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HSIN CHONG GROUP HOLDINGS LIMITED
新昌集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

US$100 MILLION 6% CONVERTIBLE BONDS DUE 2017
(Stock Code: 5579)

US$300 MILLION 8.75% SENIOR NOTES DUE 2018
(Stock Code: 5513)

US$150 MILLION 8.50% SENIOR NOTES DUE 2019
(Stock Code: 5607)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Directors") of Hsin Chong Group Holdings Limited（新昌集團控股有限公司）(the "Company" or "Hsin Chong") announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2016.

A. REVIEW OF BUSINESS AND PROSPECTS

1. Financial Overview

(In HK$ million)

			Change	
	2016	2015	Amount	%
Revenue	**9,823**	12,585	–2,762	–22%
Revenue – excluding NSC#	**9,379**	9,623	–244	–3%
Gross profit	**456**	435	21	+5%
Gross profit margin	**4.6%**	3.5%	1.1%	
Gross profit margin (excluding NSC#)	**4.9%**	4.5%	0.4%	
Fair value (loss)/gain on investment properties	**(884)**	191	–1,075	–563%
Provision for impairment of properties under development	**(1,924)**	–	–1,924	N/A
Gains on bargain purchase	**–**	2,321	–2,321	–100%
EBITDA	**(4,040)**	2,706	–6,746	–249%
Net finance costs	**(142)**	(116)	–26	–22%
(Loss)/profit attributable to shareholders	**(2,734)**	2,446	–5,180	–212%
Basic (loss)/earnings per share *(in HK cents)*	**(48.9)**	46.4	–95.3	–205%
Interim dividend *(in HK cent)*	**–**	1.0	–1.0	–100%
Final dividend *(in HK cent)*	**–**	–	N/A	N/A

Note:

\# Nominated subcontractors' work of Macau Galaxy Resort Phase 2 project ("NSC")

2. Business Overview

Hsin Chong is an integrated construction and property group in the region, which pursues a strategic transformation in its business portfolio by establishing a dynamic property company. While we await the property business to deliver significant revenue contribution to the Group, our Group's construction business remained profitable.

(In HK$ million)	**2016**	2015	**Change** Amount	%
Revenue				
Construction – excluding NSC	**9,314**	9,552	–238	–2%
Property development and investment	**65**	71	–6	–8%
	9,379	9,623	–244	–3%
Construction – NSC	**444**	2,962	–2,518	–85%
	9,823	12,585	–2,762	–22%
Discontinued operation *(Note 1)*	**2,163**	2,434	–271	–11%
	11,986	15,019	–3,033	–20%
Gross profit				
Construction	**436**	419	17	+4%
Property development and investment	**20**	16	4	+25%
	456	435	21	+5%
Discontinued operation *(Note 1)*	**149**	186	–37	–20%
	605	621	–16	–3%
EBITDA				
Construction	**315**	275	40	+15%
Property development and investment *(Note 2)*	**(4,238)**	2,592	–6,830	–264%
Corporate overhead and others	**(117)**	(161)	44	27%
	(4,040)	2,706	–6,746	–249%
Discontinued operation *(Note 1)*	**48**	84	–36	–43%
	(3,992)	2,790	–6,782	–243%
Gross profit margin (excluding NSC)				
Construction	**4.7%**	4.4%		
Property development and investment	**30.8%**	22.5%		

Notes:

1 The discontinued operation represented interiors and special projects ("ISP") and property and facility management business upon the disposal of Synergis Holdings Limited, which ceased to be a subsidiary on 21 November 2016.

2 In 2016, this division included HK$1,924 million, being provision for impairment of properties under development; and HK$884 million, being fair value loss on investment properties. In 2015, this division included HK$2,321 million, being gains on bargain purchase arising in connection with the property acquisition.

2.1 ***Construction Business Review***

During the year of 2016, the Construction Division received a total of new orders of HK$5.8 billion (2015: HK$14.9 billion), including the following major contracts:

(i) a main contract for the Hong Kong Ocean Park Marriott Hotel;

(ii) a design and construction contract for Kowloon East Regional Headquarters and Operational Base cum Ngau Tau Kok Divisional Police Station at 105 Concorde Road, Kai Tak;

(iii) a HVAC installation to the main contract for Proposed Development at Tung Chung Town Lot No.2 and No.11;

(iv) an asset enhancement works at Chung Fu Plaza (North);

(v) an alteration and addition works at Kowloon Investment Building at 8 Bute Street; and

(vi) a main contract for Eu Yan Sang – Chinese Medicine Plant Development at Yuen Long Industrial Estate.

Following the strong establishment of the construction business in Hong Kong and Macau, our Construction Management Services (the "CMS") division received a CMS contract to build a twin tower of 500 metres (133 storeys) developed by Thai Boon Roong Group and Sun Kian Ip Group. Upon completion, the tower will be the tallest building in Cambodia as well as one of the World's tallest buildings.

As of 31 December 2016, the outstanding workload (excluding NSC) exceeded HK$12 billion. Among all the contracts on hand, 64% were from the public sector and MTR, including:

(i) Government & Public Institutions: M+ Museum Main Works Contract at West Kowloon Cultural District, Design & Construction of Kowloon East Regional Headquarters and Operational Base cum Ngau Tau Kok Divisional Police Station, Civil Engineering and Development Department and Drainage Services Department;

(ii) Hong Kong Housing Authority: a public housing project in Tung Chung;

(iii) MTR: Elevated Road along LOHAS Park Road and the Pedestrian Footbridge FB1, Express Rail Link contract for West Kowloon Terminus Station South and Shatin to Central Link contract for Sung Wong Toi and To Kwa Wan Stations and Tunnels.

Another 36% were from private clients, most of which are prestigious property developers like Kerry Properties, New World, Swire Properties, Lai Sun Group, and Macau gaming operators like Venetian, Galaxy and SJM.

During the year, the Group's core Construction business, excluding discontinued operation, recorded revenue (excluding NSC) of HK$9.3 billion (2015: HK$9.6 billion) and gross profit of HK$436 million (2015: HK$419 million). The revenue for the year decreased 2% comparing to that of the last year and the gross profit increased by 5%, our gross margin was then improved by 0.3 percentage point to 4.7%.

2.2 Property and Facility Management and ISP Business

Property and Facility Management and ISP Business was disposed of in November 2016 and the Group recorded a gain of HK$185.9 million.

2.3 Property Development and Investment Business Review

Property Portfolio

Completed properties for investment and/or sale

(i) New Times Plaza, Beijing

The property is a commercial development, comprising 15 storeys aboveground and 3 storeys of basement. The shopping mall and car park occupy 9 floors of the property (from 3rd floor of the basement to 6th floor) with a total gross floor area ("GFA") of 55,798 square metres ("sqm"). The apartments are located on the 7th to 15th floors of the property. As at 31 December 2016, approximately 12,115 sqm of GFA are available for sale or lease.

As of 31 December 2016, the occupancy rate of the shopping mall was more than 90%. The contribution has been improving since acquisition. The New Times Plaza has generated stable rental and related income for the year.

(ii) Xiyang Computer City, Commercial Portion of Tian Cheng Ming Yuan

The property, which consists of a commercial property and a car park with around 325 carparking spaces, has a total GFA of 26,306 sqm.

Property under development

(i) La Viva, Foshan

La Viva, Foshan project is located at the "Ninety-Ninth Hill" of Dushugang Village, Lubao Town, Sanshui District of Foshan City. The project is 40 kilometers east to the downtown of Guangzhou and close to Hong Kong and Macau in the south. With the established three-dimensional transportation network in the surrounding area, it only takes 2 hours to get to the main cities in the Pearl River Delta Economic Zone, including Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Yunfu, Zhaoqing, Huizhou, Qingyuan and Jiangmen. The project enjoys access to a road network consisting of three east-west streets and two north-south streets, among which the existing Golf Avenue, Danan First-Grade Highway and Luhu Road can directly lead to the downtown area of Sanshui District, Guangzhou, Zhaoqing, and Qingyuan. The entrance of the Pearl River Delta Outer-Ring Expressway to be constructed at Lubao Town will be only 5 minutes' drive to the project. Moreover, the planning route of the Tangxi Highway to be constructed will pass by the project in the east, with a distance of only 1 minute's drive.

Foshan Hsin Chong Town is a mixed-use development project, consisting of a total GFA of approximately 1,900,000 sqm. The project has positioned as the first recreation and shopping resort town in Guangzhou-Foshan area. The project plans 13 featured business forms including hot springs recreation city, golf course, recreational vehicle camping encampment and outlets shopping mall.

Phase 1 comprises the existing retail outlets of approximately 95,300 sqm, which has been completed. As at 31 December 2016, approximately 50% of the total indoor leasable areas of the outlet mall have been committed for use, comprising (i) approximately 27,000 sqm of leasable floor area in 119 units signed up with tenants representing a total of 113 brands; and (ii) approximately 11,000 sqm in 9 units to be operated by the Group as stores and two food & beverage outlets. After the year end date, the Group is also in discussion with potential tenants for a further 43 brands for 72 units having a total indoor leasable floor area of about 15,000 sqm.

The residential development program adopts the "new suburbs life concept" advocating for high-quality life. A total GFA of approximately 204,400 sqm of low density residential units and serviced apartments are planned for phase 1, of which about 24,000 sqm of low density residential property have been substantially completed. The residential sales will be launched after the phased opening of the retail outlets and granting of sales permit.

(ii) Commercial development project, Tai'an

The project is located in the new town in the south of Tai'an city, Shandong Province – Tai'an New and High Tech Industrial Development Zone. It is 70 kilometers from Ji'nan city in its north, approximately 12 kilometers from Dongyue Street in the downtown area of Tai'an city, and 14 kilometers from the trailhead of Mountain Taishan. The project includes commercial properties with a total GFA of 274,977 sqm. The project aims at building an integrated commercial complex featured with tourism and leisure element by integrating traditional business and tourism industry. Based on this comprehensive development framework, the tourism and leisure-oriented project will develop a variety of ancillary facilities integrating various functions such as recreation, leisure, sports, catering, and retail, etc. As at the date of this announcement, a total of 34 blocks of two-storey commercial retail outlet mall with a total GFA of 100,360 sqm are under construction.

(iii) Commercial development project, Tianjin

The Tianjin project is located at the start-up area of the Central Business District of Binhai New Area – the starting point of Xiangluo Bay Business District, an advantageous geological location. Around the project are mainly office buildings and the development of the Project will offer a comprehensive life centre with leisure, catering, commerce, and recreation for residents from surrounding communities. The Project, which consists of a parcel of land, for which development approval has been submitted for commercial and office use, has a GFA of approximately 328,100 sqm.

(iv) La Viva, Tieling

La Viva, Tieling is located alongside the south bank of Fanhe River in the Tieling New Town, 8 kilometres north to the old town and about 30 kilometres south to the downtown of Shenyang city. The project includes numerous facilities such as retail, entertainment, tourist attractions, hotel, international school, water park, residential, office buildings and conference and exhibition facilities. It covers an area of 180 hectares and a total GFA of approximately 3 million sqm, of which approximately 2 million sqm are for residential use and approximately 1 million sqm are for commercial and other use.

Residential development Phase 1 comprises 16 high-rise residential towers and 22 low-rise residential towers, and yields a total saleable area of 225,000 sqm. Upon completion, there will be a total of 2,100 units available for sale, with sizes ranging from 40 to 213 sqm per unit and the average size per unit is 107 sqm. The residential sales will be tied with the phased opening of the retail outlets and water park.

Phase 1 of the commercial development of La Viva comprise of exhibition centre, banquet hall, club house, outlet mall and a water park, one of the key components of the unparalleled La Viva experience. It will be the first round-the-year water recreation facility in PRC's northeast region. The total GFA of the Phase 1 commercial development approximates to 185,900 sqm.

Looking Forward

Construction business

Hsin Chong has been executing a strategic transformation in broadening the business portfolio with the additions of selective expansion overseas. It is management's primary objective to build a construction group with diversified business divisions, with the skills and business portfolio that will deliver superior financial returns to our shareholders (the "Shareholders") in the long term.

We have strengthened and will continue to strengthen our strong market position and business base in Hong Kong, participating in the Government's infrastructure and building plans. We will also continue our tradition of excellence by serving high-end private sector customers to meet their high expectation levels. We have been a major player in Macau's infrastructural development, and look forward to participating further with the award of more new contracts.

With Hong Kong's total residential supply, including public housing, home ownership scheme and private housing, of 460,000 units of which 280,000 units are from public housing in the coming 10 years starting from 2016, the Company secures the business volume of the Construction Industry in the coming decade. In addition to the successful expansion of our CMS team to Hengqin and overseas like Saipan and Cambodia, Hsin Chong, as a long established market player with proven track records in the industry, will further solidify our brand and presence in Hong Kong and create value for our Shareholders and stakeholders.

PRC Property business

In order to strengthen our financial position to meet the maturity of short term debts, the Group is taking an overall review of its PRC property portfolio and will adopt a cautious approach towards the development of these properties in 2017.

For the developed properties in Beijing and Guangzhou, the Group is actively seeking buyers and had successfully entered into memorandum of understanding ("MOU") to dispose these properties, we have confidence in selling the properties at a reasonable good price and contribute considerable cashflow to the Group after repayment of debts which were secured by these properties.

For La Viva, Foshan, we expect that the outlet mall will be soft launched before 30 June 2017 and in full operation in the third quarter of 2017. The residential sales will be launched after the mall's opening. As at the date of this announcement, 24,000 sqm of low density residential property has been substantially completed. With the promotion of "Destocking policy" by the National Government which releases the restrictions on housing loan, reduces the transaction levies and encourages the turnover of provident funds, it is expected that our Foshan property will benefit from this policy of the National Government

For properties under development in Tieling and Tianjin, the Group is actively looking for reputable property developers to jointly develop and/or potential investors to invest in these projects.

With the multiple sources of generating funds and proceeds from proposed disposal of assets, we believe that the Group's gearing and profitability would be improved by the end of 2017.

International Infrastructure Business – Belt and Road Initiative

The execution of a MOU between the Republic of Chad and Hsin Chong on 18 July 2016 extended the parties' collaboration horizon. Led by Dr. Haroun Kabadi, the President of the National Assembly of the Republic of Chad, a delegation comprising 7 Chad ministers visited Hong Kong in early November 2016. Meetings were held with Chad and potential financing banks on Chad's infrastructure projects. Following a visit to our project sites, including our Anderson Road Public Housing project and a reconnaissance of our M+ Museum project, Dr. Kabadi is profoundly impressed with Hsin Chong's capability in undertaking various construction projects. Dr. Kabadi again invited Hsin Chong to support Chad in carrying out projects within the framework of its first Five-Year Plan under its 2030 Vision. The Company is concurrently considering other infrastructure projects, such as, solar energy, railway and mining projects, in other African countries, e.g. Morocco, Republic of Côte d'Ivoire, Central African Republic, Democratic Republic of Congo, Zimbabwe, Rwanda and Ghana.

Along the 21st-century Maritime Silk Road, Hsin Chong continues its focus on exploring infrastructure projects in Asia Pacific countries such as, India, Bangladesh, Malaysia, Philippines, Nepal and Singapore. At the beginning of 2017, the Group signed a MOU with a developer in Myanmar to provide project management and construction management services for a 1,800 acre large-scale integrated resort project.

Along the Silk Road Economic Belt, Hsin Chong also focuses on potential infrastructure projects in Central and Eastern European countries such as: Hungary and the Republic of Czech.

Hsin Chong continues to perform its roles as a Super-Connector under the Belt and Road Initiative and expands its construction expertise by integrating and creating a regional economic co-operation framework.

International Real Estate and Hospitality Business

In 2016, Hsin Chong has established the International Property and Hospitality Development Division to seek real estate investment and hospitality opportunities internationally. Over the period, investment opportunities in Asia and Europe have been explored. A MOU has been signed with H&Co. Real Estate Holdings Ltd, an international developer in Myanmar, with a view that Hsin Chong will provide developer services for a 1,800 acre integrated seaside resort development in Ngwe Saung. Phase I will include 3 hotels with over 300 rooms each, 500 residential units, retail facilities, cultural center, waterpark, championship golf course, tennis club, organic farm and other infrastructure developments. The Division is looking to offer similar services and there is ongoing dialogue with investors for developments in Macau, South East Asia and the United Kingdom.

Following the formation of the joint venture company, HC Sapphire Senior Living Ltd, with our Australian partner, Hsin Chong is now working towards developing senior care homes in La Viva Foshan as a showcase as well as providing fee earning management services for similar developments in first tier cities in the Mainland of China and South East Asia.

The Group is also in advanced stage of discussion in the formation of another joint venture with Vichy Group, the renowned French spa operator in co-developing on the La Viva Foshan site. In anticipation of the potential synergy with our senior care premises on site, a high end spa resort hotel as well as a rehabilitation and spa centre with resort and senior living are now being planned.

Going forward, Hsin Chong's International Property and Hospitality Development Division will continue to leverage its global network and development expertise to identify real estate development opportunities overseas, broadening the Group's income base and diversifying its business sectors and geographical coverage.

3. Funding Highlights

Issuance of convertible preference shares ("CPS")

On 8 January 2015 and 8 July 2015, the Company issued a total of 5,654,772,134 CPS as the consideration (excluding the holdback amount) to acquire the entire issued share capital of Goleman International Limited. On 15 January 2016, the Company further issued 259,263,039 CPS to settle the holdback amount which was pending the determination of the aggregate amount of fee, fine or penalty (if any) charged under the relevant land grant contract or applicable People's Republic of China ("PRC") laws at any time after completion but on or before 31 December 2015 in respect of any delay in the development of certain acquired parcels of land. On 26 April 2016, the Company lastly issued 295,833,333 CPS to settle the remaining holdback amount after the issue of land use rights certificates in respect of the remaining land.

3-year senior notes

In January 2016, the Company issued a 3-year senior notes with principal amounts of USD150 million due on 22 January 2019 bearing interest of 8.5% per annum which is payable semi-annually (the "Senior Notes 2019"). The Senior Notes 2019 achieved at a lower coupon than the Senior Notes 2018 which was issued in May 2015 reflects certain market interests in our 3-year USD notes. The Senior Notes 2019 are also listed on The Stock Exchange of Hong Kong Limited.

Redemption by holders of 6.0% Convertible Bonds due 2017

On 25 October 2016, the Company has received notices for the exercise of the put option in respect of USD94,700,000 in principal amount of the Convertible Bonds (the "Redemption Principal"), representing approximately 97.33% in principal amount of the Convertible Bonds outstanding as at that date. In November 2016, the Company settled the Redemption Principal together with interest accrued.

4. Financial position

The Group monitors its liquidity requirements and arranges refinancing of the Group's borrowings when appropriate. As of 31 December 2016, the total debts were HK$11.6 billion of which HK$4.5 billion were from entrusted loans and HK$1.3 billion were from other loans, HK$3.4 billion were from senior notes of which HK$1.1 billion were issued in January 2016. Convertible bonds remaining balance was HK$45 million after redemption in November 2016. Total bank borrowings were at HK$2.4 billion.

As of 31 December 2016, cash and bank deposits stood at HK$1,038.6 million.

Net gearing, representing net debt over tangible net assets (net assets less intangible assets and goodwill) as at 31 December 2016, was 102% (2015: 54%).

Based on the current financial position and debt maturity profile, the primary objective of our prudent financial management is to try to lengthen the debt maturity and reduce the cost of finance. The overreliance on any single financing platform in the past would not meet the forthcoming requirements. Our financial professional would take a proactive role to improve the Group's cashflow through the expansion of funding sources.

5. Funding cost

Interest on the Group's bank borrowings is mainly charged at a spread to Hong Kong Interbank Offered Rate or People's Bank of China rate. Interest on other borrowings including entrusted loans for PRC properties and other loans is on fixed rate term.

6. Pledge of assets

As at 31 December 2016, the Group pledged its investment properties with carrying amount of HK$7,310 million (2015: HK$8,951 million), property, plant and equipment and leasehold land with carrying amount of HK$2,265 million (2015: HK$506 million), properties under development with carrying amount of HK$8,575 million (2015: HK$12,245 million), stocks of properties with carrying amount of HK$527 million (2015: HK$581 million), other receivable with carrying amount of HK$512 million (2015: nil) and bank balances with carrying amount of HK$627 million (2015: HK$127 million), and its equity interest in certain subsidiaries, as collaterals to various banks, financial institutions and other third parties to secure its borrowings.

7. Exposure to fluctuations in exchange rates and related hedges

The Group operates in Hong Kong, Macau, the PRC, Saipan and Cambodia with most of the transactions denominated and settled in local currencies. Foreign exchange risk exposure arising from the Group's operation in Macau and the PRC is monitored by proper synchronisation of receipts and payments in different operating currencies. For the Group's companies with USD as functional currency, it is not expected that there are any significant movements in the USD/HKD exchange rate as the HKD is pegged to the USD. As at 31 December 2016, the Group did not use any derivative financial instruments to hedge its exposure to foreign exchange risk (2015: nil).

8. Commitments

As at 31 December 2016, the Group had capital commitments in respect of contracted but not provided for capital expenditures on properties under development amounting to HK$2,939 million (2015: HK$1,805 million).

9. Contingent liabilities

At 31 December 2016 and 2015, the Group is subject to various claims on liquidated damages of certain construction contracts during the normal course of business. The Directors are of the opinion that the Group has applied extension of time to mitigate the liquidated damages and any resulting liability would not materially affect the financial position of the Group.

B. DIVIDEND

The Board did not declare the payment of interim dividend for the six months ended 30 June 2016 (2015: 1.0 HK cent per share). The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil). Accordingly, total dividend for the financial year of 2016 is nil (2015: 1.0 HK cent per share).

C. CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Continuing operations			
Revenue	*2*	**9,823,216**	12,585,256
Cost of sales	*7*	**(9,366,767)**	(12,149,786)
Gross profit		**456,449**	435,470
Other (losses)/gains, net	*4*	**(1,106,159)**	112,603
Gains on bargain purchase	*17*	**–**	2,320,579
Fair value (loss)/gain on investment properties		**(883,925)**	191,225
Provision for impairment of properties under development	*5*	**(1,924,025)**	–
Net exchange loss		**(101,899)**	(17,668)
Selling and general administrative expenses		**(507,182)**	(404,378)
Amortisation of intangible assets		**(12,340)**	(4,090)
Interest income		**12,101**	3,022
Interest expenses	*6*	**(154,465)**	(118,947)
		(4,221,445)	2,517,816
Share of loss of an associated company		**(52,015)**	–
(Loss)/profit before taxation	*7*	**(4,273,460)**	2,517,816
Taxation	*8*	**1,350,866**	(99,213)
(Loss)/profit for the year from continuing operations		**(2,922,594)**	2,418,603
Discontinued operation			
Gain on disposal of a subsidiary	*3*	**185,915**	–
Profit for the year from discontinued operation	*3*	**24,493**	55,487
		210,408	55,487
(Loss)/profit for the year		**(2,712,186)**	2,474,090

	Notes	**2016**	2015
		HK$'000	*HK$'000*
(Loss)/profit attributable to:			
Equity holders of the Company		**(2,733,500)**	2,445,837
Non-controlling interests		**21,314**	28,253
		(2,712,186)	2,474,090
(Loss)/profit attributable to equity holders of the Company:			
Continuing operations		**(2,936,129)**	2,410,659
Discontinued operation		**202,629**	35,178
		(2,733,500)	2,445,837
(Loss)/profit per share from continuing operations *(HK cents)*			
Basic	*9*	**(52.6)**	45.8
Diluted	*9*	**(52.6)**	22.0
Earnings per share from discontinued operation *(HK cents)*			
Basic	*9*	**3.6**	0.7
Diluted	*9*	**3.6**	0.3

D. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
(Loss)/profit for the year	**(2,712,186)**	2,474,090
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Actuarial loss on retirement benefit obligations	**(101)**	(3,280)
Fair value gain on leasehold land and building	**117,548**	43,951
Deferred tax on fair value gain of leasehold land and building	**(19,395)**	(7,252)
Items that may be subsequently reclassified to profit or loss:		
Fair value (loss)/gain on available-for-sale financial asset	**(1,877)**	3,864
Deferred tax on fair value loss/(gain) of available-for-sale financial asset	**469**	(966)
Exchange differences arising on translation of foreign operations	**(1,034,216)**	(1,003,401)
Other comprehensive income for the year, net of tax	**(937,572)**	(967,084)
Total comprehensive income for the year, net of tax	**(3,649,758)**	1,507,006
Total comprehensive income attributable to:		
Equity holders of the Company	**(3,631,959)**	1,492,368
Non-controlling interests	**(17,799)**	14,638
	(3,649,758)	1,507,006

E. CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment and leasehold land	11	**3,010,816**	568,137
Investment properties		**9,597,022**	10,721,129
Intangible assets		**194,200**	76,043
Goodwill		**–**	42,002
Available-for-sale financial asset		**29,785**	31,662
Receivables and prepayments	12	**661,070**	208,941
Tax indemnification asset	16	**–**	1,006,384
Deferred tax assets		**9,056**	41,974
		13,501,949	12,696,272
Current assets			
Properties under development		**13,429,518**	16,808,489
Stocks and contracting work-in-progress		**2,395,934**	2,537,258
Receivables and prepayments	12	**3,063,363**	2,679,474
Amounts due from non-controlling interests		**267**	1,043
Amount due from an associate		**–**	11,940
Amounts due from other partners of joint operations		**8,041**	11,200
Deposits, cash and cash equivalents		**411,147**	1,469,463
Restricted cash		**627,416**	126,812
		19,935,686	23,645,679
Current liabilities			
Bank overdrafts		**(25,216)**	–
Bank loans		**(2,329,735)**	(3,117,787)
Convertible bonds	14	**(44,696)**	(544,199)
Other borrowings		**(4,151,612)**	(2,400,736)
Payables and accruals	13	**(6,011,998)**	(6,073,538)
Amounts due to other partners of joint operations		**(22,847)**	(16,153)
Financial derivative liability	14	**(183)**	(206,412)
Current tax liabilities		**(81,827)**	(66,760)
		(12,668,114)	(12,425,585)
Net current assets		**7,267,572**	11,220,094
Total assets less current liabilities		**20,769,521**	23,916,366

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Non-current liabilities			
Bank loans		**–**	(679,816)
Other borrowings		**(1,610,389)**	–
Senior notes		**(3,417,715)**	(2,275,504)
Long service payment liabilities		**(2,157)**	(6,553)
Deferred tax liabilities	*16*	**(4,632,585)**	(6,407,122)
Total non-current liabilities		**(9,662,846)**	(9,368,995)
Net assets		**11,106,675**	14,547,371
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*15*	**1,141,084**	1,084,335
Other reserves		**8,937,241**	9,694,991
Retained profits		**446,785**	3,109,814
Proposed dividends	*10*	**–**	–
		10,525,110	13,889,140
Non-controlling interests		**581,565**	658,231
Total equity		**11,106,675**	14,547,371

F. NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The consolidated financial information is extracted from the Company's consolidated financial statements which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by the revaluation of investment properties, leasehold land and building, available-for-sale financial assets and financial derivatives which are carried at fair value.

The preparation of consolidated financial information in conformity with HKFRSs 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.

(a) Going concern basis

For the year ended 31 December 2016, the Group reported a net loss attributable to the owners of the Company of HK$2,734 million (2015: profit of HK$2,446 million) and had a net operating cash outflow of HK$1,334 million (2015: HK$682 million). Total borrowings increased from HK$9,224 million as at 31 December 2015 to HK$11,580 million as at 31 December 2016, of which HK$6,551 million (2015: HK$6,269 million) were classified as current liabilities. Unrestricted cash and cash equivalents reduced from HK$1,469 million as at 31 December 2015 to HK$411 million as at 31 December 2016.

On 22 March 2017, the Group received a letter from a lender of a borrowing of HK$768 million as at 31 December 2016 demanding for immediate repayment of total outstanding overdue balance of HK$796 million. Subsequent thereto, the Group has already fully settled the amount. In connection with the drawdown of this borrowing in November 2016, certain assets of the Group were pledged as security therefor, and if such pledge was not considered as permitted lien under the relevant documents of the senior notes issued by the Company under non-current liabilities amounting to HK$3,418 million, this might lead to a breach of the relevant covenants.

As at 31 December 2016 and up to the date of the approval of these consolidated financial statements, the borrowings of the Group in aggregate of HK$455 million were overdue. Subsequent to 31 December 2016, additional borrowings of the Group in aggregate of HK$705 million (excluding the aforesaid borrowings of HK$768 million and HK$455 million) as at 31 December 2016 were also overdue but the Group has already obtained extension of repayment of such balances prior to the date of approval of these consolidated financial statements. The overdue borrowings without extension would be immediately repayable if requested by the lenders.

In respect of the borrowings of the Group in aggregate of HK$4,348 million as at 31 December 2016, the Group could not meet certain financial ratios as set out in the covenants in the relevant borrowing agreements.

Should the above-mentioned situations constitute or have become events of default under the respective borrowing agreements, including those under the cross-default terms, these might cause an aggregate amount of borrowings up to HK$6,294 million at 31 December 2016, of which an aggregate amount of HK$4,850 million had original contractual repayment dates beyond 31 December 2017, to become immediately repayable.

1. Basis of preparation and accounting policies (Continued)

(a) Going concern basis (Continued)

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group has been actively negotiating with a number of commercial banks and other financial institutions for renewal and extension of bank and other borrowings and credit facilities. Specifically, the Group is in active negotiations with the lenders to extend the repayment dates of the overdue borrowings, and to obtain waivers from complying with certain restrictive covenants contained in the loan agreements of certain borrowings;

(ii) In addition, the Group is identifying various options for financing the Group's working capital and commitments in the foreseeable future by obtaining facilities from shareholders, issuance of shares and debt instruments. In April 2017, a facility of HK$800 million which is available until and repayable by 31 March 2018 has been successfully obtained from a related company of a substantial shareholder of the Company;

(iii) The Group has accelerated its disposal plan of its properties, plant and equipment, investment properties, properties under development and completed properties held for sale ("Group Properties"). Subsequent to 31 December 2016 and up to the date of approval of these consolidated financial statements, the Group has successfully entered into certain uncommitted memorandums of understandings to dispose of certain Group Properties. Apart from selling the Group Properties, the Group expects to launch its outlet mall in Foshan in the first half of 2017, followed by pre-sales of certain residential units in Foshan, which are expected to improve the Group's operating cash inflow in 2017; and

(iv) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustment and containment of capital expenditures.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2016. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2016. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

1. Basis of preparation and accounting policies (Continued)

(a) Going concern basis (Continued)

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests;

(ii) Successful obtaining of additional new sources of financing as and when needed;

(iii) Successful implementation and acceleration of its disposal plan of the Group Properties, including timely execution of definitive sales agreements and timely collection of the disposal proceeds, and the successful deferral of capital expenditures for the Group's unsold projects;

(iv) Successful launch of its outlet mall and pre-sales of certain residential units in Foshan so as to general operating cash inflows; and

(v) Successful negotiation with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms;

(vi) Successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's construction business and the property development projects such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(b) New and amended standards adopted by the Group

The following amendments and improvements are mandatory for the first time for the financial year beginning 1 January 2016.

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

1. Basis of preparation and accounting policies (Continued)

(b) New and amended standards adopted by the Group (Continued)

The application of the above amendments and improvements in the current year has had no material effect on the Group's reported financial performance and position for the current and prior year and/or disclosures set out in these consolidated financial information.

(c) New and amended standards have been issued and are relevant to the Group but are not effective for the financial year beginning 1 January 2016 and have not been early adopted in preparing these consolidated financial information

HKAS 12 Amendment	Recognition of deferred tax assets for unrealised losses[1]
HKAS 7 Amendment	Disclosure initiative[1]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 15 Amendment	Classifications to HKFRS 15[2]
HKFRS 9	Financial instruments[2]
HKFRS 2 Amendment	Classification and measurement of share-based payment transactions[2]
HKFRS 16	Leases[3]
HKFRS 10 and HKAS 28 Amendment	Sale or contribution of assets between an investor and its associate or joint venture[4]

[1] Effective for annual periods beginning on 1 January 2017
[2] Effective for annual periods beginning on 1 January 2018
[3] Effective for annual periods beginning on 1 January 2019
[4] Effective date to be determined

The Group will adopt the above standards and amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial information of the Group, except the following set out below:

HKFRS 15, "Revenue from contracts with customers"

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group's financial information.

HKFRS 16, "Leases"

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows.

2. Segment information

(a) Operating segments

In accordance with the Group's internal financial reporting provided to the chief operating decision-maker, identified as the Executive Committee, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are (1) building construction; (2) civil engineering; (3) electrical and mechanical engineering; and (4) property development and investment.

	Continuing operations						
Year ended 31 December 2016	**Building construction** *HK$'000*	**Civil engineering** *HK$'000*	**Electrical and mechanical** *HK$'000*	**Property development and investment** *HK$'000*	**Corporate and others** *(Note 1)* *HK$'000*	**Total** *HK$'000*	**Discontinued operation** *HK$'000*
Revenue (excluding NSC *(Note 2)*)	6,718,426	1,705,406	890,011	64,814	–	9,378,657	2,162,961
Gross profit	311,645	7,038	117,472	20,294	–	456,449	148,516
Other (losses)/gains, net	1,380	–	38	(1,173,375)	65,798	(1,106,159)	4,193
Fair value loss on investment properties	–	–	–	(883,925)	–	(883,925)	–
Provision for impairment of properties under development	–	–	–	(1,924,025)	–	(1,924,025)	–
Net exchange (loss)/gain	(1,068)	–	16	(74,011)	(26,836)	(101,899)	(94)
Selling and marketing expenses	–	–	–	(14,620)	(132)	(14,752)	–
General and administrative expenses	(74,725)	(30,194)	(26,484)	(192,921)	(168,106)	(492,430)	(110,223)
Operating profit/(loss)	237,232	(23,156)	91,042	(4,242,583)	(129,276)	(4,066,741)	42,392
Amortisation of intangible assets	–	–	–	(10,111)	(2,229)	(12,340)	(7,238)
Interest income	–	–	–	3,591	8,510	12,101	105
Interest expenses	–	–	–	(94,300)	(60,165)	(154,465)	(2,874)
	237,232	(23,156)	91,042	(4,343,403)	(183,160)	(4,221,445)	32,385
Share of loss of an associated company	–	–	–	(52,015)	–	(52,015)	–
Profit/(loss) before taxation	237,232	(23,156)	91,042	(4,395,418)	(183,160)	(4,273,460)	32,385
Taxation						1,350,866	(7,892)
(Loss)/profit for the year/period						(2,922,594)	24,493
Gain on disposal of a subsidiary							185,915
							210,408
Capital expenditure	(5,792)	–	(233)	(822,365)	(16,874)	(845,264)	(12,279)
Depreciation	(9,462)	(145)	(282)	(57,846)	(12,269)	(80,004)	(5,281)
As at 31 December 2016							
Deposits, cash and cash equivalents	–	–	–	40,258	370,889	411,147	
Bank overdrafts	–	–	–	–	(25,216)	(25,216)	
Bank loans	–	–	–	(1,762,518)	(567,217)	(2,329,735)	
Convertible bonds	–	–	–	–	(44,696)	(44,696)	
Other borrowings	–	–	–	(4,494,073)	(1,267,928)	(5,762,001)	
Financial derivative liability	–	–	–	–	(183)	(183)	
Senior notes	–	–	–	–	(3,417,715)	(3,417,715)	

2. Segment information (Continued)

(a) Operating segments (Continued)

Year ended 31 December 2015	Continuing operations							
	Building construction *HK$'000*	Civil engineering *HK$'000*	Electrical and mechanical *HK$'000*	Property and facility management services *HK$'000*	Property development and investment *HK$'000*	Corporate and others *(Note1)* *HK$'000*	Total *HK$'000*	Discontinued operation *HK$'000*
Revenue (excluding NSC *(Note2)*)	6,513,467	1,868,967	1,170,173	–	70,575	–	9,623,182	2,433,617
Gross profit	259,899	83,499	75,571	–	16,501	–	435,470	185,614
Other gains/(losses), net	1,717	9	(1)	–	117,611	(6,733)	112,603	4,679
Gains on bargain purchase	–	–	–	–	2,320,579	–	2,320,579	–
Fair value gain on investment properties	–	–	–	–	191,225	–	191,225	240
Net exchange (loss)/gain	(146)	–	(776)	–	292	(17,038)	(17,668)	130
Selling and marketing expenses	–	–	–	–	(32,408)	–	(32,408)	–
General and administrative expenses	(83,773)	(45,059)	(25,143)	–	(74,089)	(143,906)	(371,970)	(111,225)
Operating profit/(loss)	177,697	38,449	49,651	–	2,539,711	(167,677)	2,637,831	79,438
Amortisation of intangible assets	(768)	(105)	(104)	–	(1)	(3,112)	(4.090)	(8,105)
Interest income	–	–	–	–	1,165	1,857	3,022	101
Interest expenses	–	–	–	–	(18,137)	(100,810)	(118,947)	(3,640)
Profit/(loss)before taxation	176,929	38,344	49,547	–	2,522,738	(269,742)	2,517,816	67,794
Taxation							(99,213)	(12,307)
Profit for the year							2,418,603	55,487
Capital expenditure	(3,587)	–	(195)	–	(579,054)	(7,913)	(590,749)	(2,702)
Depreciation	(8,854)	(149)	(234)	–	(52,517)	(6,373)	(68,127)	(4,425)
As at 31 December 2015								
Deposits, cash and cash equivalents	–	–	–	129,877	552,323	787,263	1,469,463	
Bank loans	–	–	–	(293,536)	(2,480,437)	(1,023,630)	(3,797,603)	
Convertible bonds	–	–	–	–	–	(544,199)	(544,199)	
Other borrowings	–	–	–	–	(2,400,736)	–	(2,400,736)	
Financial derivative liability	–	–	–	–	–	(206,412)	(206,412)	
Senior notes	–	–	–	–	–	(2,275,504)	(2,275,504)	

Notes:

1. Corporate mainly represents corporate and administrative activities, and shared services; others represent international infrastructure business and international real estate and hospitality business.

2. Nominated subcontractors' works of Macau Galaxy Resort Phase 2 project ("NSC").

2. Segment information (Continued)

(b) Geographical analysis

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Continuing operations		
Hong Kong	**8,123,618**	7,923,707
Macau	**1,587,620**	4,597,276
PRC	**66,805**	61,057
Others	**45,173**	3,216
	9,823,216	12,585,256
Discontinued operation		
Hong Kong	**2,070,129**	2,196,982
Macau	**20,049**	153,506
PRC	**72,783**	83,129
	2,162,961	2,433,617
	11,986,177	15,018,873

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**585,447**	668,986
Macau	**23**	318
PRC	**12,877,638**	11,953,332
	13,463,108	12,622,636
Available-for-sale financial asset	**29,785**	31,662
Deferred tax assets	**9,056**	41,974
Total non-current assets	**13,501,949**	12,696,272

(c) Customer base analysis

The Group's customer base is diversified and includes two (2015: two) customers with transaction exceeding 10% of the Group's total revenue. Aggregate revenue from those customers amounted to HK$3,880.9 million and was derived from building construction (2015: HK$5,907.1 million and was derived from building construction).

2. **Segment information (Continued)**

(d) ***Reconciliation of reportable segment revenue***

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Reportable segment revenue	**9,378,657**	9,623,182
Revenue – NSC	**444,559**	2,962,074
	9,823,216	12,585,256
Discontinued operation		
Reportable segment revenue	**2,162,961**	2,433,617
	11,986,177	15,018,873

3. **Discontinued operation**

The discontinued operation represented interiors & special projects and property & facility management business upon the disposal of Synergis Holdings Limited, which ceased to be a subsidiary on 21 November 2016. The results of Synergis Holdings Limited for the period from 1 January 2016 to 20 November 2016 was presented as discontinued operation accordingly.

	2016	2015
	HK$'000	*HK$'000*
Revenue	**2,162,961**	2,433,617
Cost of sales and operating expenses	**(2,130,576)**	(2,365,823)
Profit before taxation	**32,385**	67,794
Taxation	**(7,892)**	(12,307)
Profit for the year	**24,493**	55,487
Gain on disposal of a subsidiary	**185,915**	–
	210,408	55,487
Profit attributable to:		
Equity holders of the Company	**202,629**	35,178
Non-controlling interests	**7,779**	20,309
	210,408	55,487
Operating cash flows	**61,398**	20,940
Investing cash flows	**(31,121)**	(11,500)
Financing cash flows	**(71,195)**	29,207
Net (decrease)/increase in cash and cash equivalents	**(40,918)**	38,647

3. Discontinued operation (Continued)

	2016
	HK$'000
Net assets disposed of:	
Intangible assets	**64,400**
Stocks and contracting work-in-progress	**414,942**
Receivables and prepayments	**479,015**
Cash and cash equivalents	**88,923**
Other assets	**100,148**
Bank loans	**(239,048)**
Payables and accruals	**(734,623)**
Other liabilities	**(45,563)**
Non-controlling interests	**(53,843)**
Goodwill	**18,753**
Release of reserves upon disposal	**(8)**
Gain on disposal of a subsidiary	**185,915**
Total consideration	**279,011**

4. Other (losses)/gains, net

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Net gain/(loss) on disposal of property, plant and equipment and leasehold land	**31**	(683)
Adjustment for tax indemnification asset (Note 16 (2))	**(983,861)**	–
Gain on reversal of provision for impairment of receivables	**–**	455
Provision for impairment of amount due from a shareholder of an associate[1]	**(156,044)**	–
Provision for impairment of amount due from an associate	**(11,179)**	–
Provision for impairment of goodwill[2]	**(23,249)**	–
Change in fair value in financial derivatives (Note 14)	**194,168**	(6,987)
Loss on redemption of convertible bonds	**(129,976)**	–
Gain on debt extinguishment[3]	**–**	117,557
Miscellaneous	**3,951**	2,261
	(1,106,159)	112,603

Notes:

1. The amount represents the share capital injection paid by the Company on behalf of another shareholder of an associate. The amount of share capital was used for a potential acquisition of property projects through an associate. As at 31 December 2016, the transaction was expired and the deposit paid was non-refundable pursuant to the sales and purchase agreement. Management considered the recoverability of the balance from the shareholder of the associate was highly uncertain and therefore full provision of impairment has been made accordingly.

2. The goodwill arose from Hsin Chong Property Development Limited in 2011 allocated to the "Property development and investment segment". Management carried out impairment assessment of the goodwill and concluded a full provision is required as at 31 December 2016.

3. The gain in 2015 represents the discounts offered by the financial institution upon the early settlement of certain other borrowings.

4. Other (losses)/gains, net (Continued)

	2016	2015
	HK$'000	*HK$'000*
Discontinued operation		
Net gain/(loss) on disposal of property, plant and equipment and leasehold land	**138**	(134)
Loss on disposal of a subsidiary	**–**	(2,257)
Provision for impairment of receivables	**(16)**	–
Gain on reversal of provision for impairment of receivables	**–**	317
Miscellaneous	**4,071**	6,753
	4,193	4,679

5. Provision for impairment of properties under development

Management carried out impairment assessment with reference to valuation performed by independent external valuer. Following the delays of the development in certain property projects, potential changes in management's development plans and decrease in expected selling price, management considers a decrease in net realisable value of its properties under development. As at 31 December 2016, provision of HK$1,924 million has been provided in light of such delayed development status and latest market condition on certain property projects in the PRC.

6. Interest expenses

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**99,426**	122,197
Interest expense on notes	**–**	2,087
Interest expense on convertible bonds (Note 14)	**136,092**	14,911
Interest expense on other borrowings	**695,039**	33,553
Interest expense on senior notes	**335,649**	138,546
Others	**–**	117
	1,266,206	311,411
Less: amounts capitalised on qualifying assets	**(1,108,867)**	(188,824)
	157,339	122,587
Representing:		
Continuing operations	**154,465**	118,947
Discontinued operation	**2,874**	3,640
	157,339	122,587

7. (Loss)/profit before taxation

	2016		2015	
	Continuing operations	**Discontinued operation**	Continuing operations	Discontinued operation
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Cost of sales				
Cost of construction				
– Staff costs	**1,052,581**	**122,375**	1,185,448	120,660
– Other construction costs	**8,269,666**	**1,331,128**	10,910,264	1,588,571
	9,322,247	**1,453,503**	12,095,712	1,709,231
Cost of property and facility management services				
– Staff costs	**–**	**442,367**	–	503,192
– Others	**–**	**118,575**	–	35,580
	–	**560,942**	–	538,772
Cost of property development and investment				
– Staff costs	**3,758**	**–**	1,305	–
– Stock of properties sold	**12,906**	**–**	15,344	–
– Others	**27,856**	**–**	37,425	–
	44,520	**–**	54,074	–
	9,366,767	**2,014,445**	12,149,786	2,248,003
Depreciation of property, plant and equipment and leasehold land	**80,004**	**5,281**	68,127	4,425
Auditor's remuneration	**7,269**	**1,547**	4,736	1,330
Operating lease rentals for land and buildings	**33,791**	**8,061**	15,253	6,110
Outgoings in respect of				
– investment properties	**19,995**	**–**	23,621	–
– owner occupied property	**4,534**	**–**	4,792	–
Staff costs, included in general and administrative expenses	**273,990**	**66,193**	233,501	68,675

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year after application of available tax losses brought forward for both years. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of tax charged/(credited) to the consolidated income statement represents:

	2016		2015	
	Continuing operations *HK$'000*	**Discontinued operation** *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*
Provision for the year				
– Hong Kong profits tax	**34,136**	**9,067**	17,456	13,868
– PRC and Macau profits tax	**15,508**	**–**	25,725	(35)
– Overseas profits tax	**2,851**	**–**	–	–
Under/(over) provision in respect of prior years	**12,999**	**–**	(3,924)	–
Deferred tax (credit)/charge	**(1,416,360)**	**(1,175)**	59,956	(1,526)
	(1,350,866)	**7,892**	99,213	12,307

9. (Loss)/earnings per share

(a) Basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Continuing operations		Discontinued operation	
	2016	2015	**2016**	2015
(Loss)/profit attributable to equity holders *(HK$'000)*	**(2,936,129)**	2,410,659	**202,629**	35,178
Less: dividends to convertible preference shareholders *(HK$'000) (Note)*	**–**	(56,548)	**–**	–
(Loss)/profit attributable to ordinary shareholders *(HK$'000)*	**(2,936,129)**	2,354,111	**202,629**	35,178
Weighted average ordinary shares issued *('000)*	**5,586,379**	5,143,884	**5,586,379**	5,143,884
Basic (loss)/earnings per share *(HK cents)*	**(52.6)**	45.8	**3.6**	0.7

Note: Pursuant to the terms of the convertible preference shares, the holders are at all times entitled to dividends or other distributions of the same amount with respect to the Company's ordinary shares. Accordingly, the holders of the convertible preference shares were entitled to dividend of 1.0 HK cent per share for the year ended 31 December 2015 and a total amount of HK$56,548,000 was adjusted in the profit attributable to ordinary shareholders. There is no dividend declared by the board for the year ended 31 December 2016 and accordingly no adjustment has been made in the calculation of the basic earnings/(loss) per share for the year.

9. **(Loss)/earnings per share (Continued)**

(b) The diluted loss per share for continuing operations for the year ended 31 December 2016 is the same as the basic loss per share because the exercise of the Group's share options, convertible preference shares and convertible bonds would result in a decrease in loss per share for the year. The basis for diluted earnings per share for discontinued operation is the same as the basis used in continuing operations. Diluted earnings per share in 2015 is calculated by dividing the Group's profit attributable to the equity holders by the weighted average number of ordinary shares outstanding after adjustment for the potential dilutive effect in respective of outstanding share options and potential ordinary shares to be issued on convertible bonds outstanding and convertible preference shares during the year.

	Continuing operations		**Discontinued operation**	
	2016	2015	**2016**	2015
(Loss)/profit attributable to equity holders *(HK$'000)*	**(2,936,129)**	2,410,659	**202,629**	35,178
Add: Change in fair value in financial derivatives *(HK$'000)*	**–**	6,987	**–**	–
Add: Interest expense on convertible bonds *(HK$'000)*	**–**	14,911	**–**	–
	(2,936,129)	2,432,557	**202,629**	35,178
Weighted average ordinary shares issued *('000)*	**5,586,379**	5,143,884	**5,586,379**	5,143,884
Adjustment for convertible preference shares issued *('000)*	**–**	5,800,615	**–**	5,800,615
Adjustment for convertible bonds issued *('000)*	**–**	127,401	**–**	127,401
Weighted average ordinary shares for calculating diluted (loss)/ earnings per share *('000)*	**5,586,379**	11,071,900	**5,586,379**	11,071,900
Diluted (loss)/earnings per share *(HK cents)*	**(52.6)**	22.0	**3.6**	0.3

10. Dividends

Dividends recognised as distribution during the year:

	2016	2015
	HK$'000	*HK$'000*
2016 Interim dividend – Nil (2015 Interim dividend: 1.0 HK cents) per share	**–**	108,433
2015 Final dividend – Nil (2014 Final dividend: 2.2 HK cents) per share	**–**	214,463
	–	322,896

11. Property, plant and equipment and leasehold land

Upon the finalisation of development plan of certain property projects, a certain portion of its properties under development and investment properties were determined to be for self-use by the Group and have been transferred to property, plant and equipment and leasehold land accordingly. During the year ended 31 December 2016, HK$2,015 million from properties under development and HK$372 million from investment properties under development have been transferred to property, plant and equipment and leasehold land.

12. Receivables and prepayments

	2016	2015
	HK$'000	*HK$'000*
Trade receivables		
– third parties	**856,613**	883,298
– provision for impairment	**(423)**	(423)
	856,190	882,875
Retention receivables		
– third parties	**1,213,917**	1,268,742
– provision for impairment	**(125)**	(125)
	1,213,792	1,268,617
	2,069,982	2,151,492
Other receivables		
– third parties[1]	**623,910**	101,814
– related companies[2]	**285,307**	–
	909,217	101,814
Deposits and prepayments		
– third parties	**745,234**	635,109
	3,724,433	2,888,415
Less: non-current portion	**(661,070)**	(208,941)
	3,063,363	2,679,474

Notes:

1. Balance includes deposits of HK$512 million made to a third party as collateral to secure the other borrowings from the corresponding party.

2. Related companies represented two companies incorporated in the PRC, which are owned by a director of the Company and/or close member of his family. Balances represent two borrowings granted to the two related companies which carry interest at 12% per annum and at 0.91667% per month respectively.

12. Receivables and prepayments (Continued)

The aging analysis of trade receivables by due date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Not yet due	**758,437**	801,692
1 to 30 days	**85,011**	31,026
31 to 90 days	**2,586**	34,923
91 to 180 days	**6,710**	2,795
Over 180 days	**3,446**	12,439
	856,190	882,875

The Group's credit terms for its contracting business and property rental are negotiated with and entered into under normal commercial terms with its trade customers. The credit period for the trade receivables for contracting business generally ranges from 30 to 60 days (2015: 30 to 60 days). Retention receivables in respect of the contracting business are settled in accordance with the terms of the respective contracts. Rental income is billed in advance of the rental period.

13. Payables and accruals

	2016	2015
	HK$'000	*HK$'000*
Trade payables – third parties	**1,311,707**	1,073,392
Retention payables – third parties	**918,800**	946,909
Accruals for builders' work	**2,249,265**	2,131,287
	4,479,772	4,151,588
Other payables, deposits and accruals		
– third parties	**1,207,039**	1,574,650
– accruals for tax liabilities on acquisition of land parcels in Tieling	**325,187**	347,300
	6,011,998	6,073,538

13. **Payables and accruals (Continued)**

The aging analysis of trade payables by due date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Not yet due	**668,127**	632,645
1 to 30 days	**307,600**	257,457
31 to 90 days	**145,571**	64,876
91 to 180 days	**77,539**	24,508
Over 180 days	**112,870**	93,906
	1,311,707	1,073,392

14. **Convertible bonds and financial derivative liability**

On 20 November 2015, the Group issued 6.0% convertible bonds at a par value of USD100 million. The bonds mature two years from the issue date at their nominal value of USD100 million or can be converted into shares at the holder's option within the conversion period at the rate of HK$1.00 per share. On 20 May 2016, the conversion price was adjusted downwards to HK$0.78 per share. The values of the liability component and the embedded derivative component were determined at the issuance of the bonds. During the year, amount of HK$734 million was early redeemed by the bondholders.

On 19 May 2016, the Group issued zero coupon convertible bonds at a par value of HK$34 million. The bonds mature on the 18th month from the issue date at their nominal value of HK$34 million or can be converted into shares at the holder's option from the date of issue up to the maturity date at the rate of HK$1.00 per share. The values of the liability component and the equity component were determined at the issuance of the bonds.

14. Convertible bonds and financial derivative liability (Continued)

The initial recognitions of the 6.0% convertible bonds and zero coupon convertible bonds are set out as below:

	6.0% convertible bonds 20 November 2015 *HK$'000*	**Zero coupon convertible bonds 19 May 2016** *HK$'000*
Fair value of convertible bonds at date of issue	728,713	34,000
Embedded derivative component	(199,425)	–
Equity component	–	(9,874)
Liability component on initial recognition at date of issue	529,288	24,126

The movements of the liability component of the 6.0% convertible bonds and zero coupon convertible bonds are set out below:

	6.0% convertible bonds 20 November 2015 *HK$'000*	**Zero coupon convertible bonds 19 May 2016** *HK$'000*	**Total** *HK$'000*
At 1 January 2015	–	–	–
Issue of convertible bonds	529,288	–	529,288
Interest expense (Note 6)	14,911	–	14,911
At 31 December 2015	544,199	–	544,199
Issue of zero coupon convertible bonds	**–**	**24,126**	**24,126**
Interest expense (Note 6)	**132,439**	**3,653**	**136,092**
Conversion to ordinary shares of the Company	**(15,764)**	**–**	**(15,764)**
Coupon interest paid	**(46,478)**	**–**	**(46,478)**
Early redemption	**(597,479)**	**–**	**(597,479)**
At 31 December 2016	**16,917**	**27,779**	**44,696**

The movements of the embedded derivative component of the 6.0% convertible bonds are set out below:

	2016 ***HK$'000***	2015 *HK$'000*
At 1 January	**206,412**	–
Issue of convertible bonds	**–**	199,425
Change in fair value in financial derivatives (Note 4)	**(194,168)**	6,987
Conversion to ordinary shares of the Company	**(5,573)**	–
Early redemption	**(6,488)**	–
At 31 December	**183**	206,412

15. Share capital

	2016		2015	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised, ordinary shares of HK$0.1 each:				
At 1 January	**30,000,000**	**3,000,000**	30,000,000	3,000,000
Addition	**–**	**–**	–	–
At 31 December	**30,000,000**	**3,000,000**	30,000,000	3,000,000
Authorised, preference shares of HK$0.1 each:				
At 1 January	**15,000,000**	**1,500,000**	15,000,000	1,500,000
Addition	**–**	**–**	–	–
At 31 December	**15,000,000**	**1,500,000**	15,000,000	1,500,000
Ordinary shares, issued and fully paid:				
At 1 January	**5,188,577**	**518,858**	2,858,167	285,817
Issue of rights shares	**–**	**–**	857,450	85,745
Issue of placing shares	**–**	**–**	1,472,960	147,296
Issue of shares upon conversion of convertible preference shares[1]	**505,702**	**50,570**	–	–
Issue of shares upon conversion of convertible bond[2]	**26,828**	**2,683**	–	–
Cancellation on repurchase of shares[3]	**(14,436)**	**(1,444)**	–	–
At 31 December	**5,706,671**	**570,667**	5,188,577	518,858
Preference shares, issued and fully paid:				
At 1 January	**5,654,772**	**565,477**	–	–
Issue of shares for business combination	**–**	**–**	5,654,772	565,477
Exercise of conversion right attached to convertible preference[1]	**(505,702)**	**(50,570)**	–	–
Issue of consideration preference shares[4]	**555,096**	**55,510**	–	–
	5,704,166	**570,417**	5,654,772	565,477
At 31 December	**11,410,837**	**1,141,084**	10,843,349	1,084,335

15. Share capital (Continued)

Notes:

1. During the year, ordinary shares were issued upon exercise of conversion rights attached to the convertible preference shares on a one for one basis.

2. During the year, these shares were issued pursuant to the exercise of 6.0% convertible bonds issued on 20 November 2015. These shares rank pari passu in all respects with other shares in issue.

3. In April 2016, the Company purchased a total of 14,436,000 shares of the Company, price ranged from HK$0.51 to HK$0.54, on the Stock Exchange for an aggregate consideration of HK$7,556,020. All of the repurchased shares were cancelled, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

4. During the year, these shares were issued upon the issue of state-owned land use rights certificates for a land acquired on 8 January 2015.

16. Tax indemnification asset

In connection with acquisition of Goleman International Limited in 2015, therein the tax indemnification asset represents the tax indemnity granted by the vendor in respect of estimated taxation charge arising from the sales of properties ("Property Sales Taxation") when the aggregate amount of Property Sales Taxation paid or accrued exceeds the first RMB2,500 million. A total of 2,604 million issued convertible preference shares are withheld and redeemable by the Group within a period of 10 years starting from the share issuance date to safeguard the Group's potential tax liabilities.

The movement is as follows:

	HK$'000
At 1 January 2015	-
Granted due to business combination at a provisional amount	1,975,804
Re-measurement[1]	(861,134)
Exchange difference	(108,286)
At 31 December 2015	1,006,384
Adjustment[2]	(983,861)
Exchange difference	(22,523)
At 31 December 2016	–

16. Tax indemnification asset (Continued)

Notes:

1. Re-measurement on business combination

   In respect of prior year's acquisition of entire interest of Goleman International Limited, the provisional deferred tax liabilities relating to land appreciation tax has been finalised, resulting in a decrease of HK$861 million. Owing to the indemnification arrangement by the vendor, the corresponding tax indemnification assets are decreased by an equivalent amount accordingly and there is no impact to the gain on bargain purchase recognised in 2015. The comparative consolidated balance sheet as at 31 December 2015 has been revised to reflect the final measurement.

   Details of net assets acquired arising from the business combination at the acquisition date were revised as follows:

	Fair value
	HK$'000
Property, plant and equipment and leasehold land	5,830
Investment properties	2,681,731
Tax indemnification assets	1,114,670
Properties under development	12,487,798
Receivables and prepayments	24,231
Cash and bank deposits	280
Other borrowings	(2,918,593)
Payables and accruals	(318,785)
Deferred tax liabilities	(5,239,750)
	7,837,412
Gain on bargain purchase	(1,982,518)
Total consideration	5,854,894

2. During the year, provision for impairment of properties under development has been provided. Accordingly, the Group reassessed its tax position of certain properties in the PRC as at 31 December 2016 which resulted a decrease in deferred tax liabilities and correspondingly, resulted an adjustment to the tax indemnification asset.

17. Gains on bargain purchase

There were four business combinations completed in 2015. These business combinations were accounted for by acquisition method. The gains on bargain purchase are calculated based on the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date and the fair value of the consideration of the respective acquisition.

Significant portion resulted from the acquisition of the entire interest of Goleman International Limited, please refer to Note 16(1) for details.

18. Event after the reporting period

On 16 February 2017, the Group entered into a sale and purchase agreement with its 65%-owned subsidiary to dispose of 100% equity interests of certain subsidiaries of the Group at a consideration of HK$150 million. Completion of the disposal has not been taken place as at the date of this announcement.

G. HUMAN RESOURCES

As at 31 December 2016, the Group employed a total of 2,553 (2015: 8,169) full time staff. The number of full time staff has dropped significantly due to the disposal of Synergis Holdings Limited in November 2016.

The Group adopts sound policies of management incentives and competitive remuneration, which aligns the interests of management, employees and shareholders. The chief asset of the Group remains the skills and expertise of our loyal staff and we have rightly invested much time and effort in the selection, training and personal improvement of our staff.

The Group sets its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of the remuneration package consisted of base salary, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus, participation in share options scheme and long-term rewards.

H. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2016, the Company had repurchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a total of 14,436,000 Shares. All the repurchased Shares were cancelled on 21 June 2016.

Details of the repurchases of the Shares are as follows:

Date of Repurchase	Number of Shares Repurchased	Price Paid per Share Highest (HK$)	Lowest (HK$)	Aggregate Purchase Price (HK$)
5 April 2016	2,858,000	0.53	0.52	1,494,740
6 April 2016	5,500,000	0.54	0.53	2,940,000
7 April 2016	4,338,000	0.52	0.51	2,233,880
11 April 2016	1,740,000	0.51	0.51	887,400
Total	**14,436,000**			**7,556,020**

Save as the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

I. REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises four members, namely, Mr. CHENG Sui Sang (Independent Non–executive Director) as chairman of the Audit Committee, Mr. CHUI Kwong Kau (Non-executive Director), Mr. KWOK, Shiu Keung Ernest (Independent Non-executive Director) and Mr. George YUEN Kam Ho (Independent Non-executive Director) as members. The Audit Committee together with the participation of the management of the Company have reviewed the audited consolidated financial statements of the Group for the financial year ended 31 December 2016.

J. REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in this annual results announcement, from pages 12 to 38, have been agreed by the Company's external 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 Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

K. AUDITOR'S DISCLAIMER OF OPINION AND INVESTIGATIONS

As disclosed in sections headed "Basis for Disclaimer of Opinion" and "Disclaimer of Opinion" in extract of independent auditor's report contained on pages 42 to 50 of this announcement, the auditor of the Company (the "Auditor") did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016 as a result of certain matters, including: (1) multiple uncertainties relating to going concern; (2) transactions and balances relating to Mr. Zhou and his related entities; (3) payments made to a construction company; and (4) payments made to certain financial consultancy companies.

The Board of Directors of the Company has set up an independent investigation committee in late March 2017 which has agreed to conduct the independent investigation on the matters (2), (3) and (4) as stated in the above as soon as practicable.

L. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the financial year ended 31 December 2016.

M. COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND LISTING RULES

Corporate Governance Code

The Company has applied the principals in the code provisions and certain recommended best practices set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. During the financial year ended 31 December 2016, the Company complied with all code provisions of the CG Code, except the following deviation:

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. CHEN Lei, a non-executive Director, and Ms. LEE Jai Ying, an independent non-executive Director, did not attend the special general meeting of the Company held on 14 March 2016 due to their own official businesses and Ms. LEE Jai Ying and Mr. KWOK, Shiu Keung Ernest, the independent non-executive Directors, did not attend the annual general meeting of the Company held on 19 May 2016 due to their own official businesses.

Minimum Number of Independent Non-executive Directors

Following the appointment of Mr. Eric TODD as an Executive Director with effect from 9 March 2017, the number of the Independent Non-executive Directors has fallen below the minimum number required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. The Company will seek a suitable candidate to fill the expected replacement to be appointed within three months from 9 March 2017 pursuant to Rule 3.11 of the Listing Rules.

Connected transactions

During the year, the Group entered into a series of transactions and provide financial assistance to entities associated with an executive director, Mr. Zhou Wei, which constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

The Company had omitted to comply with the reporting, announcement and independent Shareholders' approval requirements of Rule 14A.35 of the Listing Rules and failed to announce the provisions of financial assistance to the connected entities at the time of the execution of the relevant agreements at the material time.

Details of the connected transactions mentioned above are set out in the announcement of the Company dated 30 March 2017.

Delay in publication of annual results and postponement of board meeting

The Company did not publish its results on or before 31 March 2017. The Board acknowledges that the delay in the publication of the announcement of the annual results constitute non-compliance with Rule 13.49(1) of the Listing Rules.

N. MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR AFFILIATED COMPANIES

On 21 November 2016, the Group complete the disposal of its entire interest in its subsidiary, Synergis Holdings Limited, at a consideration of HK$279,010,790. Gain on disposal of HK$185,915,000 was resulted.

For details, please refer to the announcement of the Company dated 23 November 2016.

O. EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Basis for Disclaimer of Opinion

(1) Multiple uncertainties relating to going concern

As described in Note 2(a)(i) to the consolidated financial statements, the Group reported a net loss attributable to the owners of the Company of HK$2,734 million and had a net operating cash outflow of approximately HK$1,334 million during the year ended 31 December 2016. As at the same date, the Group's total borrowings amounted to HK$11,580 million, of which HK$6,551 million were classified as current liabilities, while its unrestricted cash and cash equivalents amounted to HK$411 million only.

On 22 March 2017, the Group received a letter from a lender of a borrowing of HK$768 million as at 31 December 2016 demanding for immediate repayment of total outstanding overdue balance of HK$796 million. Subsequent thereto, the Group has already fully settled the amount. In connection with the drawdown of this borrowing in November 2016, certain assets of the Group were pledged as security therefor, and if such pledge was not considered as permitted lien under the relevant documents of the senior notes issued by the Company under non-current liabilities amounting to HK$3,418 million, this might lead to a breach of the relevant covenants such that reclassification of the borrowings under the senior notes to current liabilities as at 31 December 2016 might be required. As at 31 December 2016 and up to the date of this report, the borrowings of the Group in aggregate of HK$455 million were overdue. Subsequent to 31 December 2016, additional borrowings of the Group in aggregate of HK$705 million (excluding the aforesaid borrowings of HK$768 million and HK$455 million) as at 31 December 2016 were also overdue but the Group has already obtained extension of repayment of such balances prior to the date of this report. The overdue borrowings without extension would be immediately repayable if requested by the lenders. Furthermore, in respect of the borrowings of the Group in aggregate of HK$4,348 million as at 31 December 2016, the Group could not meet certain financial ratios as set out in the covenants in the relevant borrowing agreements.

Should the above-mentioned situations constitute or have become events of default under the respective borrowing agreements, including those under the cross-default terms, these might cause an aggregate amount of borrowings up to HK$6,294 million at 31 December 2016, of which an aggregate amount of HK$4,850 million had original contractual repayment dates beyond 31 December 2017, to become immediately repayable.

These conditions, together with other matters described in Note 2(a)(i) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in Note 2(a)(i) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful implementation and acceleration of its disposal plan of its properties, plant and equipment, investment properties, properties under development and completed properties held for sale, including timely execution of definitive sales agreements and timely collection of the disposal proceeds, and the successful deferral of capital expenditures for the Group's unsold projects; (iv) the successful launch of its outlet mall and pre-sales of certain residential units in Foshan so as to generate operating cash inflows; (v) the successful negotiation with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms; and (vi) the successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's construction business and the property development projects such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

(2) Transactions and balances relating to Mr. Zhou and his related entities

(2)(i) Funding arrangements in relation to certain properties in Beijing

In late January 2017, management provided us with a set of agreements ("Agreement A"), which was not complete and fully executed, entered into by a wholly-owned subsidiary of the Group ("Subsidiary A"), Mr. Zhou Wei ("Mr. Zhou", an executive director of the Company), and a PRC incorporated company indirectly owned by Mr. Zhou and his relative ("Mr. Zhou's Company A"). Pursuant to Agreement A, Mr. Zhou's Company A should sell certain properties in Beijing, the PRC (the "BJ Properties") to the Group at a consideration of RMB500 million. According to Agreement A, the Group should make a first instalment payment of RMB130 million upon fulfilling certain conditions, of which RMB129 million had been paid by Subsidiary A to Mr. Zhou's Company A in August 2016 and recorded as "Receivables and Prepayments" under non-current assets in the Group's consolidated balance sheet as at 31 December 2016. The remaining consideration of RMB370 million has yet been paid by the Group up to the date of this report. Pursuant to Agreement A, Mr. Zhou's Company A should lease back the BJ Properties at an agreed term, and upon full settlement of the corresponding rental, the Group should transfer the BJ Properties back to Mr. Zhou's Company A at RMB100. Furthermore, the BJ Properties and 86% equity interest in Mr. Zhou's Company A should be pledged to the Group, and Mr. Zhou should provide a personal guarantee for the obligations of Mr. Zhou's Company A under Agreement A.

On 14 March 2017, management provided us with another set of agreements ("Complete Agreement A") that were the same as Agreement A, except that they were complete and fully executed. On 28 March 2017, management provided us with further documents signed by various parties in December 2016, including Subsidiary A, another wholly-owned subsidiary of the Group ("Subsidiary B") and Mr. Zhou's Company A ("Further Documents"). Pursuant to Further Documents, Complete Agreement A was terminated as Subsidiary A had not provided the remaining funding of RMB370 million under that agreement. Furthermore, the RMB129 million advanced by Subsidiary A was treated as an unsecured loan to Mr. Zhou's Company A, which carries interest at 12% per annum and is repayable before 21 August 2024. Management explained that the delay in provision of Complete Agreement A and Further Documents to us was due to inadvertent omission and unintentional oversight. We could not ascertain when Complete Agreement A and Further Documents were executed.

(2)(ii) Cooperation agreement in relation to the BJ Properties

In early February 2017, management provided us with a cooperation agreement entered into between another wholly-owned subsidiary of the Group ("Subsidiary C") and another PRC incorporated company owned by Mr. Zhou's relatives ("Mr. Zhou's Company B"), together with a guarantee agreement entered into amongst Subsidiary C, Mr. Zhou's Company A and Mr. Zhou (collectively, "Agreement B"). Pursuant to Agreement B, Mr. Zhou's Company B was required to (i) facilitate the handover of the property operation and management of the BJ Properties from Mr. Zhou's Company A to Subsidiary C; and (ii) refurbish the BJ Properties according to Subsidiary C's specification by 30 September 2017. As considerations for these services provided under Agreement B, Subsidiary C should pay a total amount of RMB247.5 million to Mr. Zhou's Company B. Payments of RMB126.2 million and RMB121.3 million were made by Subsidiary C to another company indirectly owned by Mr. Zhou on 29 December 2016 and 13 January 2017, respectively, which were financed by a long-term loan facility of RMB420 million provided by a financial institution in the PRC to the Group on 28 December 2016. Pursuant to the relevant loan agreement, Mr. Zhou's Company A has pledged the BJ Properties to the financial institution as a security to the loan facility. Pursuant to Agreement B, Mr. Zhou's Company A and Mr. Zhou are guarantors for the obligations of Mr. Zhou Company B under Agreement B. As at 31 December 2016, the first payment was recorded as "Receivables and Prepayments" under non-current assets in the Group's consolidated balance sheet. No profit or loss was recognised in the consolidated income statement for the year then ended in this connection.

Agreement B was undated. Although the company chop of Subsidiary C was noted on Agreement B, no signature of the authorised representative of Subsidiary C was found. On 14 March 2017, management provided us with an agreement dated 27 December 2016 ("Agreement C") and a loan agreement dated 27 December 2016 ("Agreement D"). Pursuant to Agreement C, Agreement B was to be terminated; and pursuant to Agreement D, the total payment of RMB247.5 million to be made under Agreement B should be treated as a loan from Subsidiary C to Mr. Zhou's Company B for a term of period from 28 December 2016 to 12 November 2018, which carries interest at 0.91667% per month. Management explained that the delay in provision of Agreement C and Agreement D to us was due to inadvertent omission and unintentional oversight. We could not ascertain when Agreement C and Agreement D were executed.

In relation to these transactions and balances with Mr. Zhou and entities related to him under 2(i) and 2(ii), management was unable to provide us with adequate documentary evidence to support the proper approval of these transactions at or prior to the transaction dates, nor was it able to provide satisfactory and consistent explanations about their business rationale and commercial substance. We were also not able to obtain all the necessary corroborative evidence from the counterparties to substantiate the nature of these transactions and the related outstanding balances, and to assess their recoverability. Given the above, together with our concerns on those transactions described in the sub-sections headed (3) and (4) below, we have requested the audit committee of the Company to commission an independent investigation on the approval, authenticity and commercial substance of the relevant transactions (the "Proposed Investigation"). The audit committee has confirmed that an independent investigation committee was set up in late March 2017 which agreed to conduct the Proposed Investigation as soon as practicable.

As at the date of this report, the Proposed Investigation on those transactions under this sub-section (2) has just commenced. Because of the above scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the business rationale and commercial substance, legitimacy, occurrence, accuracy, completeness and presentation of these transactions and the related balances as at and during the year ended 31 December 2016;

(ii) the valuation of the related balances at 31 December 2016; and

(iii) whether the effects of these transactions have been properly accounted for and disclosed, including the accuracy and completeness of any related party transaction disclosures.

(3) Payments made to a construction company

In January 2017, management provided us with two shop renovation subsidy agreements (the "Subsidy Agreements") entered into by certain wholly-owned subsidiaries of the Group with a construction company incorporated in the PRC (the "Construction Company"), one dated 16 January 2016 in relation to the Group's property development project in Foshan city, the PRC (the "Foshan project"), and another one dated 4 August 2016 in relation to the Group's property development project in Taian city, the PRC (the "Taian project"). We were informed by management that the Construction Company was an enterprise owned by whole people（全民所有制企業）and an independent third party. In addition, we were provided with a supplemental agreement (the "Supplemental Agreement") dated 26 March 2016 in relation to the Foshan project, and an interior renovation construction contract (the "Renovation Contract") dated 1 July 2016 in relation to the Taian project.

Pursuant to the Subsidy Agreements, the Group should pay to the Construction Company an amount calculated at a unit rate of RMB8,500 per sq. meter in exchange for the Construction Company's service in providing renovation subsidies to the future tenants of the first phase outlet mall of each of the Foshan project and the Taian project. The total contract sums payable under the Subsidy Agreements amounted to RMB765 million and RMB136 million for the Foshan project and the Taian project respectively. The Group should pay 90% of the total contract sum to the Construction Company on the 5th working day after signing of the Subsidy Agreements. According to the accounting records of the Group, RMB433 million and RMB22 million were paid under the Subsidy Agreements for the Foshan project and the Taian project respectively during the year.

Pursuant to the Supplemental Agreement for the Foshan project only, based on the Group's revised development and investment plan, RMB457 million out of the total contract sum of RMB765 million pursuant to the Subsidy Agreements should be revised to cover certain services to be provided by the Construction Company including (i) assistance in demolition and relocation matters; (ii) greening and other environment restoration work of the land used for construction; and (iii) water and sewage system works. The remaining balance of the original contract sum of RMB308 million should be applied as subsidies for the renovation work of the future tenants as stipulated in the Subsidy Agreements, together with other construction and tender services in relation to the Foshan project, with the final contract sum subject to work certification. Up to December 2016, of the total RMB433 million paid by the Group to the Construction Company pursuant to the Subsidy Agreements, RMB409 million was accounted for as partial payment in respect of the work of RMB457 million under the Supplemental Agreement. In August 2016, the Construction Company issued a payment request to the Group stating that the work under items (i) to (iii) above had been completed and requested for the balance payment of RMB48 million, which was settled by the Group in January 2017.

Pursuant to the Renovation Contract for the Taian project only, the Construction Company should provide interior decoration service for the first phase outlet mall of the Taian project at a total contract sum of RMB500 million. The Group should pay 50% of the total contract sum to the Construction Company within 30 working days after signing of the Renovation Contract. According to the accounting records of the Group, RMB250 million was paid under Renovation Contract during the year. Management confirmed that as at 31 December 2016, the work under the Renovation Contract has not commenced.

In the Group's consolidated balance sheet, the aggregate amount of RMB272 million paid in respect of the Taian project was included as "Receivables and Prepayments" under non-current assets while for the aggregate amount of RMB433 million paid in respect of the Foshan project, RMB409 million was accounted for as addition to "Investment Properties" during 2016 and RMB24 million was included as "Receivables and Prepayments" under non-current assets. For the year ended 31 December 2016, the fair value change recognised for certain investment properties of the Foshan project was calculated after taking into account of the aforesaid addition to the investment properties. Should the remaining paid and payable amount of RMB356 million for Foshan project under the Subsidy Agreements and the total contracted amount of RMB636 million for Taian project under the Subsidy Agreements and Renovation Contract be considered as unavoidable cost directly attributable to the investment properties, the amounts might need to be included in determining, and thus might increase, the fair value loss of "Investment Properties".

Management was unable to provide us with adequate documentary evidence to support the proper approval and the nature of the transactions, the value and status of the work and services performed by the Construction Company as at and during the year ended 31 December 2016, and whether the amounts paid and payable under the aforesaid agreements have been incorporated in the Group's approved development budget for these projects, nor was it able to provide satisfactory explanations about the commercial substance of these transactions. Although we have interviewed the representatives of the Construction Company who explained that the services to be provided under these agreements were mainly identification and solicitation of new tenants, interior decoration work at the requests of the tenants and other refurbishment works, we were not able to obtain all the necessary corroborative evidence from the Construction Company to substantiate the nature of these transactions, and to verify the value and status of the work and services performed. Given these scope limitations, and because the Proposed Investigation on those transactions under this sub-section (3) is yet to commence as at the date of this report, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the business rationale (including the reasonableness of the subsidies to tenants as compared with common market practices) and commercial substance, occurrence, accuracy, completeness and presentation of these transactions together with the related balances as at and during the year ended 31 December 2016;

(ii) whether the effects of these transactions have been properly accounted for and disclosed, including the potential impact on the carrying amounts of the related assets of the Foshan project and the Taian project including "Investment Properties", "Receivables and Prepayments" or other assets in the Group's consolidated balance sheet and the potential related impact to changes in fair value for investment properties or other items in the consolidated income statement; and

(iii) disclosure of the related capital commitment, if any.

(4) Payments made to certain financial consultancy companies

During the course of our audit, we have identified total payments of RMB120 million to four companies incorporated in the PRC (the "Financial Consultancy Companies") made by certain wholly-owned subsidiaries during the year. We were informed by management that the Financial Consultancy Companies were independent third parties. In the Group's consolidated balance sheet, these amounts were capitalised in "Properties under Development" during the year ended 31 December 2016.

With regard to these payments, in January 2017, management provided us with several financial consultancy service agreements (the "Financial Consultancy Agreements") entered into in May 2016. Pursuant to the Financial Consultancy Agreements, the Financial Consultancy Companies should provide financial consultancy services to the Group, although the details of the services, e.g., references to specific financing activities undertaken by the Group or to specific property projects of the Group, were not provided in these agreements. Subsequently, management provided us with a management schedule relating the aforesaid financial consultancy service fees to an entrusted loan of RMB750 million obtained by the Group in May 2016, together with certain documents from the Financial Consultancy Companies to the Group stating that the amounts received were related to the aforesaid entrusted loan. However, the names or the existence of the Financial Consultancy Companies as consultants were not mentioned in the corresponding entrusted loan agreement.

Management was unable to provide us with adequate documentary evidence to support the nature and details of these transactions, nor was it able to provide satisfactory explanations about the commercial substance of these transactions. We were also unable to obtain all the necessary corroborative evidence from the counterparties to substantiate the nature of these transactions. Given these scope limitations, and because the Proposed Investigation on those transactions under this sub-section (4) is yet to commence as at the date of this report, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the business rationale and commercial substance, occurrence, accuracy, completeness and presentation of these transactions together with the related balances as at and during the year ended 31 December 2016; and

(ii) whether the effects of these transactions have been properly accounted for and disclosed, including the potential impact on the carrying amounts of the any related assets of the Group's property projects under "Properties under Development" and "Investment Properties" in the consolidated balance sheet and the potential related impact to the consolidated income statement.

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements and because we have not been able to obtain sufficient appropriate evidence as described in the Basis for Disclaimer of Opinion section of our report. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

P. CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the ordinary shares and debt securities of the Company has been suspended since 3 April 2017 and will continue to be suspended until further notice.

By order of the Board
Hsin Chong Group Holdings Limited
LIN Zhuo Yan
Non-Executive Chairman

Hong Kong, 18 April 2017

As at the date of this announcement, the Board comprises Mr. LIN Zhuo Yan as the Non-Executive Chairman; Ir. Joseph CHOI Kin Hung (Co-Chief Executive Officer), Mr. ZHOU Wei (Chief Strategic Officer), Mr. Wilfred WU Shek Chun (Chief Risk Officer) and Mr. Eric TODD as Executive Directors; Mr. YAN Jie, Mr. CHEN Lei, Mr. CHUI Kwong Kau and Mr. LUI Chun Pong as Non-executive Directors; and Mr. CHENG Sui Sang, Ms. LEE Jai Ying, Mr. KWOK, Shiu Keung Ernest and Mr. George YUEN Kam Ho as Independent Non-executive Directors.