | **2,707,649** | 272,530 |
| Car parks | **207,563** | 12,435 |
| | **2,915,212** | 284,965 |

It is expected that the following projects will be available for sale/pre-sale and/or leasing in 2018:

| | **Available for sale/ pre-sale/ leasing period** | **GFA available for sale** *(sqm)* | **Usage** |
|---|---|---|---|
| Yujing Scenic Garden | 1st quarter | 196,339 | Sale |
| | 1st quarter | 867 | Leasing |
| Xincheng Yujing | 1st quarter | 148,889 | Sale |
| Tianhu Yujing | 1st quarter | 89,926 | Sale |
| Pearl Yijing | 3rd quarter | 86,790 | Sale |
| Pearl Yunling Lake | 1st quarter | 66,544 | Sale |
| Central Park | 1st quarter | 1,502 | Sale |
| Nansha Scenic | 1st quarter | 12 | Sale |
| Zhukong International | 1st quarter | 21,871 | Leasing/Sale |
| | | 612,740 | |

**BUSINESS REVIEW** *(continued)*

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

As at 31 December 2017, the Group owned the following property development projects, the details of which are as follows:

*Yujing Scenic Garden — 70% interest*

"Yujing Scenic Garden" is located at Provincial Highway G105 ("**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. Yujing Scenic Garden is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which will be developed into a commercial and residential complex, comprising residential buildings and a street-level commercial podium, service apartments and car parks. The total GFA available for sale is approximately 754,597 sqm and the project is divided into four phases for development. The aggregate GFA available for sale of Phase I, Phase II and Phase III delivered was approximately 426,945 sqm, of which approximately 117,736 sqm was delivered during FY2017. In respect of Phase IV with a total GFA available for sale of approximately 159,536 sqm, it is currently under development and will be delivered in 2019 and 2020. The street-level commercial podium with a total GFA of approximately 3,283 sqm was leased out during FY2017.

*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 has developed this 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 available for sale of approximately 227,973 sqm. The development is divided into two phases. The total GFA available for sale of Phase I and Phase II is approximately 96,799 sqm and 131,174 sqm respectively.

The aggregate GFA of Phase I delivered was approximately 84,934 sqm, of which approximately 11,777 sqm was delivered during FY2017. The aggregate GFA of Phase II of approximately 34,080 sqm was also delivered during FY2017. The remaining GFA available for sale of Phase I and Phase II is expected to be delivered in 2018.

**BUSINESS REVIEW** *(continued)*

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

*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 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 had been launched for sale in the first and third quarters of FY2017 respectively, whilst the hotel will be retained as a long-term asset of the Group.

*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 a total GFA of approximately 344,162 sqm is expected to be developed. The project will be developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project will be divided into four phases. Phase I with GFA available for sale of approximately 59,089 sqm has commenced pre-sale during FY2017, and is expected to be delivered in 2018. Phase II, Phase III and Phase IV are currently under development and Phase II has commenced pre-sale during FY2017.

*Pearl Yijing — 100% interest*

"Pearl Yijing" is located at No.168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with total GFA available for sale of approximately 187,079 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. During FY2017, total GFA available for sale of approximately 70,735 sqm under Phase I was delivered, and the remaining part of approximately 9,256 sqm of Phase I will be completed and delivered in 2018. Phase II of the project is currently under development and is expected to be completed in 2018.

** For identification purpose only*

**BUSINESS REVIEW** *(continued)*

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

*Project Tian Ying – 100% interest*

Project Tian Ying is located in Jiang Pu Street, Conghua, Guangzhou, the PRC, and next to Highway G105, which is only a 10-minute and an one-hour drive from Conghua CBD and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the GFA available for development is approximately 73,942 sqm. The project will be developed into a stylish low-density residential complex with a commercial podium and certain public facilities. Construction of this project has already commenced during FY2017, with pre-sale targeted to take place in the second quarter of 2018.

*Zhukong International — 80% interest*

"Zhukong International" is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, at the junction of Guangzhou Avenue* (廣州大道) and Huang Pu Da Dao* (黃埔大道), which is 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 complex was completed in 2015 with total GFA (including carpark areas) available for sale and leasing of approximately 109,738 sqm. The aggregate GFA of the office building and carparks sold and delivered were approximately 41,412 sqm and 2,537 sqm respectively from 2014 to 2016, and GFA of approximately 21,871 sqm of this property was still available for sale or leasing. The Group has designated GFA of approximately 43,918 sqm of this property as investment properties and held for long-term investment purpose.

*Central Park — 100% interest*

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and the total GFA available for sale of approximately 28,908 sqm has been developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. The aggregate GFA available for sale of the service apartments delivered was approximately 22,853 sqm, of which approximately 432 sqm was delivered during FY2017. The Group has designated GFA of approximately 2,746 sqm of this property as investment properties and held for long-term investment purpose.

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## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

## BUSINESS REVIEW *(continued)*

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

*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. As at 31 December 2017, the project was completed and only certain car parks still remained available for sale. During FY2017, car parks with total areas of approximately 421 sqm were delivered and approximately 37 sqm were sold which will be delivered in 2018.

### 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 to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisitions of other property development projects. During FY2017, the Group has completed a land acquisition in Conghua with GFA of approximately 73,942 sqm available for development, and entered into two acquisitions (further details of which are set out in paragraphs (b) and (c) in the section headed "MATERIAL ACQUISITIONS AND DISPOSALS" in the "MANAGEMENT DISCUSSION AND ANALYSIS" of this announcement) which are still pending completion as at the date of this announcement, where the land involved for one of these acquisitions is located in Guangzhou and that for the other is located in Xianghe, Hebei which site areas are approximately 107,400 sqm and 89,878 sqm respectively. As at the date of this announcement, the Group has entered into certain non-legally binding memoranda of understanding to acquire lands located in Guangzhou, Shenzhen and certain second-tier cities in the PRC. The Group will continue to explore new opportunities in cities in the PRC which the Group has already invested in, as well as new cities in the PRC with growth potential and the best investment value.

## BUSINESS REVIEW *(continued)*

### Property investments

As at the date of this announcement, the Group owns certain floors of Royal Mediterranean Hotel (the "**RM Hotel**") located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC with GFA of approximately 18,184 sqm, "Zhukong International" with GFA of approximately 43,918 sqm and certain commercial properties with GFA of approximately 6,029 sqm as investment properties. During FY2017, the RM Hotel, Zhukong International and commercial properties were partly leased out with total rental income of approximately HK$139,992,000 generated for FY2017 (2016: HK$101,720,000), which represented an increase of 38% as compared with that for FY2016. The existing investment properties held by the Group are intended to be held for medium-term to long-term investment purposes. The Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows to the Group in the future.

### Project management services

During FY2017, the Group provided funding and project management services to its customers. The Group is entitled to project management services income based on the terms of the entrusted construction and management service agreements entered into with these customers and such income enables the Group to broaden its revenue source. For FY2017, the Group recognised project management services income of approximately HK$364,433,000 (2016: approximately HK$383,203,000). The Group will continue to utilise its expertise in project management in order to maintain a steady revenue stream in the future.

## MATERIAL ACQUISITIONS AND DISPOSALS

During FY2017, the Group entered into the following contracts:

(a) 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 interest in Guangzhou Zhenchao Property Development Company Limited* (廣州振超房地產開發有限公司) ("**GZ Zhenchao**"), at a total consideration of RMB55,000,000 (equivalent to approximately HK$66,472,000) (the "**GZ Zhenchao Acquisition**"). The GZ Zhenchao Acquisition was completed on 18 January 2017, upon which GZ Zhenchao became a wholly-owned subsidiary of the Company. GZ Zhenchao is principally engaged in property development in the PRC.

(b) On 29 March 2017, Xianghe County Yijing Property Development Company Limited* (香河縣逸景房地產開發有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser (the "**Xianghe Purchaser**"), Tong Dexin* (佟德新) and Tong Demin* (佟德珉), as vendors (collectively, the "**Xianghe Vendors**"), and Xianghe Jingang Real Estate Development Company Limited* (香河金港房地產開發有限公司), as target company (the "**Xianghe Target**"), entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), which was amended and supplemented by (i) the supplemental agreement dated 29 December 2017 entered into among the Xianghe Purchaser, the Xianghe Vendors and the Xianghe Target; and (ii) the further supplemental agreement dated 9 March 2018 entered into among the Xianghe Purchaser, Langfang Xianghe Haojie Trading Company Limited* (廊坊香河豪捷貿易有限公司), an indirect wholly-owned subsidiary of the Company, the Xianghe Vendors, the Xianghe Target and Guangdong Zhuguang Group Company Limited* (廣東珠光集團有限公司), in relation to the purchase and sale of the entire equity interest in Xianghe Target at the aggregate consideration of RMB1,700,000,000 (equivalent to approximately HK$2,105,960,000) (the "**Xianghe Acquisition**"). A special general meeting will be convened and held for the shareholders of the Company (the "**Shareholders**") to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. Upon completion of the Xianghe Acquisition which is subject to the satisfaction of the conditions precedent (including the approval of the Shareholders having been obtained), Xianghe Target will become an indirect wholly-owned subsidiary of the Company. Further details of the Xianghe Acquisition are set out in the announcements of the Company dated 29 March 2017, 3 April 2017, 24 April 2017, 11 May 2017, 26 June 2017, 29 August 2017, 29 December 2017, 31 January 2018 and 12 March 2018.

** For identification purpose only*

**MATERIAL ACQUISITIONS AND DISPOSALS** *(continued)*

(c) On 23 June 2017, South Trend Holdings Limited (南興控股有限公司), a wholly-owned subsidiary of the Company, as purchaser ("**South Trend**"), Quan Xing Holdings Limited (荃興控股有限公司), as vendor ("**Quan Xing**"), and Cheung Fong Wing, as guarantor (the "**All Flourish Guarantor**"), entered into a sale and purchase agreement (the "**All Flourish SPA**"), which was amended and supplemented by the supplemental agreement dated 28 March 2018 entered into among South Trend, Quan Xing and the All Flourish Guarantor, in relation to the acquisition of the entire issued share capital of All Flourish Investments Limited (通興投資有限公司) ("**All Flourish**") at the consideration of RMB3.5 billion (equivalent to approximately HK$3.95 billion) (the "**All Flourish Acquisition**"). A special general meeting will be convened and held for the Shareholders to consider and, if thought fit, approve the All Flourish SPA and the transactions contemplated thereunder. Upon completion of the All Flourish Acquisition which is subject to the satisfaction of the conditions precedent (including the approval of the Shareholders having been obtained), All Flourish will become an indirect wholly-owned subsidiary of the Company. Further details of the All Flourish Acquisition are set out in the announcements of the Company dated 23 June 2017, 27 October 2017, 14 February 2018 and 28 March 2018.

## OUTLOOK

Looking ahead in 2018, the PRC will still be facing various uncertainties with certain downward pressure in relation to its economic developments. However, with the accelerated release of the controls as a result of the supply-side reform of the PRC government which has created a strong momentum, external demand will continue to have a positive effect on economic growth. It is anticipated that the development of the macro-economy of the PRC will maintain a stable trend.

With real estate being one of the most important sectors of the Chinese economy, the strong needs of quality housing of first-time buyers and upgraders which are stimulated by the urbanisation process will still be the driver of the long-term development of the real estate market. In 2018, it is expected that the PRC government will maintain the continuity and stability of its control policies in the real estate market and build up a long-term operating mechanism in the real estate industry. It is also expected that the PRC government will tighten its control on the real estate market based on its policy that houses are built to be lived in, not for speculation, to restore the position of the property market, which will effectively promote a sustainable, steady and healthy development of the real estate market.

## OUTLOOK *(continued)*

In view of the new trends in the real estate industry, the Group will continue to maintain its market share/position in the cities in the PRC where the Group has already established its market presence and actively participate in urban redevelopment, in order to greatly boost its market share in such cities. The Group will actively participate in construction projects in featured small towns in the PRC so as to facilitate the transformation of the small towns and gain the profits from such transformation processes. The Group will also continue to adopt conservative financial policies and risk control measures. Meanwhile, the Group will accelerate its development pace by supplementing quality land reserves based on a more prudent and practical strategy, optimising the Group's geographic layout and capturing market demand to achieve high quality and all rounded development.

## FINANCIAL REVIEW

*Revenue*

For FY2017, the Group's revenue included revenue from property sales, rental income and project management services income. The total revenue of the Group for FY2017 was approximately HK$2,766,510,000 (2016: HK$1,908,153,000), which represented a 45% increase as compared with that of FY2016. Revenue from sale of properties for FY2017 amounted to approximately HK$2,262,085,000 (2016: HK$1,401,812,000), representing a 61% increase as compared with that of FY2016. The Group recorded an increase of 38% in rental income for FY2017, as compared with that for FY2016. The rental income increased from approximately HK$101,720,000 for FY2016 to approximately HK$139,992,000 for FY2017, mainly due to the additional GFA of investment properties leased out by the Group during FY2017. The total GFA leased out by the Group was approximately 61,530 sqm for FY2017 (2016: 58,139 sqm), which represented a 6% increase as compared with that of FY2016. The income from project management services contributed approximately HK$364,433,000 (2016: HK$383,203,000) to the total revenue of the Group for FY2017, being a new income stream developed by the Group since 2014.

*Gross profit and margin*

For FY2017, the Group recorded a gross profit of approximately HK$1,018,289,000 (2016: HK$669,658,000). The Group's gross profit on the property development segment amounted to approximately HK$515,100,000 (2016: HK$182,878,000), representing a 182% increase as compared with that of FY2016. The increase was mainly due to both GFA and average selling price of the properties delivered during FY2017 being higher than those of the properties delivered during FY2016.

## FINANCIAL REVIEW *(continued)*

*Investment and other income*

For FY2017, the Group's investment and other income decreased to approximately HK$111,616,000 (2016: HK$155,539,000), which was mainly due to the decrease in interest income earned from financial products held by the Group and other receivables of the Group as compared to that for FY2016.

*Fair value gains on investment properties, net*

For FY2017, the fair value gains on investment properties, net recorded by the Group amounted to approximately HK$43,100,000 (2016: HK$309,337,000), representing a 86% decrease as compared to that of FY2016. As the real estate market in the PRC was more steady for FY2017, the investment properties held by the Group did not record much capital appreciation during FY2017.

*Other gains, net*

Other gains, net increased from gains of approximately HK$125,989,000 for FY2016 to gains of approximately HK$253,238,000 for FY2017, which was mainly attributable to the substantial increase in exchange gains due to the appreciation in RMB during FY2017.

*Administrative expenses and selling and marketing costs*

Administrative expenses and selling and marketing costs of the Group increased from approximately HK$214,963,000 for FY2016 to approximately HK$218,620,000 for FY2017. It was primarily due to the increase in marketing costs to promote the sales of the Group, which was offset by the cost control measures implemented by the Group during FY2017.

*Finance costs, net*

Finance costs, net for FY2017 were approximately HK$939,346,000 (2016: HK$798,796,000), which were made up of interest expenses incurred during FY2017 after deduction of the interest expenses capitalised to development costs. The increase in finance costs, net was mainly due to (i) the decrease of the interest capitalised from approximately HK$281,913,000 for FY2016 to approximately HK$97,498,000 for FY2017 because of completion of certain projects; and (ii) the increase in borrowings of the Group during FY2017.

## **FINANCIAL REVIEW** *(continued)*

*Income tax expenses*

Income tax expenses comprised corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC. CIT of approximately HK$169,854,000 (2016: HK$273,092,000) and LAT of approximately HK$67,859,000 (2016: HK$153,104,000) brought about the Group's total income tax of approximately HK$237,713,000 for FY2017 (2016: HK$426,196,000). The decrease in total income tax expenses for FY2017 was mainly due to the fair value gain of investment properties being less than that of FY2016, which reduced the corresponding deferred income tax in the CIT and LAT provisions made for FY2017.

*Treasury and funding policies*

The Group has adopted a prudent approach with respect to its treasury and funding policies. The Group's financial and fundraising activities are subject to effective centralised management and supervision, with an emphasis on risk management and transactions that are directly related to the business of the Group.

*Cash position*

As at 31 December 2017, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$4,575,317,000 (31 December 2016: HK$4,999,639,000).

**FINANCIAL REVIEW** *(continued)*

*Borrowings, charges on group assets and gearing ratio*

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

| | **31 December 2017** *HK$'000* | 31 December 2016 *HK$'000* |
|---|---|---|
| Bank loans — secured | **1,261,612** | 317,231 |
| Senior notes — secured | **3,477,499** | 3,013,591 |
| Other borrowings — secured | **6,423,192** | 4,453,564 |
| | **11,162,303** | 7,784,386 |

(a) As at 31 December 2017, the bank and other borrowings were secured by (i) charges over investment properties; (ii) charges over land use rights; (iii) charges over properties under development; (iv) charges over completed properties held for sale; (v) charges over the entire issued share capital of certain subsidiaries of the Group; (vi) corporate guarantees executed by the Company, certain subsidiaries, related parties and the controlling shareholder of the Company; (vii) guarantees executed by the Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Zhu Qing Yi) and Mr. Chu Muk Chi (alias Zhu La Yi); (viii) charges over 3,121,112,000 ordinary shares of the Company beneficially owned by the controlling shareholder of the Company; and (ix) charges over the assets provided by Xianghe Zhuguang Property Development Company Limited* (香河珠光房地產開發有限公司).

(b) The gearing ratio of the Group 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 of the Group. As at 31 December 2017, the gearing ratio of the Group was 56% (2016: 37%).

* *For identification purpose only*

## FINANCIAL GUARANTEE CONTRACTS

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 2017** | 31 December 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties | **2,682,760** | 1,760,359 |

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) the 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.

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 the financial guarantees is not significant.

## FOREIGN EXCHANGE RATE

During FY2017, the Group conducted its business almost exclusively in Renminbi ("**RMB**") except that certain transactions were in Hong Kong Dollars ("**HK$**") and United State Dollars ("**US$**"). 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 FY2017, 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 in aggregate 248 employees in Hong Kong and the PRC as at 31 December 2017 (31 December 2016: 176). 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 their qualifications, experience, duties and 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 | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Revenue** | *3* | **2,766,510** | 1,908,153 |
| Cost of sales | *4* | **(1,748,221)** | (1,238,495) |
| **Gross profit** | | **1,018,289** | 669,658 |
| Fair value gains on investment properties, net | | **43,100** | 309,337 |
| Selling and marketing costs | *4* | **(64,232)** | (59,639) |
| Administrative expenses | *4* | **(154,388)** | (155,324) |
| Investment and other income | *5* | **111,616** | 155,539 |
| Other gains, net | *6* | **253,238** | 125,989 |
| **Operating profit** | | **1,207,623** | 1,045,560 |
| Gain on acquisition of a subsidiary | *7* | **114,874** | — |
| Finance costs, net | *8* | **(939,346)** | (798,796) |
| **Profit before income tax** | | **383,151** | 246,764 |
| Income tax expenses | *9* | **(237,713)** | (426,196) |
| **Profit/(loss) for the year** | | **145,438** | (179,432) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **174,401** | (175,645) |
| Non-controlling interests | | **(28,963)** | (3,787) |
| | | **145,438** | (179,432) |
| **Earnings/(loss) per share for profit attributable to owners of the Company for the year (expressed in HK cents per share)** | | | |
| — Basic and diluted | *10* | **2.71** | (3.68) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| **Profit/(loss) for the year** | **145,438** | (179,432) |
| **Other comprehensive income/(loss)** | | |
| *Items that have been/may be subsequently reclassified to profit or loss:* | | |
| Currency translation differences | **231,044** | (438,360) |
| **Total comprehensive income/(loss) for the year** | **376,482** | (617,792) |
| **Total comprehensive income/(loss) attributable to:** | | |
| Owners of the Company | **385,843** | (596,100) |
| Non-controlling interests | **(9,361)** | (21,692) |
| | **376,482** | (617,792) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 31 December | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | | **122,023** | 51,126 |
| Investment properties | | **2,412,183** | 2,165,788 |
| Intangible assets | | **59,946** | 60,842 |
| Goodwill | | **17,010** | 15,868 |
| Financial assets at fair value through profit or loss | | **14,200** | 35,651 |
| Deferred income tax assets | | **55,655** | 31,302 |
| | | **2,681,017** | 2,360,577 |
| **Current assets** | | | |
| Properties under development | | **3,724,321** | 2,805,689 |
| Completed properties held for sale | | **2,056,131** | 2,335,188 |
| Trade and other receivables | *12* | **4,514,301** | 1,743,034 |
| Prepayments | *13* | **6,423,300** | 4,404,180 |
| Prepaid income tax | | **166,582** | 98,640 |
| Financial assets at fair value through profit or loss | | **11,975** | — |
| Restricted cash | | **357,585** | 453,873 |
| Term deposits with initial terms of over three months | | **3,439,190** | 3,460,105 |
| Cash and cash equivalents | | **778,542** | 1,085,661 |
| | | **21,471,927** | 16,386,370 |
| **Total assets** | | **24,152,944** | 18,746,947 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **642,441** | 642,441 |
| Other reserves | | **4,514,863** | 4,303,421 |
| Accumulated losses | | **(299,173)** | (473,574) |
| | | **4,858,131** | 4,472,288 |
| **Non-controlling interests** | | **324,442** | 333,803 |
| **Total equity** | | **5,182,573** | 4,806,091 |

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

| | | 31 December | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **9,585,982** | 7,083,675 |
| Deferred income tax liabilities | | **731,243** | 600,408 |
| Finance lease payable | | **—** | 658 |
| | | **10,317,225** | 7,684,741 |
| **Current liabilities** | | | |
| Borrowings | | **1,576,321** | 700,711 |
| Trade and other payables | *14* | **2,550,054** | 1,749,072 |
| Amounts due to ultimate holding company | | **880** | 880 |
| Advances from customers | | **2,750,836** | 2,161,198 |
| Current income tax liabilities | | **1,692,453** | 1,522,132 |
| Finance lease payable | | **658** | 711 |
| Derivative financial instruments | | **81,944** | 121,411 |
| | | **8,653,146** | 6,256,115 |
| **Total liabilities** | | **18,970,371** | 13,940,856 |
| **Total equity and liabilities** | | **24,152,944** | 18,746,947 |

*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 (Cap. 32 of the Laws 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.

These financial statements have been approved for issue by the board of directors (the "**Board**") of the Company on 8 April 2018.

These financial statements are presented on thousands of HK dollars ("**HK$'000**"), unless otherwise stated.

## 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 disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong). 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the consolidated financial statements.

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 2017:

| | |
|---|---|
| Amendments to HKAS 12 | Income taxes |
| Amendments to HKAS 7 | Cash flow statement |
| Amendments to HKFRS 12 | Disclosure of interests in other entities |

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 amendments to standards have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted:

| | | Effective for annual periods beginning on or after |
|---|---|---|
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 2 (Amendment) | Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| HKFRS 4 (Amendment) | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts | 1 January 2018 |
| HKFRS 1 (Amendment) | First time adoption of HKFRS | 1 January 2018 |
| HKAS 28 (Amendment) | Investments in Associates and Joint Ventures | 1 January 2018 |
| HKAS 40 (Amendment) | Transfers of investment property | 1 January 2018 |
| HK (IFRIC) 22 | Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| HK (IFRIC) 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| HKFRS 16 | Leases | 1 January 2019 |

#### *(i) HKFRS 15, 'Revenue from contracts with customers'*

The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") has issued a new standard, HKFRS 15 "Revenue from Contracts with Customers" for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

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.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development in the PRC is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. Control of the properties under development is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. **BASIS OF PREPARATION** *(continued)*

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

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

When control of the property transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

Revenue for certain pre-sale properties contracts will be changed and recognised earlier over the period of time, instead of at a single point in time under the current accounting policy.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognised at a later point in time when the underlying property is legally or physically transfer to the customer under the control transfer model.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represents separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which doesn't not represent fair value of good or service provided by the customer.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expense off in profit and loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

## 2. BASIS OF PREPARATION *(continued)*

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

#### *(i) HKFRS 15, 'Revenue from contracts with customers'* (continued)

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group estimates the overall impact of the above is an increase of the Group's retained earnings on 1 January 2018, and a corresponding increase in current asset and deferred tax liability and a decrease in the current liability as of 1 January 2018.

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 few months.

The adoption of 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.

## 2. BASIS OF PREPARATION *(continued)*

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

#### *(ii) HKFRS 9, 'Financial instruments' (continued)*

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.

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$14,919,000. 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 adoption of HKFRS 16 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 standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 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 of the Group 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 | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Sales of properties | **2,262,085** | 1,401,812 |
| Rental income | **139,992** | 101,720 |
| Decoration income | **—** | 21,418 |
| Project management services | **364,433** | 383,203 |
| | **2,766,510** | 1,908,153 |

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 profit for the year ended 31 December 2017 are as follows:

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

The segment results and other segment items included in the profit for the year ended 31 December 2017 are as follows:

| | **Property development** | **Property investment** | **Project management services** | **Group** |
|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Gross segment revenue | **2,262,085** | **139,992** | **364,433** | **2,766,510** |
| Segment results | **696,061** | **168,496** | **364,433** | **1,228,990** |
| Fair value gains on derivative financial instruments | | | | **(21,367)** |
| Gain on acquisition of a subsidiary *(Note 7)* | | | | **114,874** |
| Finance costs, net *(Note 8)* | | | | **(939,346)** |
| Profit before income tax | | | | **383,151** |
| Income tax expenses | | | | **(237,713)** |
| Profit for the year | | | | **145,438** |
| Capital expenditure | **71,520** | **—** | **—** | **71,520** |
| Depreciation | **3,527** | **—** | **—** | **3,527** |
| Amortisation of intangible assets recognised as expenses | **4,424** | **—** | **—** | **4,424** |
| Fair value gains on investment properties, net | **—** | **43,100** | **—** | **43,100** |

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 |

## 3. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2017 are as follows:

| | **Property development** | **Property investment** | **Project management services** | **Group** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | **20,045,065** | **2,463,180** | **1,562,869** | **24,071,114** |
| Other assets | | | | **81,830** |
| Total assets | | | | **24,152,944** |
| Segment liabilities | **5,223,413** | **78,357** | **—** | **5,301,770** |
| Other liabilities | | | | **13,668,601** |
| Total liabilities | | | | **18,970,371** |

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 are reconciled to total assets as follows:

| | **31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Segment assets | **24,071,114** | 18,679,994 |
| Other assets | | |
| — Financial assets at fair value through profit or loss | **26,175** | 35,651 |
| — Deferred income tax assets | **55,655** | 31,302 |
| Total assets | **24,152,944** | 18,746,947 |

## 3. SEGMENT INFORMATION *(continued)*

Segment liabilities are reconciled to total liabilities as follows:

| | 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Segment liabilities | **5,301,770** | 3,911,150 |
| Other liabilities | | |
| — Borrowings | **11,162,303** | 7,784,386 |
| — Deferred tax liabilities | **731,243** | 600,408 |
| — Current tax liabilities | **1,692,453** | 1,522,132 |
| — Finance lease payable | **658** | 1,369 |
| — Derivative financial liabilities | **81,944** | 121,411 |
| Total liabilities | **18,970,371** | 13,940,856 |

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

| | 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **14,700** | 16,035 |
| Mainland China | **2,596,462** | 2,277,589 |
| Total | **2,611,162** | 2,293,624 |

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$364,433,000 (2016: HK$363,820,000) were derived from a single related party customer during 2017 which are attributable to the project management services 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 | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Cost of properties sold (excluding staff costs) | **1,740,587** | 1,235,350 |
| Staff costs (including directors' emoluments) | **67,592** | 64,455 |
| Selling and marketing expenses | **46,108** | 42,459 |
| Entertainment expenses | **24,908** | 22,154 |
| Other taxation | **19,858** | 19,855 |
| Property management fees | **5,810** | 8,511 |
| Legal and other consulting fees | **9,112** | 6,790 |
| Property rental fees | **8,486** | 7,517 |
| Amortisation | **4,424** | 4,696 |
| Depreciation | **3,527** | 4,167 |
| Auditor's remuneration | | |
| — Audit services | **4,000** | 3,600 |
| — Non-audit services | **671** | 1,424 |
| Office expenses | **3,664** | 3,121 |
| Others | **28,094** | 29,359 |
| | **1,966,841** | 1,453,458 |

## 5. INVESTMENT AND OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Interest income from bank deposits | **73,998** | 78,314 |
| Interest income from other receivables *(Note 12(f))* | **37,218** | 61,673 |
| Interest income from financial products | **400** | 15,552 |
| | **111,616** | 155,539 |

## 6. OTHER GAINS, NET

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Exchange gains/(losses) | **259,622** | (6,748) |
| Fair value (losses)/gains on derivative financial instruments | **(21,367)** | 7,192 |
| Reversal of provisions for claims and administrative penalties | **26,306** | 133,357 |
| Others | **(11,323)** | (7,812) |
| | **253,238** | 125,989 |

## 7. GAIN ON ACQUISITION OF A SUBSIDIARY

On 3 January 2017, the Group entered into an equity transfer agreement with two independent third parties, pursuant to which the Group has agreed to acquire 100% equity interests from the third parties 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. GZ Zhenchao is principally engaged in property development in the PRC. The gain on this acquisition amounted to HK$114,874,000.

Net assets at the date of acquisition are as follows:

| | ***HK$'000*** |
|---|---|
| Properties under development | 340,787 |
| Trade and other receivables | 1,763 |
| Cash and cash equivalents | 1 |
| Trade and other payables | (41,903) |
| Deferred tax liabilities | (119,302) |
| Net assets acquired | 181,346 |
| Gain on acquisition of a subsidiary | (114,874) |
| Total consideration | 66,472 |
| Consideration satisfied by cash | 66,472 |
| Net cash inflow arising on acquisition: | |
| Cash consideration paid | 66,472 |
| Cash and cash equivalents acquired | (1) |
| | 66,471 |

## 8. FINANCE COSTS, NET

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Interest expense: | | |
| — Bank and other borrowings | **624,432** | 525,780 |
| — Senior notes | **412,378** | 554,864 |
| — Finance lease | **34** | 65 |
| Less: interest capitalised | **(97,498)** | (281,913) |
| | **939,346** | 798,796 |

## 9. INCOME TAX EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Current income tax: | | |
| — PRC corporate income tax | **222,155** | 168,464 |
| — PRC land appreciation tax | **60,961** | 5,875 |
| Deferred income tax: | | |
| — PRC corporate income tax | **(52,301)** | 104,628 |
| — PRC land appreciation tax | **6,898** | 147,229 |
| | **237,713** | 426,196 |

## 9. INCOME TAX EXPENSES *(continued)*

### PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC 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 the PRC is 25% (2016: 25%).

According to the Corporate Income Tax Law of the PRC, which became effective on 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 on 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 subsidiaries which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities in the PRC.

### Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Group has no assessable profits arising in Hong Kong (2016: Nil).

### 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 the British Virgin Islands income tax.

## 10. EARNINGS/(LOSS) PER SHARE

### (a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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 | |
|---|---|---|
| | **2017** | 2016 |
| Profit/(loss) attributable to owners of the Company (HK$'000) | **174,401** | (175,645) |
| Weighted average number of ordinary shares in issue (thousand shares) | **6,424,417** | 4,773,226 |
| Basic earnings/(loss) per share (HK cents per share) | **2.71** | (3.68) |

### (b) Diluted

Diluted earnings per share for the year ended 31 December 2017 and 2016 has not been presented as the Company's outstanding warrants had no dilutive effect for the years ended 31 December 2017 and 2016 as the exercise prices of those warrants were higher than the average market price of the shares of the Company.

## 11. DIVIDEND

No dividend in respect of the year ended 31 December 2017 (year ended 31 December 2016: nil) was proposed by the Board.

## 12. TRADE AND OTHER RECEIVABLES

| | 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables *(Note (a))* | **403,231** | 199,118 |
| — Related parties *(Note (c))* | **368,875** | 167,690 |
| — Third parties | **34,356** | 31,428 |
| Less: provision for impairment of trade receivables *(Note (a))* | **—** | — |
| Trade receivables, net | **403,231** | 199,118 |
| Other receivables | **4,111,070** | 1,543,916 |
| — Related parties *(Note (c), (d) and (e))* | **3,597,189** | 1,118,251 |
| — Third parties *(Note (f) and Note 5)* | **513,881** | 425,665 |
| | **4,514,301** | 1,743,034 |

## 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 set out in the related sales and purchase agreements and rental contracts.

| | 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Not due | **396,164** | 189,524 |
| Over due | **7,067** | 9,594 |
| | **403,231** | 199,118 |

As at 31 December 2017 and 2016, the ageing analysis of overdue trade receivables based on the payment due date were as follows:

| | 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **4,889** | 9,005 |
| 91 days to 180 days | **—** | 442 |
| 181 days to 365 days | **2,178** | 147 |
| | **7,067** | 9,594 |

As at 31 December 2017, trade receivables of HK$7,067,000 (2016: HK$9,594,000) were past due but not impaired. The Group considered that these past due trade receivables would be recovered and no provision was made.

(b) As at 31 December 2017 and 2016, the fair value of trade and other receivables approximated their carrying amounts.

(c) As at 31 December 2017, HK$1,196,300,000 (equivalent to RMB1,000,000,000) of other receivables from related parties (31 December 2016: HK$1,117,930,000) represented funding for project development. Pursuant to a project management service agreement entered in April 2015, the Group agreed to provide funding and management service to a property development project (the "**Project Guangzhou**") in Guangzhou, the PRC. In return, the Group will be entitled to (i) a fixed percentage of the total funding incurred for the Project Guangzhou; and (ii) a bonus which will be determined with reference to the estimated profit of the Project Guangzhou. Revenue recognised for the year was approximately HK$367,000,000 and the revenue amount has been subsequently settled.

## 12. TRADE AND OTHER RECEIVABLES *(continued)*

(d) As at 31 December 2017, HK$1,196,300,000 (equivalent to RMB1,000,000,000) of other receivables from related parties (31 December 2016: nil) represented funding for project development. Pursuant to a project management service agreement entered in December 2017, the Group agreed to provide funding and management service to a property development project (the "**Project Beijing**") in Beijing, the PRC. In return, the Group will be entitled to (i) a fixed percentage of the total funding incurred for the Project Beijing; and (ii) a bonus which will be determined with reference to the estimated profit of the Project Beijing. No revenue was recognised for the year and the Project Beijing is estimated to commence in 2018.

(e) Pursuant to memoranda of understanding ("**MoU**") for an asset acquisition and joint land bidding, the Group paid refundable deposits of RMB450,000,000 and RMB550,000,000 respectively in December 2017. The MoU were terminated and the balances were subsequently refunded to the Group.

(f) As at 31 December 2017, HK$325,437,000 of other receivables from third parties represent project deposits to a constructor of the Group, which are unsecured, with an interest rate of 12% per annum and to be settled on demand.

(g) Except for those disclosed in Note (a), no material trade and other receivables were impaired or past due as at 31 December 2017 and 2016.

(h) 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.

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

| | **31 December** | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| HK$ | **3,884** | 3,945 |
| RMB | **4,510,417** | 1,739,089 |
| | **4,514,301** | 1,743,034 |

## 13. PREPAYMENTS

| | 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Prepayments and advances to related parties | | |
| — for acquisition of equity interests in property development projects *(Note (a))* | **4,426,310** | 2,824,099 |
| — for decoration services | **168,211** | 157,192 |
| Prepayments and advances to third parties | | |
| — for acquisition of equity interests in property development projects *(Note (a))* | **1,748,859** | 1,173,932 |
| — prepaid construction costs and others | **11,225** | 44,743 |
| Prepayments for acquisition of land use rights | **—** | 147,280 |
| Prepaid business taxes and other levies | **68,695** | 56,934 |
| | **6,423,300** | 4,404,180 |

(a) As at 31 December 2017, the Group had prepaid a total amount of HK$6,175,169,000 (31 December 2016: HK$3,998,031,000) to invest in private project companies in the PRC. The prepayments were to acquire equity interests in certain PRC entities, which owns land use rights or property development projects in the PRC.

## 14. TRADE AND OTHER PAYABLES

| | 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **1,601,388** | 1,074,617 |
| Amounts due to related parties | **105,780** | 49,463 |
| Provisions for claims and administrative penalties | **23,036** | 79,403 |
| Other payables and accruals | **517,192** | 313,679 |
| Other taxes payables | **302,658** | 231,910 |
| | **2,550,054** | 1,749,072 |

As at 31 December 2017 and 2016, the ageing analysis of trade payables based on the payment due date were as follows:

| | 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Within one year | **1,414,459** | 798,324 |
| Over one year | **186,929** | 276,293 |
| | **1,601,388** | 1,074,617 |

Other payables and accruals from third parties mainly comprise deposits from customers, professional service fees 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 FY2017.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Code**") as contained in Appendix 10 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code for FY2017.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during FY2017, 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 FY2017 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 Hing Tsung, the chairman of the Company, did not attend the AGM held on 20 June 2017 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 FY2017, 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 FY2017 as set out in this 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 FY2017. 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 this preliminary announcement.

## APPRECIATION

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

## RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company has been suspended from 9:00 a.m. on 3 April 2018 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 9 April 2018.

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

Hong Kong, 8 April 2018

*As at the date of this announcement, the Board comprises (i) six executive Directors, namely 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, and (ii) three independent non-executive Directors, namely Mr. Leung Wo Ping JP, Mr. Wong Chi Keung and Dr. Feng Ke.*

*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).*