

LT Commercial Real Estate Limited  
勒泰商業地產有限公司

| Incorporated in Hong Kong with limited liability | Stock Code : 112 |



## 2016 Annual Report



## Corporate Overview

LT Commercial Real Estate Limited (Stock Code: 112) (the “Company”, and with its subsidiaries collectively referred to as the “Group” or “Lerthai”) is incorporated in Hong Kong and the issued shares of which are listed on the Hong Kong Stock Exchange and is one of the leading property investment, management, and development groups in China and the USA. The controlling shareholder of the Company is China Lerthai Group which founded in 2003, built its unique brand and quality property portfolio for almost 15 years. The Company built its quality through excellence, integrity and partnership. The Group invests, develops, owns and manages about 20,000,000 sq. ft. of mixed use projects including large scale regional malls, luxurious residential units, Grade A office space, international quality hotels, serviced apartments, cinemas, ice-skating rinks, department stores, theatres, hypermarkets, entertainment complex and car-parking ports principally in China and the USA. Lerthai’s Capital Group holds Type 1, 2, 4 and 9 Licenses of the Securities and Futures Commission of Hong Kong to carry out regulated activities in the financial services sector. At Lerthai, we create places for communities, people and living!

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## *Forward-Looking Statements*

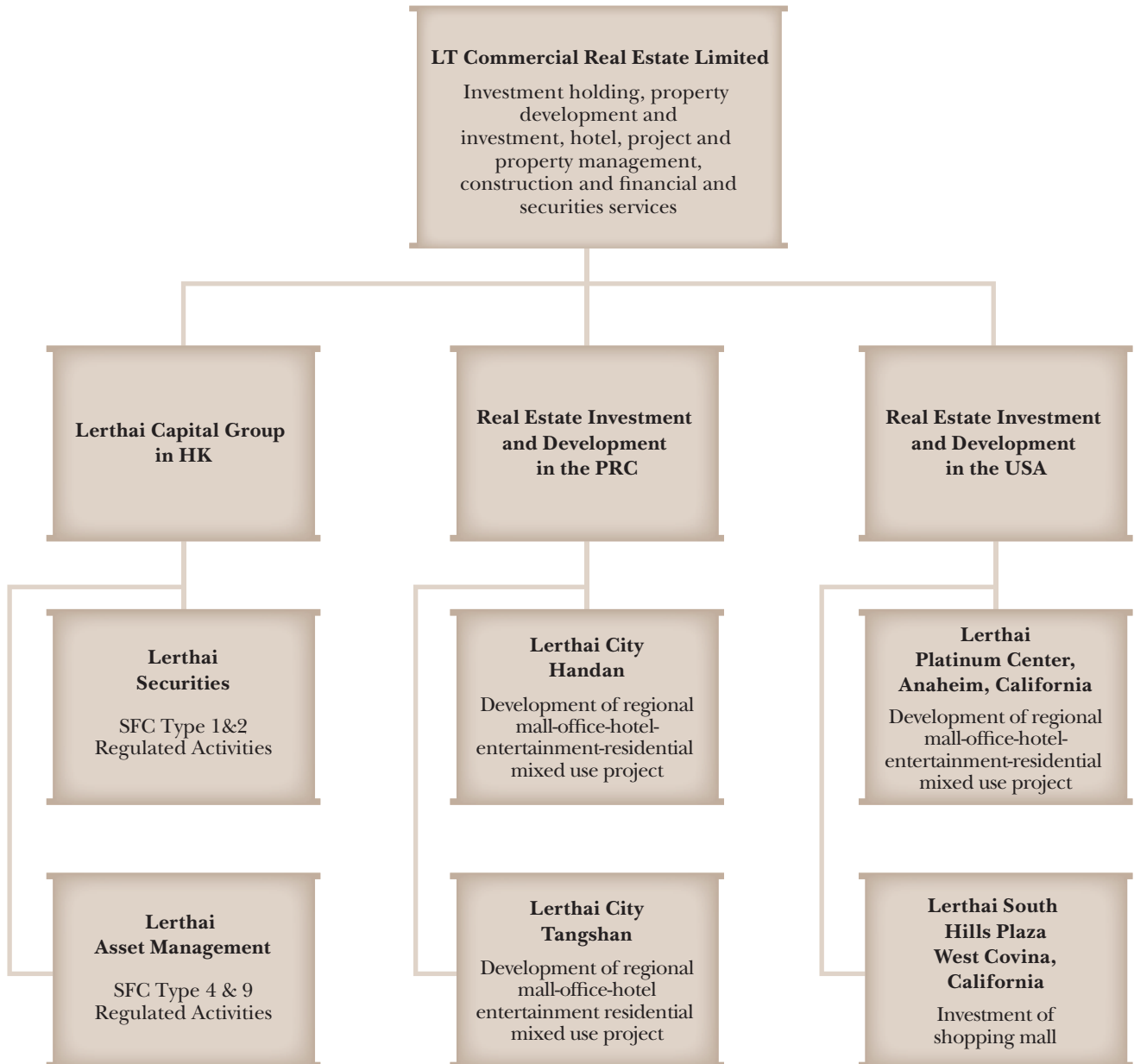
*This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.*

# Corporate Information

<b>Directors</b>	<i>Executive Directors</i> YANG Longfei ( <i>Chairman and Chief Executive Officer</i> ) YANG Shao Xing Max  <i>Non-executive Directors</i> LEE Vincent Marshall Kwan Ho DAI Hui HUNG Ka Hai Clement  <i>Independent Non-executive Directors</i> FAN Ren Da Anthony SHEK Pui Michelle LO Wai Hung	<b>Auditor</b>	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
<b>Audit Committee</b>	LO Wai Hung ( <i>Chairman</i> ) FAN Ren Da Anthony SHEK Pui Michelle	<b>Principal Banker</b>	Industrial and Commercial Bank of China Limited The Bank of East Asia (China) Limited East West Bank Bank of Communications Co., Ltd China Construction Bank Corporation
<b>Remuneration Committee</b>	FAN Ren Da Anthony ( <i>Chairman</i> ) YANG Longfei SHEK Pui Michelle	<b>Registered Office</b>	Units 5101-02 & 13 51st Floor The Center 99 Queen's Road Central Central, Hong Kong
<b>Nomination Committee</b>	FAN Ren Da Anthony ( <i>Chairman</i> ) YANG Longfei SHEK Pui Michelle	<b>Registrar and Transfer Office</b>	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Investment Committee</b>	LEE Vincent Marshall Kwan Ho ( <i>Chairman</i> ) YANG Longfei DAI Hui	<b>Website</b>	<a href="http://www.lth.com.hk">http://www.lth.com.hk</a>
<b>Company Secretary</b>	WONG Shui Yeung	<b>Stock Code</b>	112
		<b>Board Lot</b>	2,000 Shares
		<b>Investor Relations</b>	For enquiries relating to investor relations, please contact: Tel: (852) 2530 3313 Fax: (852) 3102 9203 E-mail: <a href="mailto:info@lth.com.hk">info@lth.com.hk</a>

# Corporate Structure

## Group Structure of LT Commercial Real Estate Limited





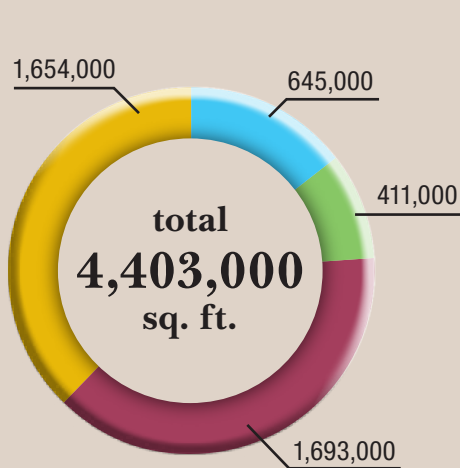
# INVESTMENT AND DEVELOPMENT HIGHLIGHTS



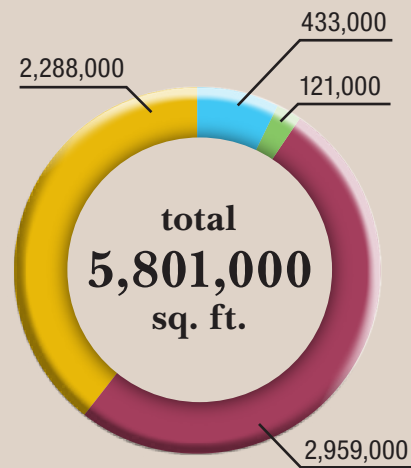
勒泰中心  
LERTHAI CENTER



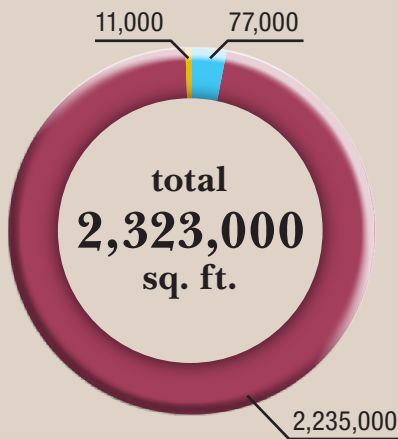
# Investment and Development Highlights



**Invested Land Area (sq. ft.)**



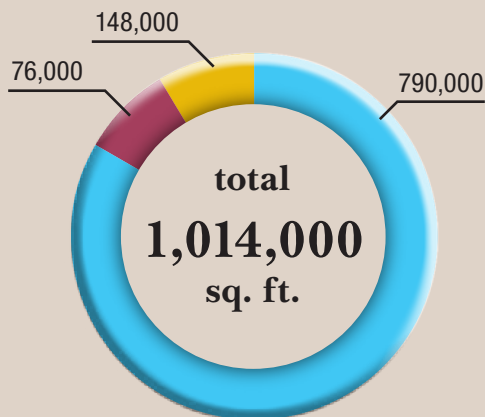
**Planned Retail Space (sq. ft.)**



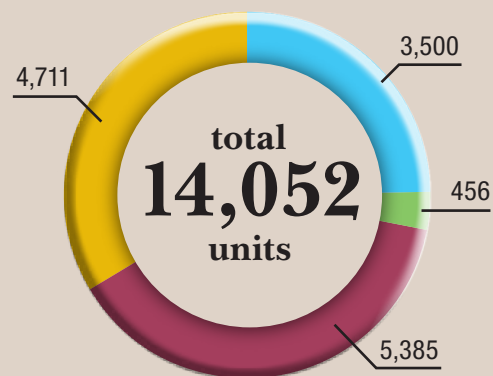
**Planned Office Space (sq. ft.)**



**Planned Hotel Space (keys)**



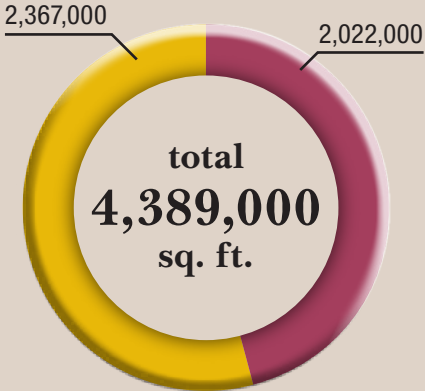
**Planned Apartment Space (sq. ft.)**



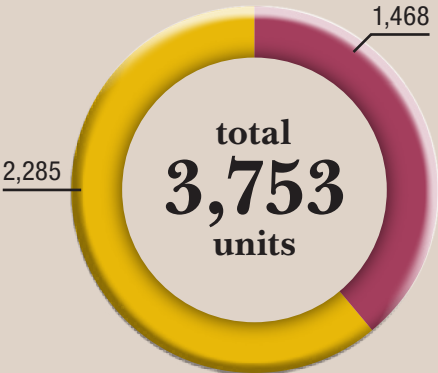
**Planned Car-parking Space (Nos.)**



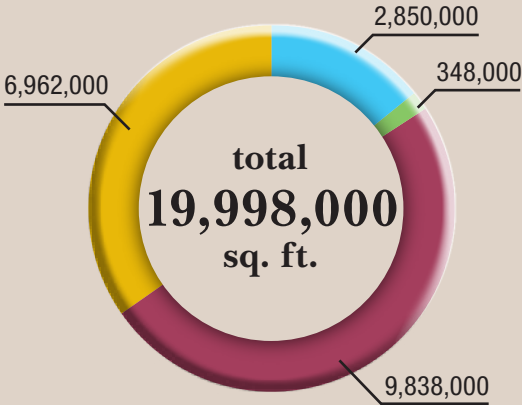
## Investment and Development Highlights



**Planned Residential Space (sq. ft.)**



**Planned Residential Units (Nos.)**

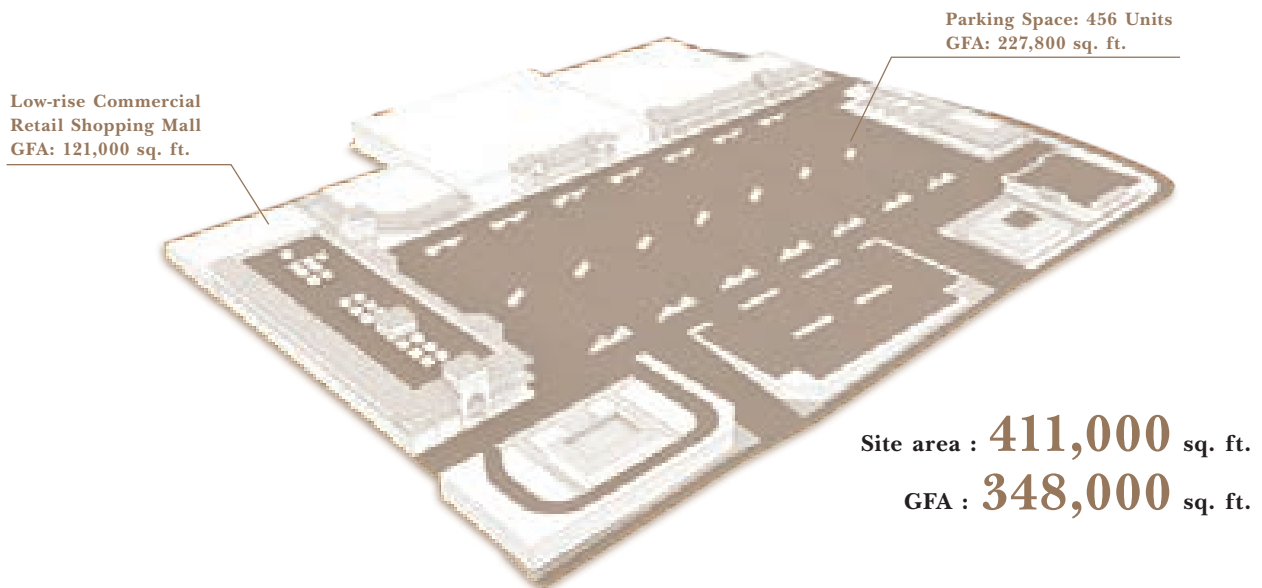


**Planned Total GFA (sq. ft.)**

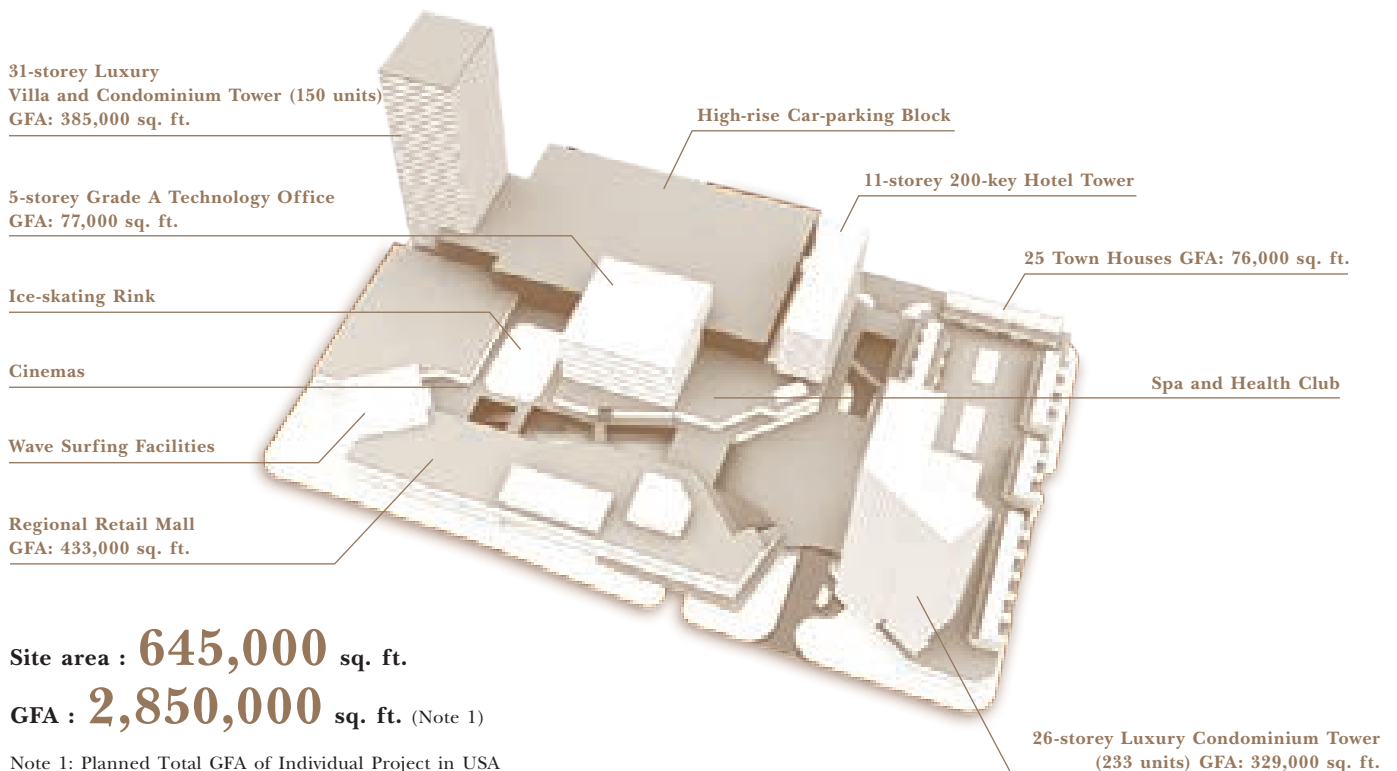


# Investment Portfolio in USA

## Lerthai South Hills Plaza (Shopping Mall), West Covina, USA



## Lerthai Platinum Center (Mixed use Complex), Anaheim, California, USA



# Investment Portfolio in PRC

## Tangshan Lerthai City

(A Mixed use Development Complex, Tangshan City, Hebei Province, China)

Site area : **1,693,000 sq. ft.**

GFA : **9,838,000 sq. ft.** (Note 2)

Regional Shopping Mall Zone A and Zone B  
GFA: 2,374,000 sq. ft.

18-storey Grade A Office  
GFA: 269,000 sq. ft.

27-storey Grade A Office  
GFA: 339,000 sq. ft.

18-storey, 276-key Hotel and Apartment  
GFA: 287,000 sq. ft.

Mall Zone C (China Town F&B/  
Entertainment Complex Gigantic LED Sky Screen Zone)  
GFA: 992,000 sq. ft.

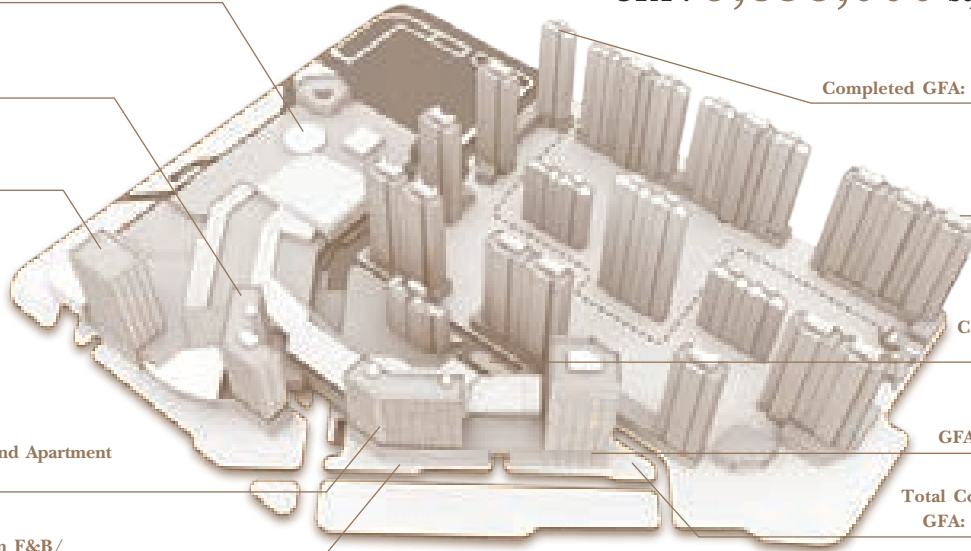
Residential Area  
Completed GFA: 1,815,000 sq. ft.

Construction  
under Planning

Car-parking Space  
3,470 Units

24-storey Office  
GFA: 370,000 sq. ft.

Total Commercial Space  
GFA: 6,148,000 sq. ft.



## Handan Lerthai City — Chuancheng Street

(A Mixed use Development Complex, Handan City, Hebei Province, China)

5-storey  
Serviced Apartment  
GFA: 44,000 sq. ft.

Gymnasium

24 Units Quadruple Courtyard  
GFA: 103,000 sq. ft.

Specialized Food & Bar Street  
GFA: 254,000 sq. ft.

Huimin Street

5-Storey, 185 Keys  
Spring & Spa Hotel  
GFA: 89,000 sq. ft.

4-storey Congtai (Parade Terrace)

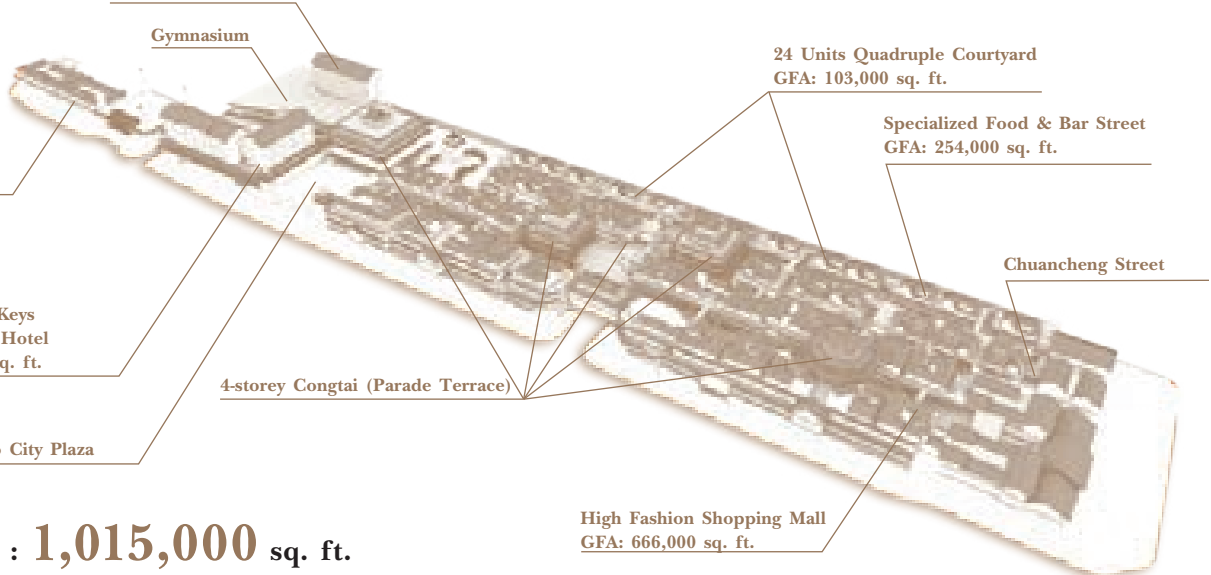
Chuancheng Street

Emperor Zhao City Plaza

High Fashion Shopping Mall  
GFA: 666,000 sq. ft.

Site area : **1,015,000 sq. ft.**

GFA : **3,349,000 sq. ft.** (Note 3)



Note 2 and Note 3: Planned Total GFA of Individual Project in PRC

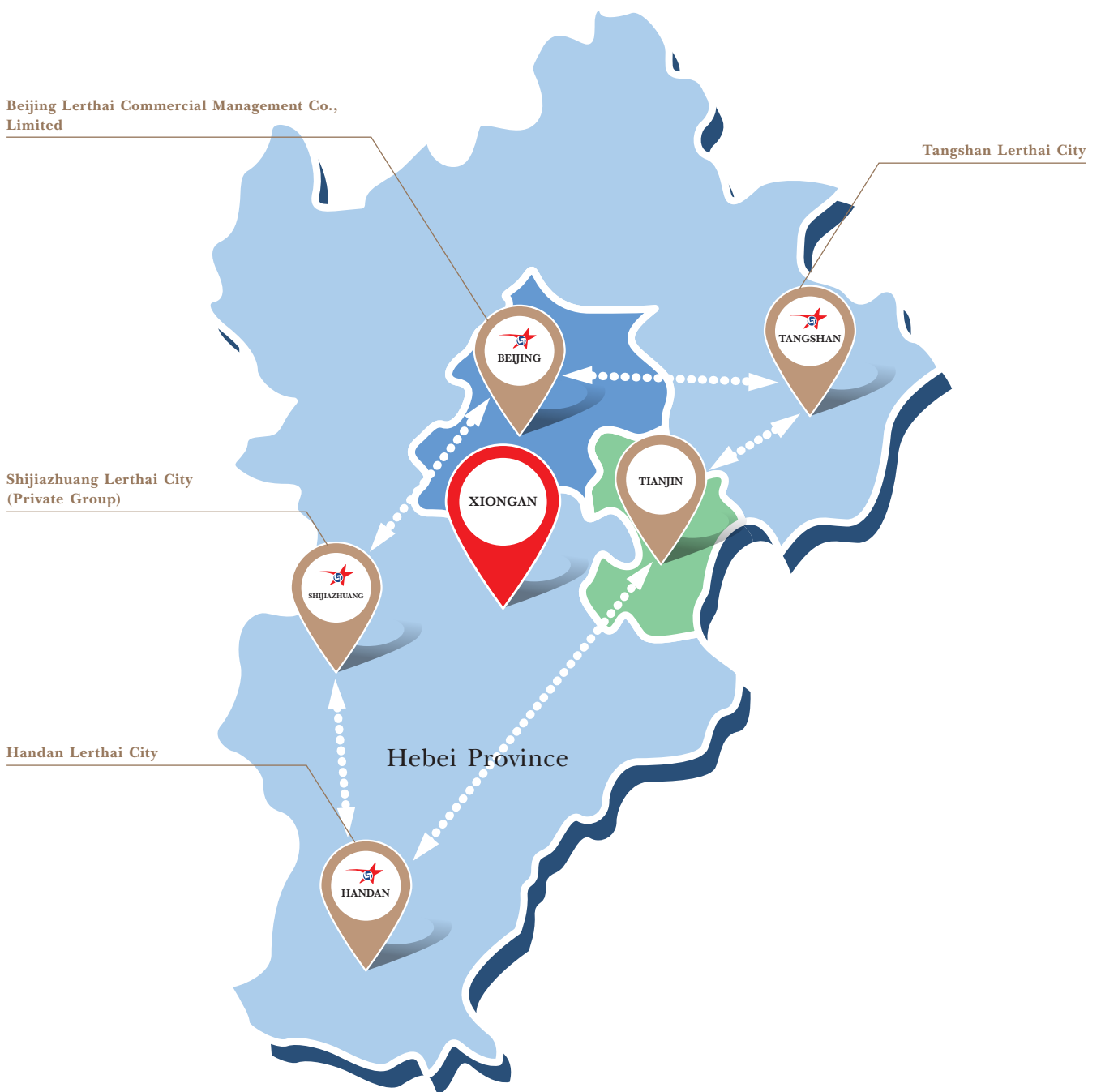


**Disclaimer:**

This report contains forward-looking statements (including statements, figures, plans, images and others information) that are based on current estimates and assumptions made by the Board of Directors of LT Commercial Real Estate Limited to the best of our knowledge. Such forward-looking statements are subject to risks and uncertainties, the non-occurrence or occurrence of which could cause the actual results, including the financial condition and profitability of LT Commercial Real Estate Limited, to differ materially from, or be more negative than, those expressed or implied by such forward-looking statements. This also applies to the forward-looking estimates and forecasts derived from third-party studies. Consequently, neither the Company nor its management can give any assurance regarding the future accuracy of the opinions set forth in this report or the actual occurrence of the predicted developments.

## Policies of Hebei “Xiongan New Area” Concept, Beijing-Tianjin-Hebei Integration and Geographical Relationship with Lerthai Businesses

In early 2017, the CPC Central Committee and the State Council announced that the Xiongan New Area would be established in Hebei Province. It is of great practical national significance to advance the integrated development of the Beijing-Tianjin-Hebei and to cultivate a new engine for the innovation and development



Note:

◀.....▶ denotes feeder city development and potential of growing city nodes.



Lerthai Platinum Center, Anaheim, California, USA (2023)

# CHAIRMAN'S STATEMENT



# Chairman's Statement

## Dear Shareholders

On behalf of the Board, I am pleased to present my report on the business of the Group for the financial year ended 31 December 2016.

## Review

2016 was a challenging year, but one full of opportunities nevertheless. The confirmation of Britain's exit from the European Union brought uncertainties to the European economy, while the macro-economic conditions of the United States of America ("USA") was subject to increasing volatility in the wake of changes in economic policies following the election year. Meanwhile, China continued to provide the driving force for economic growth in Asia as well as the world because the nation sustained a 6.7% gross domestic product ("GDP") growth in 2016.

### Property Business in China

China's residential property market remained robust in 2016. The two large-scale mixed use commercial and residential projects in China in which the Group invested were advancing with sound progress. The residential project in Tangshan Lerthai City was almost completed and is scheduled to deliver to their owners in the first quarter of 2017. We have also received the pre-sales permit for the residential section of Lerthai Jiayuan in Handan City in 2016. The foregoing will have a positive effect on and bring contributions to the future residential sales revenue of the Group.

*Yang, Longfei*

Chairman





As the Chinese government's policy on the integration of Beijing, Tianjin and Hebei Province came into shape, transportation facilities in addition to the Beijing-Tangshan High-speed Railway were coming on stream. In 2016, the intercity rail connecting Beijing and Tangshan was also officially approved for construction by the National Development and Reform Commission, and the construction is expected to be completed in approximately 4 years' time.

The Group has invested in "Lerthai City", a large-scale mixed use complex, in the western part of Tangshan adjacent to the Tangshan High-speed Railway. With a total gross floor area ("GFA") of 9.8 million sq. ft., these projects comprise residential units, regional shopping mall, hotels, offices and mega complexes. Lerthai Centre, the regional shopping mall has a total GFA of 3.7 million sq. ft. The Zone A and Zone B of Lerthai Centre officially opened on 23 December 2016 have been met with enthusiastic market response. The Group is fully confident in the future prospect of Tangshan Lerthai's development.

As China continued to increase its effort in the implementation of the 13th Five-Year-Plan ("13th FYP") and the progress of new urbanisation planning (2016–2020), our investment in the Handan project, towards the southern direction of Beijing, was also reporting sound progress. The project has a planned GFA of approximately 6.9 million sq. ft., including a large scale regional shopping mall occupying approximately 2 million sq. ft.. Handan is a city of international fame, with a vivid historic heritage as home to the birth of Qin Shi Huang (259 B.C.), the first Emperor in China who later built the Beijing section of the Great Wall and unified China. The commercial section will seek to relive the 3,000-year culture of Handan with a contemporary touch. The commercial section will be built around Chuancheng Street, so named since the ancient time of the Seven Warring States 3,000 years ago. It will be redeveloped into a prestigious regional complex for tourism, mega commercial facilities, leisure shopping, luxurious hotel, quadruple courts, as well as a wide range of dining, entertainment and sports venues. Lerthai Jiayuan, the residential blocks in Handan will provide residential areas of GFA 2.4 million sq. ft. with 2,285 residential units. The pre-sale permit for the residential units was issued in November 2016 and is expected to be delivered in 2018.

The economic momentum created by the integration of Beijing, Tianjin and Hebei Province, complemented by the close link between the Handan High-speed Rail and Beijing West High-speed Rail and the well-defined planning for dual city centres, is driving faster economic integration. In 2016, the Group consolidated its interests in the Handan project and assumed 100% control in Handan LT Municipal Investment Real Estate Development Company Limited, for the immense benefit of future operations, tenancy management and profitability.

Handan Lerthai City project, a large-scale regional shopping mall, meanwhile, is scheduled for official opening in the final quarter of 2017. Currently, we are actively working on the selection and allocation of tenants to assure an optimised tenancy mix, as well as the expansion of leasing management to ensure optimized occupancy rate.

### Property Business in the USA

The USA economy reported an approximate 1.6% growth for 2016, showing positive signs amidst stable development. California, meanwhile, ranked 6th globally in 2015 in terms of economic aggregates. The Lerthai South Hills Plaza, West Covina, California, USA, in which the Group invested, reported stable revenue. Another large prime land invested by the Group is located in Anaheim, California, USA near the California Disneyland, the second largest city in Orange County of California in the USA. The site with an area of approximately 645,000 sq. ft. has received approval to be built into a regional modern complex comprising premium residential units and multi-purpose commercial facilities with a GFA of approximately 2.8 million sq. ft. upon completion, planned to include 383 luxury residential units, 25 town houses, 200 premium hotel rooms and a modern regional shopping and entertainment centre with a total GFA of 430,000 sq. ft., 77,000 sq. ft. of office space and approximately 3,500 parking spaces. The project is expected to be completed around 2023.

## Chairman's Statement

The Group expects the Lerthai Platinum Centre in Anaheim, California, USA to generate stable long term recurring revenues for the Group in the future upon its completion.

### Financial Services

The financial companies of the Group obtained the Type 1, 2, 4 and 9 licenses issued by the Securities and Futures Commission of Hong Kong.

### Outlook

The Group is fully confident in the long-term economic development of China and the rest of Asia. In 2017, China's projected target GDP growth rate of 6.5% augurs well for the healthy development of the nation's real estate industry. In the USA, the commencement of the rate hike cycle in tandem with gradual economic recovery will also have a positive impact on the future development of USA projects. The opening of the Group's Tangshan Lerthai Centre in 2016 and Handan Lerthai City in 2017 will generate stable rental cash flows and revenues for the Group, while the delivery of the residential sections of Tangshan and Handan projects in 2017 and 2018 will also make positive contributions to the Group's revenues in 2017 and 2018 respectively.

The CPC Central Committee and the State Council recently announced that the Xiongan New Area would be established in Hebei Province. The scope of planning involves Hebei Xiongxian county, Rongcheng county, Anxin county and the surrounding part of the region. It is of great practical national significance to advance the integrated development of the Beijing-Tianjin-Hebei and to cultivate a new engine for the innovation and development of the Beijing-Tianjin-Hebei clusters of cities. Hebei Provincial Party Committee, the provincial government has to set up a working committee in this respect.

Since 2014, the Group has been actively developing large-scale regional urban complexes in Hebei Province, including commercial and residential real estate businesses. Up till now, the Group has invested in two large scale projects in Hebei Province, including Lerthai City, Tangshan City, Hebei Province and Lerthai City,

Handan City, Hebei Province. The Group believes that the establishment of Hebei Xiongan new district will bring long-term positive and huge strategic significance to the integration of Beijing-Tianjin-Hebei, expanding the development of multi-dimensional market in Hebei Province and accelerating the new urban agglomeration of Hebei Province, through construction, to play a greater enterprise economic efficiency and social benefits in the long run. Therefore, the establishment of the Xiongan new district should benefit to our investments in Tangshan City and Handan City in Hebei Province.

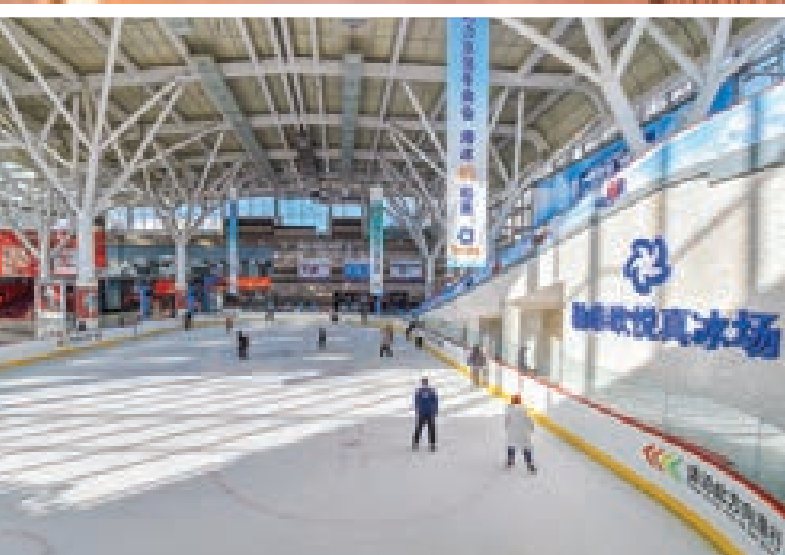
I believe that the Group's business will continue to improve. The Group will also seek land replenishments opportunities, with a view to delivering long-term value to shareholders.

Last but not least, I would take this opportunity to express my sincere gratitude to the members of the Board and the management, as well as our global employees for their contributions during the year.

**Yang, Longfei**

*Chairman*

Hong Kong, 30 March 2017







# Management Discussion and Analysis



## Business Review

The recovery of the global economy was still under way. In 2016, according to National Bureau of Statistics of the PRC, the PRC's GDP increased by 6.7% in 2016. The People's Bank of China had extended the monetary easing policies, relaxed the loan policies and reduced the deposit reserve ratio. Regarding the real estate market in the PRC, the local government encouraged the third and fourth-tier cities to implement preferential policies for destocking. According to the "National Real Estate Development Investment and Sales Status in 2016" issued by the National Bureau of Statistics of the PRC, the sales areas of national commodity housing amounted to approximately 1.573 billion sq. m. in 2016, representing an increase of 22.5% year-on-year, of which the sales areas of residential housing increased by 22.4% year-on-year. Regarding the real estate market in the USA, the economic growth of 1.6% and residential housing price in the real estate market was still high in 2016. It is believed that the foregoing will benefit to the investment of two projects of the Group in the USA in long run.

## Property Investment and Real Estate Development

### *Tangshan Lerthai City*

Tangshan Lerthai City is a mixed use project comprising shopping malls, offices, hotels, residential premises and retail properties under the master development plan where Zone A and Zone B of the large scale regional malls have commenced their operation since 23 December 2016.

For the commercial part, the Group adopted the strategy of reserving part of the commercial areas as investment properties, so as to generate stable and long-term revenues and cash flow. Planned GFA of Tangshan Lerthai City reaches 9.8 million sq. ft. while the regional mall occupies approximately 3.7 million sq. ft..

## Management Discussion and Analysis

The Group obtained pre-sale permit of the residential area during 2015 and commenced to conduct pre-sale activities. As at 31 December 2016, the Group received total deposits of HK\$1,113.2 million from pre-sale of properties with GFA of 1,896,197 sq. ft.. Deposits were recorded as “Deposits received from sales of properties” in the Consolidated Financial Statements of the Group. The Group expected the delivery will commence in the first quarter of 2017.

### *Handan*

On 3 May 2016, Handan LT Real Estate Development Company Limited (“Handan LT Real Estate”), an indirectly wholly owned subsidiary of the Company, Handan Municipal Investment Real Estate Development Company Limited (“Handan Municipal Real Estate”) and Handan LT Municipal Investment Real Estate Development Company Limited (i.e. the joint venture) entered into a letter of intent for the transfer of 50% equity interest in the joint venture held by Handan Municipal Real Estate to Handan LT Real Estate. Handan LT Real Estate, Handan Municipal Real Estate, Shijiazhuang Lerthai Real Estate Development Company

Limited and the joint venture entered into the Loan Purchase Agreement, pursuant to which Handan Municipal Real Estate ceased its participation in the management and operation of the joint venture. An equity transfer agreement had also been entered into on 3 May 2016. The joint venture has therefore become a wholly owned subsidiary of the Group accordingly. On 30 November 2016, the Group approved and ratified the equity transfer in the meeting of shareholders of the Company. For further details, please refer to the circular of the Company dated 28 October 2016.

### *Handan Lerthai Jiayuan*

In 2015, the joint venture succeeded in bidding of the land use rights of a piece of residential land with total site area of 640,153 sq. ft. located in Handan, at a consideration of approximately RMB260.5 million and planned to develop the land into a high-end residential project named Lerthai Jiayuan. The Group planned to develop the land with GFA of approximately 3.6 million sq. ft..



## Management Discussion and Analysis

The residential project “Lerthai Jiayuan” obtained pre-sale permit in the forth quarter of 2016 and commenced the pre-sale during the year. As at 31 December 2016, the Group received deposits of HK\$165.6 million from sales of properties with GFA of 516,532 sq. ft.. Deposits was recorded as “Deposits received from sales of properties” in the Consolidated Financial Statements of the Group. The Group expected that the overall project will be completed and delivered during 2018.

### *Handan Lerthai City on Chuangcheng Street*

In 2015 and 2016, the joint venture acquired and merged a piece of land located in Congtai District, Handan City, Hebei Province, PRC with total site area of 1,014,592 sq. ft. at a consideration of approximately RMB848.3 million. The Group planned to develop a complex with GFA of approximately 3.3 million sq. ft., of which 2.9 million sq. ft. for commercial and retail use. The project is expected to be partly completed and commence operation in the last quarter of 2017.

The regional commercial-retail-entertainment complex in Handan shall be built around Chuangcheng Street, a walkway so named since 3,000 years ago, and complemented by two additional commercial avenues. As the birthplace of Qin Shi Huang (秦始皇) in the Warring State Period (戰國時期), Handan is characterised by the organic integration of ancient culture and modern city life, and hence is an ideal tourism, retail, sports and entertainment centre with ancient Chinese cultural themes.

### *Lerthai Platinum Centre, Anaheim, California, USA*

The Group acquired a land lot in commercial and residential use located in Anaheim, California, USA at a consideration of approximately HK\$220 million in 2014. The area of the land lot is approximately 645,000 sq. ft.. The land lot has been approved by the local government to be built as a regional commercial and residential complex of approximately 2.8 million sq. ft. in the last quarter of 2016, in which the planning consists of the retail area of approximately 433,000 sq. ft., offices of approximately 77,000 sq. ft., hotels of approximately 200 guest rooms, 2 luxury residential

towers including 383 residential units and 25 townhomes and approximately 3,500 car parks. The project is expected to be partly completed in 2020.

### *Lerthai South Hills Plaza, West Covina, California, USA*

The Group succeeded in acquiring Lerthai South Hills Plaza located in West Covina, California, USA in 2014 at a consideration of approximately HK\$160 million. The area of the land lot is approximately 411,000 sq. ft. with leasable commercial site area of approximately 121,000 sq. ft.. The property consists of five single-storey retail properties and one 2-storey retail property. The Group holds as rental properties. For the year ended 31 December 2016, the occupancy rate of Lerthai South Hills Plaza, was 82%. The annual rental income for the year was HK\$12.6 million.

## Securities Investment and Finance Business

In 2016, LERTHAI Securities (Hong Kong) Limited, a wholly-owned subsidiary of the Company, has obtained the licenses to carry out Type 1 (Dealing in Securities) and Type 2 (Dealing in Futures Contracts) regulated activities under Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) granted by Securities and Futures Commission. In July 2016, the Group succeeded in acquiring the entire issued share capital of First Investment Management Limited (subsequently renamed as “LERTHAI Asset Management Limited”). LERTHAI Asset Management Limited is currently engaged in Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

## Prospect

In 2017, there are still various uncertainties from the global economy. With gradually rising interest rates in the USA, the upward trend of the US dollar, continued improvement in the unemployment rate and the anticipation of continual recovery of the global economy, it is believed that the property market and tourism in USA will also continue to improve and to contribute positive effect on the Group’s mixed use projects including residential premises, hotels and commercial retail premises in the USA and in the PRC in the future.



## Management Discussion and Analysis

Lerthai South Hills Plaza has continued to generate stable cash flow and rental income for the Group. The recurring rental income of Tangshan Lerthai Centre and Chuancheng Street, Handan Lerthai City will provide another long-term stable cash flow and income for the Group in 2017. The Group will focus on developing the current projects and meanwhile keep purchasing suitable land by merger and acquisition opportunities.

In 2017, the PRC deploys the development orientation of the industry, monetary and credit policies, and destocking regarding the real estate market, in order to encourage the third and fourth-tier cities to implement the destocking policies. Under the guidance of the policies implemented by the Central Government and local governments, the Group anticipates that the transaction prices are likely to remain at a high level. In the long run, the Group is still full of confidence in the prospects of the real estate market as the PRC is promoting the new-type urbanization development. Regarding the development of financial business, the Group will continue to plan to drive the positive development of the business.

### Financial Review

During the year under review, the revenue of the Group was derived from the rental income of its investment properties, mainly from Lerthai South Hills Plaza. Rental income was approximately HK\$12.6 million (2015: HK\$12.6 million) for the year ended 31 December 2016.

Net gain of other income, gains and losses decreased to HK\$4.3 million for the year (2015: HK\$46.3 million) arising from the loss in fair value of convertible bonds designated at fair value through profit or loss of HK\$3.7 million (2015: gain HK\$38.2 million).

Apart from operating expenses, the Group recorded share-based payment of HK\$69.2 million, relating to share options granted to employees and a director. This expense item did not have impact on cash flow, but has been recognized as an expense in accordance with Hong Kong Financial Reporting Standards.

The Group recorded an increase of fair value of the investment properties of HK\$99.9 million (2015: HK\$92.5 million), primarily due to the capital appreciation of Tangshan Lerthai City during the year.

Selling and marketing expenses increased to HK\$47.1 million (2015: HK\$25.9 million) which was accounted for the promotion for the pre-sale of Tangshan Lerthai City and Handan Lerthai Jianyuan.

The administrative expenses increased to approximately HK\$146.1 million (2015: HK\$128.2 million) because the Group had been actively developing and pursuing business opportunities in the property development and investment business in the PRC and the USA. As a result of the expansion in business activities, the Group incurred more professional and legal fee for the year. Such increase was attributable to the legal and agency fee of the acquisition of the joint venture in Handan City, professional fee related to the land of Lerthai Platinum Center, Anaheim, California, USA and the professional fee related to the development of Tangshan Lerthai City.

Finance costs recognized as expenses for the year were HK\$70.7 million (2015: HK\$39.1 million) which was mainly due to the increase of the Group's borrowings.

The discontinued operation profit in 2015 was arising from the disposal of the investment in fixed rate notes.

As a result of the various factors outlined above, the loss for the year attributable to the owners of the Company for the year was approximately HK\$240.2 million (2015: HK\$38.5 million).

### Liquidity and Financial Resources

As at 31 December 2016, the Group's cash and cash equivalents maintained at approximately HK\$51.8 million (2015: approximately HK\$72.0 million). The current ratio was 0.92 times (2015: 0.77 times) as at 31 December 2016.

## Management Discussion and Analysis

The Group's gearing ratio was 47.2% (2015: 49.2%), which is calculated based on the Group's total interest bearing borrowings of approximately HK\$3,388.7 million (2015: HK\$1,577.0 million) to total assets of approximately HK\$7,181.7 million (2015: HK\$3,208.4 million).

### Cash Flow Management and Liquidity Risk

The objective of liquidity risk management is to ensure that the Group always has sufficient cash to repay its maturing debt, perform other payment obligations and meet other funding requirements for normal business development.

The Group's liquidity management involves the regular cash flow forecast and the consideration of its liquid assets level and new financings necessary to meet future cash flow requirements.

With banking and controlling shareholder's facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

### Foreign Exchange Exposure

The Group's investment, assets and liabilities are mainly denominated in Hong Kong dollar ("HK\$"), Renminbi ("RMB") and United States dollar ("US\$") and no hedging has been made during the year. The revenue to be generated in the Tangshan Lerthai City under the Group will be denominated in RMB, while the convertible bonds, senior notes and bonds of the Group are denominated in HK\$. The Group will continue to monitor closely its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risks when necessary.

### Charge of Assets

As at 31 December 2016, the Group's facilities and other loans of approximately HK\$2,645.4 million (2015: HK\$979.1 million) were pledged with investment properties, properties under development for sales and

cash and deposits with an aggregate carrying amount of approximately HK\$4,992.9 million (2015: HK\$1,283.4 million).

### Capital Commitment and Contingent Liabilities

As at 31 December 2016, the Group's contingent liabilities amounted to approximately HK\$574.3 million (2015: HK\$196.0 million) relating to guarantees given by the Group to financial institutions on behalf of our purchasers of our property units in PRC in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2016 (and such guarantees will be released upon the issuance of the Building Ownership Certificate). The guarantees were secured by the Group's pledged bank deposits amounting to HK\$17.3 million (2015: HK\$6.1 million).

As at 31 December 2016, the Group had contracted but not provided for commitments for development cost and capital expenditure in amount of approximately HK\$3,224.3 million (2015: HK\$1,913.1 million).

### Employee and Remuneration Policy

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include mandatory provident fund, medical insurance and performance related bonus. The Group has adopted the share award scheme and share option scheme as part of the long term incentives for the employees.

As at 31 December 2016, the Group had 250 employees (2015: 157 employees). Total staff costs for the year ended 31 December 2016 amounted to HK\$151.0 million (2015: HK\$82.5 million), which comprised (i) directors' remuneration of HK\$15.4 million (2015: HK\$9.1 million) and (ii) staff costs (other than directors' remuneration) of HK\$135.6 million (2015: HK\$73.4 million). Such increase in total staff costs was mainly due to the share-based payments of HK\$69.2 million from the grant of share options to employees and a director during the year.

### Property Valuation

The Group's investment properties located in the USA and the PRC were revalued as at 31 December 2016 by independent qualified professional valuers, CCP Group, Inc. and Cushman & Wakefield respectively. The valuations were based on income capitalisation approach and residual method by making reference to comparable market information as available in the relevant markets. For investment properties under development, the valuation has also taken into account the construction costs expended and to be expended to complete the development.

The Group's investment properties were valued at HK\$2,968.7 million as at 31 December 2016 (2015: HK\$1,274.9 million), an increase in fair value of HK\$99.9 million (2015: HK\$92.5 million) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

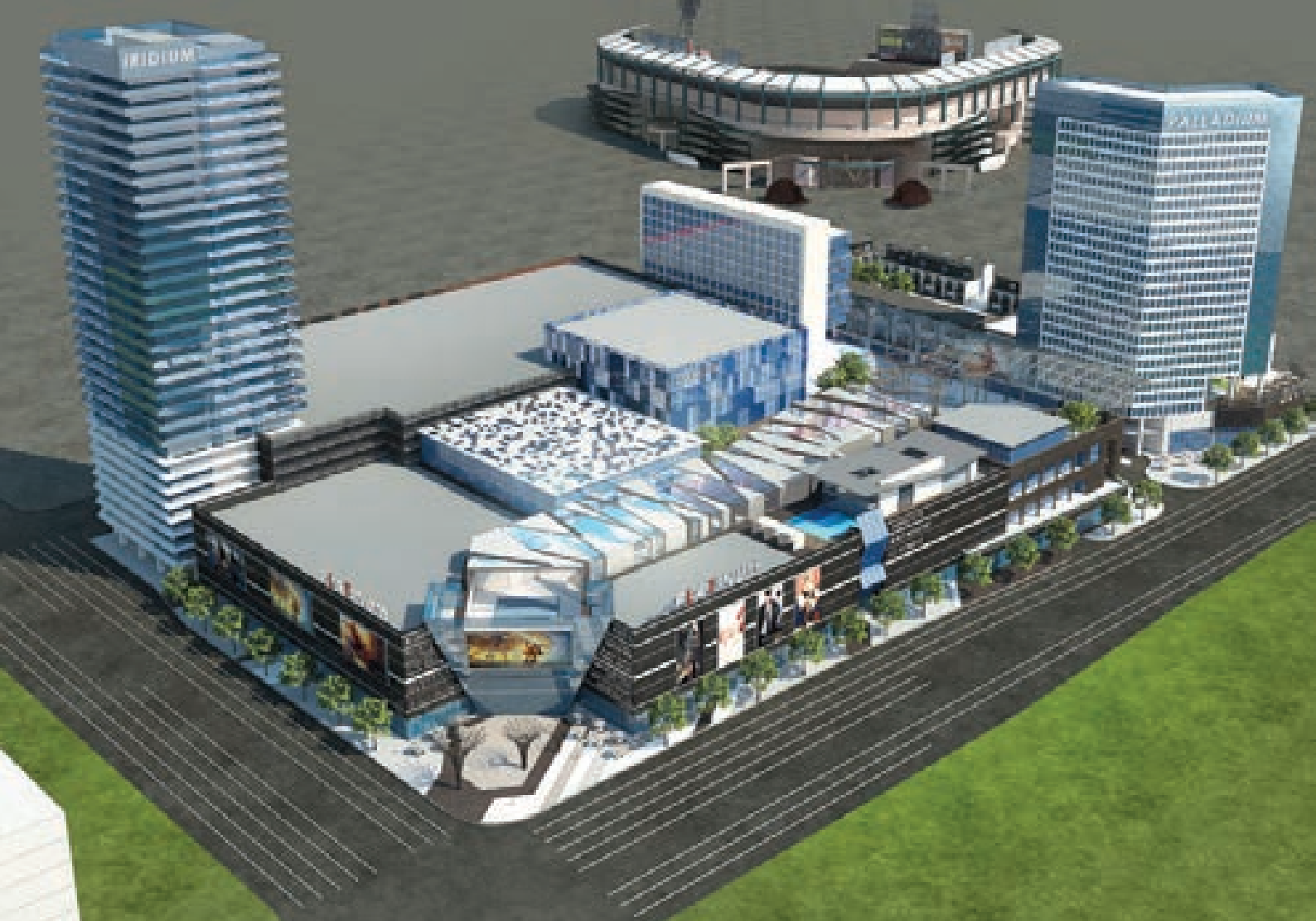
### Events after the Reporting Period

On 22 January 2017, the Company as an issuer, Fantastic Stargaze Limited as a subscriber (the "Subscriber") and Mr. Yang Longfei as a guarantor ("Guarantor") entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for, the notes, in the principal amount of HK\$450,000,000 ("Notes"). The Guarantor agreed to give the representations, warranties, undertakings and indemnities contained in the subscription agreement and a deed of guarantee in favour of the Subscriber.

The net proceeds from the issue of the Notes were used for the repayment of the outstanding principal amount of the convertible bonds issued on 10 January 2014 to Success Victory Holdings Limited. Further details are set out in the Company's announcement dated 22 January 2017.







# Profiles of Directors and Senior Management

## Board of Directors



*Mr. YANG Longfei, Executive Director*

**Mr. YANG Longfei**, aged 51, is currently the Executive Director, Chairman, Chief Executive Officer, a member of the remuneration committee and the investment committee of the Company. He joined the Group in 2013. Mr. Yang established a multi-billion value successful hypermarket chain Baolongchuang in Hebei Province in the 1990s and subsequently divested to the French listed company Carrefour in the early 2000s. Mr. Yang continued his retail career through engages in developing urban complexes and large scale mixed use development in China and USA. Mr. Yang found the Lerthai Commercial Real Estate Group in 2003, responsible for the land acquisition, design, investment, merger and acquisition. He is responsible for corporate strategies, functions of the Board, and the overall development of the Company in long term. Mr. Yang led iconic project development of the Shijiazhuang Lerthai Center, Pelagic Mall of Tangshan and other mega scale development. Mr. Yang has over 20 years of experience in commercial retail and real estate business. Mr. Yang is currently a committee member of the eleventh Chinese People's Political Consultative Conference of Hebei Province. Mr. Yang is also the director of certain subsidiaries of the Company. Mr. Yang is the father of Mr. Yang, Shao Xing Max, one of the Executive Directors.



*Mr. YANG Shao Xing Max, Executive Director*

**Mr. YANG Shao Xing Max**, aged 27, is currently the Executive Director of the Company and chief executive officer of LT Global Investment, a subsidiary of the Company in the USA. He joined the Group in 2013. He graduated from the University of Southern California, USA with a Bachelor of Art degree in Economics and has been actively involved in real estate development business. He has been active in the real estate market, especially in the USA market. He is a Harvard AMD program candidate. Mr. Yang leads the team in designing, building and operational planning of the mixed use project — Lerthai Platinum Center project at Anaheim, California and managing the acquisition, development, financing and leasing of retail asset of South Hills Plaza, located at California, USA. Mr. Yang lead the acquisition team, asset management team to perform property due diligence on various target acquisitions in the US. He is a full member of Urban Land Institute Los Angeles chapter and member of International Council of Shopping Centers. He serves on the board of China Enterprise Council and Anaheim Boys and Girls Club. He currently manages over approximately HK\$401 million worth of asset under the subsidiaries in the USA. Currently he is orchestrating the identification of Investment Opportunities in US, EMEA and emerging markets globally. Mr. Yang helps the Company in developing opportunistic property fund and land funds. Mr. Yang, Shao Xing Max is the son of Mr. Yang Longfei, the executive Director, chairman and chief executive officer of the Company.

## Profiles of Directors and Senior Management



*Mr. LEE Vincent Marshall Kwan Ho, Non-Executive Director*

**Mr. LEE Vincent Marshall Kwan Ho**, aged 61, Officer of the Order of the Crown (Belgium), is currently a Non-Executive Director and the chairman of the investment committee of the Company. He joined the Group in 2013. Mr. Lee is the chairman of Tung Tai Group of Companies. He has been serving as independent non-executive director of Hong Kong Exchanges and Clearing Limited (Stock Code: 388) since 2000 and is the deputy chairman of audit committee, member of executive committee and panel member of nomination committee, chairman of cash market consultative panel and chairman of disciplinary appeals committee. He was appointed as an independent non-executive director of the Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (Stock Code: 124) in March 2009 and is the chairman of the audit committee and member of the remuneration committee and the nomination committee. He was appointed as the chairman and director of Hang Tai Securities Limited in July 2013. Mr. Lee was also appointed as the member of Clearing and Settlement Systems Appeals Tribunal in Hong Kong in November 2013.

Mr. Lee was awarded the Bronze Bauhinia Star (BBS) Medal by the Hong Kong SAR Government on 1 July 2016. He has over 34 years of experience in the securities and futures industry and has extensive experience in banking, corporate finance and investment. He worked for Coopers and Lybrand, Los Angeles & Boston from 1978 to 1981; HSBC Group, Hong Kong & Vancouver from 1981 to 1990. He undertook a number of public service and community activities. He was appointed as Member of the Council of The Chinese University of Hong Kong with effect from June 2016. In January 2013, he was appointed as a Non-official Member of Financial Services Development Council. Mr. Lee is the chairman of Sir Murray MacLehose Trust Fund Investment Advisory Committee and has been a member of Correctional Services Children's Education Trust Committee. He was also a part-time member of Central Policy Unit of the Government of the HKSAR from 2007 to 2008, a member of Academic and Accreditation Advisory Committee of Securities and Futures Commission from 2002 to 2006 and a member of Securities and Futures Appeals Tribunal from 2003 to 2009. He has been a founding member of Canadian International School of Hong Kong Limited since 1990 and acted as its chairman from 2006 to 2008. He acted as chairman of the Institute of Securities Dealers Limited from 2005 to February 2009, and became the permanent honourable president since February 2009. Mr. Lee is the chairman of The Members of Chinese People's Political Consultative Conference of General Friendship Association of Guangxi Province in Hong Kong since May 2015.

Mr. Lee graduated Magna Cum Laude in Accounting and International Finance from the University of Southern California, USA and received a Master of Economics from the London School of Economics and Political Science at the University of London, UK. Mr. Lee is a Certified Public Accountant in State of California, USA and fellow member of Hong Kong Institute of Certified Public Accountants.

## Profiles of Directors and Senior Management



*Ms. DAI Hui, Non-Executive Director*

**Ms. DAI Hui**, aged 45, is currently a Non-Executive Director of the Company. She joined the Group in 2013. Ms. Dai joined China Lerthai Commercial Real Estate Group Limited in 2009 and is currently the financial controller of China Lerthai Commercial Real Estate Holdings Limited. Prior to October 2009, Ms. Dai was the financial controller of Hebei Baolongcang Commercial Chain Operators Co., Ltd. from 1996 to 2009. Ms. Dai has over 14 years of experience in corporate financing and accounting management. Ms. Dai obtained a Master of Business Administration degree from The Open University of Hong Kong in 2007 and is currently attending an Executive Master of Business Administration program at The Chinese University of Hong Kong. Ms. Dai is also the director of certain subsidiaries of the Company.



*Mr. HUNG Ka Hai, Clement, Non-Executive Director*

**Mr. HUNG Ka Hai**, Clement, aged 61, is currently a Non-Executive director of the Company. He joined the Group in 2017. After serving Deloitte China for over 35 years, Mr. Hung retired from the chairmanship of Deloitte China in June 2016. He previously sat in the Deloitte Global Board and Governance Committee as a member where he represented Deloitte China during his tenure. Mr. Hung assumed various leadership roles in Deloitte, namely, he was the Audit group leader, office managing partner of Deloitte Shenzhen and Guangzhou office. Mr. Hung was deputy managing partner of the Southern Region in China. Mr. Hung possesses extensive experience in initial public offerings, mergers and strategic acquisitions, corporate finance, advising multinational corporations, public companies and enterprises in Hong Kong and the People's Republic of China. Mr. Hung is an expert in listings in Hong Kong Main Board and GEM Board in Hong Kong Stock Exchange. The Ministry of Finance of People's Republic of China appointed him as an expert Consultant under his extensive experience as a Hong Kong accounting professionals.

Mr. Hung is an honorary member of the Shenzhen Institute of Certified Public Accountants in 2004. He served as consultant of the Guangzhou Institute of Chartered Accountants from 2009. During 2006–2012 he also served as member of the Political Consultative Committee of Luohu District, Shenzhen. Mr. Hung is the independent non-executive director of Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited) (Stock Code: 0628) and SMI Holdings Group Limited (Stock Code: 0198), the shares of these companies are listed on the Stock Exchange.



## Profiles of Directors and Senior Management



*Mr. FAN Ren Da Anthony, Independent Non-Executive Director*

**Mr. FAN Ren Da Anthony**, aged 56, joined the Group in 2013, is currently an Independent Non-Executive Director, chairman of the remuneration committee and nomination committee and member of audit committee of the Company. He holds a Master's degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. He held senior positions in various international financial organizations in the past. Mr. Fan, Ren Da Anthony is also an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Raymond Industrial Limited (Stock Code: 229), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), China Development Bank International Investment Limited (Stock Code: 1062), CITIC Resources Holdings Limited (Stock Code: 1205), Technovator International Limited (Stock Code: 1206), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296), Renhe Commercial Holdings Company Limited (Stock Code: 1387), CGN New Energy Holdings Co., Ltd. (formerly known as CGN Meiya Power Holdings Co., Ltd (Stock Code: 1811), Neo-Neon Holdings Limited (Stock Code: 1868), Hong Kong Resources Holdings Company Limited) (Stock Code: 2882) and Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), and all listed on the Main Board of the Stock Exchange.



*Ms. SHEK Pui Michelle, Independent Non-Executive Director*

**Ms. SHEK Pui Michelle**, aged 40, joined the Group in 2016, is currently an Independent Non-Executive Director, the member of the remuneration committee, the nomination committee and audit committee of the Company. Ms. Shek, graduated from City University of Hong Kong with a Bachelor degree (first class honour) in Business Administration, China Business. She obtained Postgraduate Diploma in English and Hong Kong Law (Common Professional Examination) from The Manchester Metropolitan University and Postgraduate Certificate in Laws (PCLL) from City University of Hong Kong. Ms. Shek has been admitted to the roll of solicitors by the High Court of Hong Kong in 2006 and the Supreme Court of England and Wales in 2009, respectively. Ms. Shek has over 12 years of experience in legal profession.

## Profiles of Directors and Senior Management



*Mr. LO Wai Hung, Independent Non-Executive Director*

**Mr. LO Wai Hung**, aged 57, joined the Group in 2017, is currently an Independent Non-Executive Director and chairman of the audit committee of the Company. Mr. Lo graduated from James Cook University of North Queensland with a bachelor's degree in commerce in 1985. He is an associate member of the Institute of Chartered Accountants in Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lo is an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (stock code: 1066), C Cheng Holdings Limited (stock code: 1486) and Talent Property Group Limited (stock code: 760), the shares of these companies are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lo was also an independent director of China Merchant Property Development Co. Ltd since 2011 and the shares of which were ceased from listing on the Shenzhen Stock Exchange on 30 December 2015.

## Senior Management



*Mr. CHIU Francis, Managing Director*

**Mr. CHIU Francis**, aged 54, is currently the Group's Managing Director. Mr. Chiu joined the Company in 2016. Mr. Chiu is responsible for overseeing and leading the corporate growth and development, inter alia, land acquisition, land bank reserves, project development, corporate finance, development appraisal, merger and acquisition, residential and commercial project development, property fund, land investment fund, governance, and profit and losses responsibilities. He also oversees Lerthai Capital Group currently with SFC Type 1, 2, 4, 9 licenses for regulated activities. Mr. Chiu has over 25 years' experience in real estate, commercial real estate, commercial investment properties, retail malls assets, hospitality investment, asset management and financial services. Mr. Chiu's exposure includes design, build, operate, manage, lease, leasing, sales, financing and investing management activities. His over 25 years work experiences engages in property, consumer and hospitality business. He was Executive Director and CEO of the Manager of the listed Regal Real Estate Investment Trust ('Regal REIT') (1881.hk) with Asset Under Management over HK\$27 Billion market value of commercial investment properties in Hong Kong. Mr. Chiu was General Manager (Finance) of Sino Land (23.hk); Executive Director of the asset manager Urban Group of the listed property developer New World Development (17.hk). Mr. Chiu also hold senior appointments with CITIC Ltd. (267.hk), Haagen-Dazs Greater China of Diageo (DGE: London), Shangri-La Asia (69.hk) of Kerry Properties (683.hk) etc. He served global luxury hospitality brands, inter alia, Sofitel and Shangri-La. He was non-executive Vice Chairman of Sloane Manhattan Group; Anchors Hospitality Real Estate Group; and Canary International Education Group. Francis executed fund raising of about US\$700 million by means of equity,

## Profiles of Directors and Senior Management

debt, loan syndicate, corporate bonds, bilateral loan, convertible bonds, hybrid bonds and senior notes; and successful formation of an e-MTN program of US\$1 Billion. He completed property acquisition deals in aggregate of about HK\$4,000 Million between 2010 and 2014 for Regal REIT's stakeholders. Mr. Chiu is a Member of Hong Kong Institute of Surveyors, a Fellow of The Royal Institution of Chartered Surveyors ('RICS'), a Chartered Commercial Property Surveyor, a Chartered Facilities Management Surveyor, a RICS Registered Valuer, a Fellow of Chartered Institute of Management Accountants ('CIMA'), a Fellow of CPA Australia, a Member of Association of International Certified Professional Accountants, a Certified Hotel Administrator of American Hotel and Lodging Association and a Member of Cambridge University Land Society. Mr. Chiu was an Asia Board Member of RICS Asia Commercial Properties Professional Group Board (2012–2015); a Committee Member of RICS Hong Kong Valuation, Planning and Development Professional Group (2011–2014); Regional Council Member of CIMA Hong Kong (2011–2014); Real Estate Committee Member of Hong Kong General Chamber of Commerce (2011–2015); Committee Member of Real Estate and Infrastructure Committee of American Chamber of Commerce in Hong Kong (2011–2015). Mr. Chiu possesses extensive hands on real estate experience at Beijing, Shanghai, Nanjing, Xian, Hangzhou, Guangzhou, Foshan and Shenzhen. Mr. Chiu holds a Master's degree in Interdisciplinary Design for the Built Environment from the Departments of Architecture and Engineering of University of Cambridge, UK, a Master's degree in International Hospitality Management, minor in Real Estate & Finance) from Cornell University, Ithaca, New York, USA, and ESSEC Business School Paris, France; a MSc degree in Real Estate Development and Management (General Practice Surveying) from Heriot-Watt University, Scotland, UK, a BA (Hons) degree in Business and Finance from University of Portsmouth, UK. He is a lifelong member of Wolfson College, University of Cambridge, UK. Mr. Chiu was Licensed Person in Type 1, 4 and 9 Regulated Activities licensed by the Securities and Futures Commission of Hong Kong.



*Mr. WONG Shui Yeung, Financial Controller & Company Secretary*

**Mr. WONG Shui Yeung**, aged 46 is currently the Group's the financial controller and company secretary. He is a practising member and fellow of Hong Kong Institute of Certified Public Accountants and a member of Hong Kong Securities and Investment Institute, and holds a bachelor degree in business administration majoring in accounting from the Hong Kong Baptist University. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice. Prior to joining the Group, Mr. Wong was the chief financial officer of ZH International Holdings Limited (Stock Code: 185) from 2001 to 2016, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Wong was also the chief financial officer of SingHaiyi Group Limited (Stock Code: 5H0) from 2009 to 2013, the shares of which are listed on the Catalist of the Singapore Exchange Securities Trading Limited.

## Profiles of Directors and Senior Management



*Mr. Randy Jefferson, Head, Project Development Division, USA*

**Mr. Randy Jefferson**, aged 72, is currently Head of Project Development of our USA team. Mr. Jefferson brings over 35 years of experience to the LT Global team having led Architectural Engineering development teams in the delivery of large, complex projects in North America, Europe, Asia, the Middle East and Central America. He has a proven success record as the Principal and Partner responsible from program development through the completion of construction and occupancy of projects that include high rise commercial office, hotel, conference center, corporate office, museum, performing arts, government office and law courts. His experience includes all aspects of architectural design, building system design and development, project and team management, contracts, operations management and firm management.

Mr. Jefferson's career has been defined by his ability to analyze, conceptualize and execute extraordinary and complex architecture in precise detail. He has collaborated with many of the most renowned architects of our time in the development of projects that are notable not only for their architectural merit but for their technical innovation and their advanced use of 3D technology as a means of communicating coordinated detail to the construction team. He was a Partner with Gehry Partners (1992–2004), Langdon Wilson Mumper Architects (1984–1992) and Arthur Erickson Architects (1972–1984) and served as the Managing Partner with each of them.



*Ms. WEI Huang, Head, Acquisition and Asset Management Division, USA*

**Ms. WEI Huang**, aged 37, is currently Head of Acquisitions and Asset Management of our USA team. Ms. Huang brings a broad base of analytical experience to our development team. Her professional experience includes a range of project types including urban infill, PUD, destination resort, brown field redevelopment, LEED development and historical preservation, mixed use, residential and commercial projects. She is familiar with various real estate investment tools and development structures including mezzanine financing, REIT's, CFD, TIF, public private partnerships and other complex joint venture structures and has international real estate experience that includes PRC and Europe as well as the USA States. Ms. Huang has a Master's degree from Harvard in Real Estate and Urban Development, a Master's degree in Landscape Architecture from University of Southern California and a Bachelor's degree from Tongji University in Shanghai.

## Profiles of Directors and Senior Management



*Mr. WANG Guang Che, VP, Head, Asset Management Division, China*

**Mr. WANG Guang Che**, aged 44, is currently Group's Vice President, Head of Asset Management Division, China. Mr. Wang joined the Company in 2013. He is also responsible for managing the asset management division, including leasing management, commercial management and property management etc. He is Vice Chairman of Promoting Development Alliances of the Lerthai Group. Mr Wang grows with China Lerthai for over 18 years. Mr. Wang holds a master's degree in business administration from the Open University of Hong Kong, and EMBA degree from the China Europe International Business School (CEIBS). Mr. Wang was a committee member of the Political Consultative Conference of Shijiazhuang. Mr. Wang also was a Vice President of Hebei Chamber of Commerce and a Vice President of Shi Jiazhuang General Chamber of Commerce.



*Ms. ZHANG Yan, VP, Head, Finance Division, China*

**Ms. ZHANG Yan**, aged 43, is currently Group's Vice President, Head of Finance and Accounting Division, China. Ms. Zhang is responsible for the financial operations, financing, accounting activities, taxation of the Group. She is well experienced in cost control, taxation and business operations. She is Vice Chairman of Promoting Development Alliances. She serves China Lerthai for over 15 years. Ms. Zhang holds a law degree, a master's degree in business administration from People's University of China. Ms. Zhang was a committee of People's Congress Standing of Lubei District of Tangshan. Ms. Zhang was also a permanent member of Tangshan Tsinghua University Alumni Association and a member of Hebei Association of Women Entrepreneurs.



*Ms. GUO Ni Ya, VP, Head, Property Division, China*

**Ms. GUO Ni Ya**, aged 35, is currently Group's Vice President, and Head of Property Division, China. Ms. Gao is responsible for land, property, development and engineering matters. She serves China Lerthai's various Group's entities for about 11 years. She holds a master's degree of business administration from Peking University. She is a committee member of the eleventh Chinese People's Political Consultative Conference of Hebei Province and Supervisors of Master's degree in Professional Accounting of Peking University.





# Corporate Governance Report

## Corporate Governance

The Company is committed to maintain high standards of corporate governance in order to ensure high transparency and protection of interests of the shareholders and the Company as a whole. The Company has adopted the code provisions and certain recommended best practices (with amendments from time to time) as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Upon review of the corporate governance practice of the Company, the Board believed that the Company has applied the principles in the CG Code and complied with the code provisions of the CG Code during the year. None of the Directors was aware of any information that would reasonably indicate that the Company was during the year in compliance with the code provisions of the CG Code, except for the deviations as follows:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang was appointed as the chairman (the “Chairman”) and the chief executive officer of the Company (“CEO”) on 28 February 2013 and 20 March 2014 respectively. The Group therefore did not separate the roles of the Chairman and the CEO. The Board considered that Mr. Yang had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group, therefore, the roles of Chairman and CEO by the same individual, Mr. Yang, was beneficial to the business prospects and management of the Group.

Under Rules 3.10(1) and Rule 3.21 of Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee of every listed issuer must comprise a minimum of three members. After Mr. Lau Yu Fung Wilson’s resignation on 29 June 2016 and before Ms. Shek Pui Michelle’s appointment on 15 November 2016 as the independent non-executive Director, the Board and the audit committee of the Company comprised only two independent non-executive Directors.

Save as the above, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the year.

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by the 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 year.



### Board of Directors

#### Structure

As at the date of this annual report, the Board comprised two executive Directors, three non-executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

#### *Executive Directors*

Mr. Yang Longfei (*Chairman and Chief Executive Officer*)

Mr. Yang Shao Xing Max

#### *Non-executive Directors*

Mr. Lee Vincent Marshall Kwan Ho

Ms. Dai Hui (re-designated from executive Director to non-executive Director on 7 February 2016)

Mr. Hung Ka Hai Clement (appointed on 24 February 2017,  
re-designated from independent Non-executive Director to non-executive Director on 3 March 2017)

#### *Independent Non-executive Directors*

Mr. Fan, Ren Da Anthony

Ms. Shek Pui Michelle (appointed on 15 November 2016)

Mr. Lo Wai Hung (appointed on 3 March 2017)

The number of independent non-executive Directors (the "INEDs") represents more than one-third members of the Board. The profiles of all Directors are set out on pages 28 to 32 of this annual report. Save as disclosed in this annual report, there is no other relationship among members of the Board, including financial, business, family or other material/relevant relationship. The INEDs are highly experienced professionals and businessmen with a broad range of expertise and experience in accounting, finance, legal and business management and one of them has appropriate professional accounting qualification as required by the Stock Exchange.

The Board is responsible for directing and supervising the Company's affairs. Each Director acts in good faith for the best interest of the Company. The Directors are collectively and individually responsible to the Company for the manner in which the affairs of the Company are managed, controlled and operated. They had devoted sufficient time and attention to the Company's affairs during the year.

All the Directors, including the INEDs, must retire by rotation at least once every three years, and no Director shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is longer, without submitting himself/herself for re-election at the annual general meeting, under the articles of association of the Company (the "Articles of Association"). As such, the term of office of each Director has been specified under the Articles of Association.

## Corporate Governance Report

### Assistance to Directors in Decision Making

Throughout their period in office, the Directors have been informed of the Group's business, the competitive and regulatory environments in which it operates and other changes affecting the Group and the industry it operates in as a whole. They have also been advised on appointment of their legal and other duties and obligations as directors of a company and updated on changes to the legal and governance requirements of the Group and upon themselves as the Directors.

The Directors are given access to the company secretary of the Company (the "Company Secretary") or independent professionals for advice at the Company's expense, when they deem it is necessary in order for them to carry out their responsibilities from time to time.

### Conduct of Meetings

The Directors are consulted and properly briefed for matters to be included in the meeting agenda. The Board is supplied with relevant information as well as reports relating to operational and financial performance of the Group before each regular Board meeting. At least 14 days' notice of a regular Board meeting is given to all Directors providing them with the opportunity to attend the meeting. For regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are dispatched to all Directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and will be adequately prepared for the meeting. Senior management is invited to attend the meeting to address to the Board members' queries. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making purpose.

The Chairman has delegated the responsibility to the Company Secretary for drawing up and approving the meeting's agenda for each Board meeting, taking into account of any matter proposed by the other Directors for inclusion in the agenda.

The proceedings of the Board at its meetings are generally monitored by the Chairman who would ensure that sufficient time is allocated for discussion and consideration of each item on the agenda. Equal opportunities are given to each Director to express his/her views and concerns.

Each Director has to declare his/her interest and to abstain from voting on any board resolution in which he/she or any of his/her associates has a material interest pursuant to the Articles of Association and the Companies Ordinance (Cap. 622, Laws of Hong Kong).

All Directors have full access to the advice and services of the Company Secretary to ensure the Board's procedures, rules and regulations are followed. Draft and final versions of minutes of each Board meeting in sufficient details are sent to the Directors for comments and records within reasonable time after the meeting is held. The minutes of the Board and the Board committees' meetings are kept by the Company, which are open for inspection by the Directors on reasonable notice.

## Corporate Governance Report

During the year, 7 Board meetings, and 2 general meetings were held. The Company Secretary and the Company's senior management had attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting, finance and business. The individual attendance of each Director at the Board meetings and general meeting held during the year is as follows:

Board meetings	No. of Board meetings attended/held (Percentage of attendance in total)	No. of General meetings attended/held (Percentage of attendance in total)
Directors during the year		
<i>Executive Directors</i>		
Mr. Yang Longfei ( <i>Chairman and Chief Executive Officer</i> )	7/7 (100%)	2/2 (100%)
Mr. Chan Tik Sang ( <i>Deputy Chief Executive Officer</i> ) (retired on 29 June 2016)	3/4 (75%)	1/1 (100%)
Mr. Yang Shao Xing Max	7/7 (100%)	2/2 (100%)
<i>Non-executive Directors</i>		
Mr. Lee Vincent Marshall Kwan Ho	7/7 (100%)	2/2 (100%)
Ms. Dai Hui (re-designated from executive Director to non-executive Director on 7 February 2016)	7/7 (100%)	2/2 (100%)
Mr. Lam Kwong Wai (resigned on 7 February 2016)	N/A	N/A
<i>Independent Non-executive Directors</i>		
Mr. Fan Ren Da Anthony	6/7 (85.71%)	2/2 (100%)
Mr. Fan Chun Wah Andrew (resigned on 1 January 2017)	6/7 (85.71%)	2/2 (100%)
Mr. Lau Yu Fung Wilson (retired on 29 June 2016)	2/4 (50%)	0/1 (0%)
Ms. Shek Pui Michelle (appointed on 15 November 2016)	N/A	1/1 (100%)

## Corporate Governance Report

### Works Performed

During the year, besides attending the Board meetings to consider and make decision on corporate governance, risk management, statutory compliance, accounting, finance and business matters, the Directors had brought professional opinion and judgement on the Company's strategy, performance and standards of conduct; had taken the lead where potential conflicts of interests arose; had served on Board committees; endorsed on various corporate governance related matters and policies; had ensured that the Board maintained high standards of financial and other mandatory reporting; carried out reviews on matters reported by the Board committees, and had provided adequate checks and balance to safeguard the interests of Shareholders in general and the Company as a whole.

During the year, the non-executive Directors and INEDs had actively participated in the Board meetings, brought independent opinion and judgment, and given their comments to the information or reports submitted to the meetings.

Besides attending the Board or committee's meetings, in order to make timely decision and have effective implementation of the Company's policy and practice, the Board had also adopted written resolutions signed by all Directors to make decision on corporate affairs from time to time.

As part of the continuing process on supervising the Company's affairs, the Directors, acting through by the audit committee of the Company (the "Audit Committee"), had reviewed the adequacy of resources, qualifications and experience of the Company's accounting staff and financial reporting function.

### Directors' Confirmation

The Company has received, from each INED, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered that all the INEDs are independent.

### Chairman and Chief Executive Officer

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

Mr. Yang was appointed as the Chairman and the CEO, therefore, the Group did not separate the roles of the Chairman and the CEO. The Board considered that Mr. Yang had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group, therefore, the roles of Chairman and CEO by the same individual, Mr. Yang, was beneficial to the business prospects and management of the Group.

### Board Committees

The Board has established the Audit Committee, remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and investment committee (the "Investment Committee") of the Company with defined roles and terms of reference.

### Audit Committee

#### *Structure*

The Audit Committee has been established since December 2000 with the roles to assist the Board in establishing formal and transparent arrangements for considering how it will apply the financial reporting and the internal control principles and for maintaining an appropriate relationship with the Company's external auditor (the "Independent Auditor"). It acts in an advisory capacity and makes recommendations to the Board.

All the Audit Committee members possess diversified industry experience. The chairman of the Audit Committee has appropriate professional qualification, accounting or related financial management expertise as required by the Listing Rules.

As at the date of this annual report, the Audit Committee is made up of all the independent non-executive Directors, namely:

Mr. Lo Wai Hung (*Chairman*) (appointed on 3 March 2017)

Mr. Fan Ren Da Anthony

Ms. Shek Pui Michelle (appointed on 15 November 2016)

#### *Function*

In accordance with the requirements of the CG Code, the latest terms and reference of the Audit Committee were adopted on 30 December 2015. The Audit Committee's terms of reference can be found on the websites of the Company and the Stock Exchange. The major duties of the Audit Committee are summarised below:

- i) to make recommendations to the Board on the appointment, re-appointment and removal of the Independent Auditor, review and monitor their independence and objectivity as well as the effectiveness of the audit process;
- ii) to monitor the integrity of the interim and annual consolidated financial statements, reports and accounts of the Group, and to review any significant financial reporting judgments contained in them;
- iii) to review and ensure the effectiveness of the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems; and
- iv) to develop and review the Company's policies and practices on corporate governance, make recommendations to the Board and to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

#### *Conduct of Meetings*

The Audit Committee shall meet at least twice each year. The Company prepares and delivers an information memorandum that includes all relevant information about the meetings to the Audit Committee members at least 3 days prior to such meetings. During the year, the Audit Committee members reviewed the information memorandum with due care and discussed with the Company's senior management during the meetings.

## Corporate Governance Report

During the year, the Audit Committee held 2 meetings with the presence of the Company's senior management. Minutes drafted by the Company Secretary were circulated to the Audit Committee members for comments within a reasonable time after each meeting. Executed minutes were kept by the Company and copies of the minutes were sent to the Audit Committee members for records.

Individual attendance of each Audit Committee member at the meetings held during the year is as follows:

<b>Members</b>	<b>No. of Audit Committee meetings attended/ held (Percentage of attendance in total)</b>
Mr. Fan Chun Wah Andrew ( <i>Chairman</i> ) (resigned on 1 January 2017)	2/2 (100%)
Mr. Fan Ren Da Anthony	2/2 (100%)
Mr. Lau Yu Fung Wilson (retired on 29 June 2016)	0/1 (0%)
Ms. Shek Pui Michelle (appointed on 15 November 2016)	N/A

### *Works Performed*

The works performed by the members of the Audit Committee during the year are summarised below:

- i) reviewed and considered the accounts and consolidated financial statements of the Group for the year ended 31 December 2015 and interim accounts for 2016;
- ii) reviewed, discussed and agreed with the Independent Auditor in respect of the audit fee for the year; the terms of the engagement letters; the nature, scope of audit and reporting obligations for the year;
- iii) reviewed and assessed the adequacy and effectiveness of the Group's financial reporting and controls, internal control procedures and risk management systems;
- iv) reviewed the corporate governance practices and monitored the progress of compliance of the CG Code and its disclosure in the Corporate Governance Report;
- v) reviewed the performance of the properties of the Group for the year;
- vi) reviewed the adequacy of resources, qualifications and experience of the staff in accounting and financial reporting function, and the training programmes and budget;
- vii) discussed with Independent Auditor with respect to the accounting principles and practices adopted by the Group, compliance with the Listing Rules and other financing reporting requirements;

Overall, the Audit Committee is satisfied with the condition of the Company, including the corporate governance practices, internal control system, qualifications and experience of the staff in accounting and financial reporting function, and the training programmes and budget.

One of the specific works vested upon the Audit Committee is to develop and review the Company's policies and practices on corporate governance. Upon reviewed by the Audit Committee and endorsed with approval by the Board, the main policy for the Company's corporate governance is to develop the Company itself as a sustainable and competitive company in the business sector in the interests of the Company and the Shareholders as a whole, with an aim for a prudent and profitable development and long term achievement of growth through the well-established corporate governance principles, management and practices. As a listed company in Hong Kong, the Company is obliged to follow the principles, code provisions and recommended best practices (if applicable) set forth in Appendix 14 to the Listing Rules as the substantial requirement on achieving a high corporate governance standard as well as a fundamental part of the corporate governance policy of the Company.

### Remuneration Committee

#### *Structure*

The Remuneration Committee has been established since June 2005 with the roles to assist the Board in reviewing and determining the framework or broad policy for remuneration packages of the Directors and senior management, overseeing any major changes in employee benefit structures and considering other topics as defined by the Board. In accordance with the requirements of the CG Code, the latest terms of reference of the Remuneration Committee were adopted on 23 May 2014.

As at the date of this annual report, the Remuneration Committee is made up of two independent non-executive Directors and one executive Director, namely:

Mr. Fan Ren Da Anthony (*Chairman*)

Ms. Shek Pui Michelle (appointed on 15 November 2016)

Mr. Yang Longfei (appointed on 1 January 2017)

#### *Function*

The principal responsibilities of the Remuneration Committee are as follows:

- i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedures for developing remuneration policy;
- ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights, compensation payments (including any compensation payable for loss or termination of their office or appointment);
- iii) to make recommendations to the Board on the remuneration of executive and non-executive Directors; and
- iv) to review and make recommendations to the Board for approving the services contracts/agreements of all Directors.

The Remuneration Committee's terms of reference can be found on the websites of the Company and the Stock Exchange.

The Remuneration Committee would seek internal and external professional advices about its proposals on remuneration packages of individual Directors and senior management if considered necessary.

## Corporate Governance Report

### *Conduct of Meetings*

During the year, the Remuneration Committee held 2 meetings to consider and recommend, among others, to the Board on the annual remuneration of the Directors and senior management for the year.

Individual attendance of each committee member at the meetings held during the year is as follows:

<b>Members</b>	<b>No. of Remuneration Committee meetings attended/ held (Percentage of attendance in total)</b>
Mr. Fan Ren Da Anthony ( <i>Chairman</i> )	2/2 (100%)
Mr. Fan Chun Wah Andrew(resigned on 1 January 2017)	2/2 (100%)
Mr. Lau Yu Fung Wilson(retired on 29 June 2016)	1/2 (50%)
Ms. Shek Pui Michelle (appointed on 15 November 2016)	N/A

### *Works Performed*

The works performed by the members of the Remuneration Committee during the year are summarised below:

- i) considered and made recommendations to the Board for endorsement of the remuneration policy of the Company and letters of appointment of the Directors and senior management with major terms and conditions, to comply with the CG Code; and
- ii) assessed performance of executive Directors and considered and made recommendations to the Board on the remuneration of the Directors and senior management for the year.

Details of the amount of Directors' emoluments during the year are set out in note 13 to the consolidated financial statements in this annual report.

## Nomination Committee

### *Structure*

The Nomination Committee was established in 2012 with the role to lead the process and to make recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of challenges and opportunities facing the Company, as well as business development and requirements of the Company. In accordance with the requirements of the CG Code, the latest terms of reference of the Nomination Committee were adopted on 23 May 2014.



As at the date of this annual report, the Nomination Committee is made up of two independent non-executive Directors and one executive Director, namely:

Mr. Fan, Ren Da Anthony (*Chairman*)

Ms. Shek Pui Michelle (appointed on 15 November 2016)

Mr. Yang Longfei (appointed on 1 January 2017)

### *Function*

The principal responsibilities of the Nomination Committee are as follows:

- i) to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- ii) to assess on the independence of the independent non-executive Directors; and
- iii) to make recommendations to the Board on the appointment or re-appointment and succession planning for Directors and to identify individuals suitably qualified to become Board members.

The Nomination Committee has adopted a "Policy, Procedure and Process, and Criteria for Nomination of Directors" setting out the approach to achieve diversity on the Board. The basic nomination policy is to keep under review the leadership needs of Board as the core organ of the Company, both executive and non-executive, with a view to ensure the continued stability of the Company and continued ability of the Board to lead the Company's business and development and to compete effectively in the business sector, taking into account the challenges and opportunities facing the Company currently and in the future. The Nomination Committee may evaluate the balance of skills, experience and knowledge in the Board members and may seek independent professional advice or assistance including engagement of recruitment agent or external research consultancy, or use open advertising or other appropriate means in appropriate circumstances at the Company's expense to assess a wide base of potential candidates to become a director of the Company.

For the purpose of implementation of the policy on Board diversity, the following measurable objectives were adopted:

- (A) at least one-third of the members of the Board shall be independent non-executive directors;
- (B) at least one of the members of the Board shall possess accounting or other professional qualifications;
- (C) certain members of the Board shall be professionals recognized in both China and Hong Kong.

For the year, the Board has fulfilled the measurable objectives of the policy on Board diversity.

The Nomination Committee monitors the implementation of this policy and reviews the same as appropriate to ensure the effectiveness of the policy. The Nomination Committee will discuss any revises as may be required and submit the proposed amendments to the Board for approval.

The Nomination Committee's terms of reference can be found on the websites of the Company and the Stock Exchange.

## Corporate Governance Report

### *Conduct of Meetings*

During the year, the Nomination Committee held 1 meeting.

Individual attendance of each committee member at the meetings held during the year is as follows:

<b>Members</b>	<b>No. of Nomination Committee meetings attended/ held (Percentage of attendance in total)</b>
Mr. Fan Ren Da Anthony ( <i>Chairman</i> )	1/1 (100%)
Mr. Fan Chun Wah Andrew (resigned on 1 January 2017)	1/1 (100%)
Mr. Lau Yu Fung Wilson (retired on 29 June 2016)	0/1 (0%)
Ms. Shek Pui Michelle (appointed on 15 November 2016)	N/A

### *Works Performed*

The works performed by the members of Nomination Committee during the year are summarised below:

- i) considered and reviewed the policy, procedures and process and criteria for the nomination of the Directors and made recommendations to the Board for its endorsement;
- ii) reviewed the structure, size and composition of the Board;
- iii) made recommendations to the Board on the retirement and re-election of Directors in the 2015 AGM;
- iv) made recommendations to the Board on the appointment of senior management, company secretary and an independent non-executive Director; and
- v) made recommendations to the Board on the appointment of Mr. Yang Longfei as the member of the Remuneration Committee and Nomination Committee.

### *Nomination Procedures and Process*

The Nomination Committee may nominate any person that having the relevant qualities and criteria as determined by the Nomination Committee as well as required by the Companies Ordinance (Cap. 622, Laws of Hong Kong), the Listing Rules or other applicable laws and regulations in Hong Kong to become a director (whether executive or non-executive) whenever (i) the executive Director(s) or the Nomination Committee is/are of the view that according to the current or prospective business development and requirements of the Company; or (ii) for succession planning for the Board, there is a demand for an appointment of new Director as an addition to the Board or to fill up the casual vacancy in the Board.

During the nomination process, the Nomination Committee may evaluate the balance of skills, experience, independence and knowledge in the Board members and may prepare a description or job specification of the role and capabilities required for any new or particular appointment to the Board if it thinks fit and proper. The Nomination Committee may seek independent professional advice or assistance including engagement of recruitment agent or external research consultancy, or use open advertising or other appropriate means in appropriate circumstances at the Company's expense to assess a wide base of potential candidates to become a Director.

### Investment Committee

#### *Structure*

The Investment Committee was established on 3 October 2013.

As at the date of this annual report, the Investment Committee is made up of the Directors, namely:

Mr. Lee, Vincent Marshall Kwan Ho (*Chairman*)

Mr. Yang, Longfei

Ms. Dai, Hui

#### *Function*

The principal responsibilities of the Investment Committee are as follows:

- i) to provide market expertise and advice to the Board on investment of the Company;
- ii) to advise on investment policies of the Company; and
- iii) to consider such other topics and matters relating to the investment of the Company as may be requested by the Board.

The Investment Committee did not hold any meetings during the year as the Board considered that it would be in a position to manage the investment effectively in accordance with the investment policy of the Company and the previous recommendations of the Investment Committee, without the Investment Committee meeting with respect to the investments of the Group during the year.

The Board and the management have separate responsibilities, accountabilities and contributions, with decision making vested in the Board and daily operation and administration vested in the management. Besides, the Board may assign or delegate other functions on ad hoc basis to the management and such delegation is often reflected in the board minutes/resolutions. The members of the Board, individually and as a collective body, are accountable to the Company whereas the management is accountable to the Company.

## Corporate Governance Report

### Management Functions

Basically, during the year, the Board and its committees were responsible on the following matters:

- (i) oversee the general operations of the Company;
- (ii) ensure effective implementation of the Board decisions and corporate governance, with the assistance of the Company Secretary;
- (iii) ensure the short and long term sustainability of the business;
- (iv) lead the performance of the management of the Company in meeting agreed goals and objectives and monitor the reporting of performance;
- (v) provide coherent leadership of the Company;
- (vi) satisfy itself on the integrity of financial information and on robustness and defensibility of the financial controls and systems of risk management and carry out review thereon;
- (vii) scrutinise the performance of the management of the Company in meeting agreed goals and objectives and monitor the reporting of performance;
- (viii) constructively challenge and help developing proposals on business strategy;
- (ix) uphold high standards of corporate governance and compliance;
- (x) participate in the process of dealing with any conflict of interest between the Company and the Director, his/her associates or substantial Shareholders who has material interest in the transaction with the Company;
- (xi) attend the Shareholders' meeting to help developing a balanced understanding of their issues and concerns; and
- (xii) give independent opinion and advice to the Shareholders where required by the Listing Rules or any applicable laws and regulations on the business affairs of the Company.

During the year, the management was mainly responsible for:

1. daily investment, management, operation and administration of the Company;
2. compliance with the rules and regulations, including the Listing Rules, as well as to implement corporate governance policy determined by the Board;
3. draw the Directors' attention on the new corporate governance requirements;
4. organise the Board and various meetings for the Directors' discussion;
5. prepare various reports to the Board for review and decision making; and
6. organise training for the Directors.

During the year, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

### Directors' Continuing Professional Development

#### Continuing Professional Development

During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills through suitable trainings. These trainings included but are not limited to online debriefs regarding taxation, compliance, and global economic development. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

### Auditor's Remuneration

Analysis of remuneration in respect of audit and non-audit service provided by the external auditor, Deloitte Touche Tohmatsu, for the year is as follows:

<b>Nature of Service</b>	<b>Amount HK\$'000</b>
Audit Service	1,300,000
Non-audit service	374,000
	<b>1,674,000</b>

### Financial Reporting

The Company aims to present a clear, balanced and understandable assessment of its financial position and prospects. Financial results are announced as early as possible, with interim report and annual report as well as other price-sensitive announcements and financial disclosures published as required under the Listing Rules.

The management provides explanation, information and progress update to the Board for it to make an informed assessment of the financial and other issues put before the Board for approval and consideration.

Throughout the year, the Directors had selected appropriate accounting policies and applied them consistently. The Directors acknowledge their responsibilities for preparing the financial accounts of the Group which give a true and fair view and are in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. A statement by the Independent Auditor about their reporting responsibilities for the year is set out in this annual report.

## Corporate Governance Report

### Internal Control and Risk Management

#### Scope of Works

The Board recognises its responsibility for establishment, maintenance and review of the internal control system that provides reasonable assurance on the reliability and integrity of financial and operational information, effective and efficient operations, safeguarding of assets and compliance with laws and regulations. The internal control system is designed to manage rather than to eliminate all risks of failure while its goal is to provide reasonable, not absolute, assurance regarding the achievement of organisational objectives. The Audit Committee is responsible to assist the Board for the annual review of the effectiveness of the internal control system of the Group.

During the year, the Company has performed a review of the internal control system of the Group, which includes evaluation of control environment, risk assessment, control activities, information and communication and monitoring activities, evaluation of the internal control system by business cycles and evaluation of the company secretarial record, the Board's practice and annual report disclosure against the requirement of the CG Code. Such report is addressed to the Board to assist the Board in the evaluation of the internal control system of the Group.

#### Audit Committee's and Board's Review

The Audit Committee and the Board had reviewed the financial control, internal control and risk management systems of the Company for the year. It considered the internal control system effective and adequate as they allowed the Board to monitor the Group's overall financial position and to provide reasonable assurance that assets are safeguarded against unauthorised use or material financial misstatement; transactions were executed in accordance with management's authorisation; and the accounting records were reliable for preparing financial information used within the business or for publication and reflecting accountability for assets and liabilities. Further reviews will be conducted on the request of any Audit Committee member, Company Secretary, or any Director.

### Company Secretary

Ms. Lam Yuen Ling Eva was the Company Secretary who was delegated by an external service provider during the period from 16 May 2016 to 11 December 2016. The external service provider's primary contact person at the Company was Mr. Yang, the executive Director.

Mr. Wong Shui Yeung ("Mr. Wong") has been appointed as the Company Secretary since 12 December 2016. Mr. Wong reports to the CEO directly and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully apprised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training for the year.

### Shareholders' Rights

The Company is committed to safeguarding the Shareholders' and the Company's interests as a whole and encouraging Shareholders to attend general meetings of the Company to participate in the important decisions of the Company for which the Shareholders' approval is required under the Listing Rules and the Companies Ordinance. The Company regards general meetings of the Company as an important event as it provides an important opportunity for direct communication between the Board and the Shareholders. The Directors, including the INEDs were available to answer questions at the annual general meeting and extraordinary general meeting of the Company held on 29 June 2016 and 30 November 2016 respectively. The chairmen of the Audit Committee, Remuneration Committee and Nomination Committee and the Independent Auditor were also available at the general meetings of the Company to address Shareholders' queries.

The following set forth the procedures on (a) how Shareholders can convene an extraordinary general meeting of the Company ("EGM"), (b) the procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquires to be properly directed; and (c) the procedures and sufficient contact details for putting forward proposals at Shareholders' meetings.

(a) Procedures on how Shareholders can convene an EGM

1. Any registered Shareholder in his/her sole name or the registered Shareholders jointly or collectively (whose name(s) appear in the register of the members of the Company) holding at the date of the deposit of the requisition not less than one-twentieth (5%) of the issued and paid up capital of the Company carrying the right to vote at general meeting of the Company may send a requisition to the Company to convene an EGM.
2. The requisition must state the objects of the EGM, and must be signed by the requisitionists and deposited at the registered office of the Company at Units 5101-02 & 13, 51st Floor, The Center, 99 Queen's Road Central, Central, Hong Kong for the attention of the Company Secretary.
3. The request will then be verified with the share registrar of the Company. Upon receiving confirmation from the share registrar of the Company that the request is in order, the Company Secretary will tender the request of the Shareholder to the Board to include the resolution in the notice and agenda for the EGM.
4. Upon receiving such requisition, the Directors shall, within 21 days from the date of the deposit of the requisition, proceed to convene the EGM. The EGM shall be held on a day not more than 28 days after the date on which the notice convening the meeting is given.
5. If the Directors fail to convene the EGM as requisitioned by the Shareholder concerned in the aforesaid manner, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene the EGM, but any EGM so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition.
6. Where the EGM is held by the requisitionists, the requisitionists may claim from the Company any reasonable expenses incurred through the Directors' default.

## Corporate Governance Report

- (b) Procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed
1. For any enquiry that a Shareholder may put to the Board otherwise than at the general meetings of the Company to be held from time to time, the Shareholder concerned should send the enquiry to the Board by means of letter to the registered office of the Company at Units 5101–02 & 13, 51st Floor, The Center, 99 Queen’s Road Central, Central, Hong Kong for the attention of the Company Secretary.
  2. The Company Secretary will collect and read the letters received from the Shareholders.
  3. Any enquiry to the Board shall be made by means of a letter bearing the address, contact telephone number and signature of the enquirer who must be registered Shareholder with his/her name appears in the register of members of the Company. No enquiry by other means like telephone, fax or email will be entertained.
  4. Any enquiry should confine to any factual information contained in the announcement, circular, interim or annual reports of the Company published within the recent 3 years.
  5. Any enquiry will be replied within 21 days in any ordinary case. If the Board regards the Shareholder’s enquiry is a complicate one, the reply will be given within 1 month or any extended period for reply that the Directors consider fit and proper.
  6. No enquiry shall be made by the Shareholder on any publication, hearsay or rumour come from the unidentified source concerning the business affairs of the Company. The Board may consider issuing an announcement to the general public whenever it is necessary under the requirements of the Listing Rules or other applicable laws and regulations to clarify any publication, hearsay or rumour that may appear in the newspaper or from any source that the Company may have known.
  7. Reply by the Board to the Shareholder concerning his/her enquiry is privy to the Shareholder concerned and no such reply shall be made public without the consent of the Company and the Company reserves the legal right to pursue for any breach thereof.
  8. The Board reserves the right to turn down the request for answering enquiries or giving any explanation thereof in case:
    - a. answering to the enquiry will require disclosure of any confidential or price-sensitive information of the Company;
    - b. answering to the enquiry will require disclosure of any information that the Board considers (i) it is unlawful to disclose them under the current laws and regulations that the Company is subject to, including the laws and regulations of the place where the Company is incorporated or the place where the main business of the Company is operating or the place in which the Company is having its securities listed therein; or (ii) in the interest of the Company it should not be disclosed; or (iii) it is unreasonable to disclose them; and
    - c. the enquiries themselves contain any defamatory or irresponsible statements with malice, or the enquiries are of irrelevance or of prejudicial or vexatious nature or showing any element of abuse of the rights by the Shareholder concerned.



9. At the general meeting of the Company to be held from time to time, any shareholder, his/her proxy or corporate representative may raise any enquiry verbally to the Directors present at the general meeting concerning any business to be transacted at the general meeting of the Company as set forth in the notice and agenda of the general meetings of the Company. The Directors presented may answer verbally the enquiries raised by the Shareholders at the general meeting of the Company as the Directors consider appropriate. The Directors may decline to answer any enquiry based on the factors mentioned above in item 8, or irrelevant to the core theme of the general meeting purpose, or in order to allow the general meeting of the Company to be conducted in the orderly and lawful manner without undue disruption and to achieve a good sense of the general meeting of the Company.
  10. Any reply by the Board or by any of its members (whether acting collectively or individually and in whatsoever manner or circumstances) to the Shareholder concerned must not be treated as any advice for investment in the securities of the Company or for any other purpose whatsoever and the Board and any of its members and the Company disclaim any liability that may be suffered by the Shareholder concerned or any third party as a result of or arising from any reliance on any reply made by the Board or any of its members on behalf of the Company to the enquiries raised by the Shareholder concerned.
- (c) Procedures and sufficient contact details for putting forward proposals at Shareholders' meetings
1. Any number of registered Shareholders (whose name(s) appeared in the register of members) representing not less than one-fortieth (2.5%) of the total voting rights of all members having at the date of the requisition a right to vote at the meeting to which the requisition relates, or not less than 50 members holding shares in the Company on which there has been paid up an average number, of not less than HK\$2,000 (namely, such members holding between them a minimum of shares of the Company on which there has been paid up at least HK\$100,000), may request the Company to give to members of the Company a notice of any resolution which he/she/they may intend to move at the annual general meeting of the Company; and/or to circulate to members entitled to have notice of any general meeting of the Company sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolutions or the business to be dealt with at that general meeting of the Company.
  2. A copy of the requisition signed by the requisitionists shall be deposited at the registered office of the Company at Units 5101-02 & 13, 51st Floor, The Center, 99 Queen's Road Central, Central, Hong Kong for the attention of the Company Secretary not less than 6 weeks before the general meeting of the Company (in case of a requisition requiring notice of a resolution) and not less than 1 week before the meeting (in case of any other requisition) and there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.
  3. The request will be verified with the share registrar of the Company. Upon receiving confirmation from the share registrar of the Company that the request is in order, and provided that the Shareholder(s) concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement, the Company Secretary will tender the request of the Shareholder to the Board to include the resolution in the notice and agenda for the annual general meeting of the Company.

## Corporate Governance Report

4. Should the request be not in order after verification by the share registrar of the Company or the Company finds that the sum not reasonably sufficient to meet the Company's expenses, the Company is not bound to give notice of any such resolutions or to circulate any such statement. The Shareholder will be advised accordingly and the proposed resolution will not be included in the agenda for the annual general meeting of the Company.

Regarding the "Procedures for Shareholders to propose a person for election as a Director", please visit the website of the Company for details.

## Investor Relations

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the Shareholders, including institutional investors, is crucial. The Company considers good investor relations as a key part of its operations and continues to promote investor relations and enhances communications with the investors.

The Company maintains a corporate website (<http://www.lth.com.hk>) to make the corporate information available on the internet to facilitate its communication with Shareholders and to provide important information the investing public, including corporate governance structure and terms of reference of Board committees.

The Company welcomes suggestions from investors and Shareholders, and invites them to share their views and suggestions at [info@lth.com.hk](mailto:info@lth.com.hk).

# Directors' Report

The Directors present to the members their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

## Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were property development and investment, investment holding, securities investment and finance business.

An analysis of the Group's revenue and contribution from operations by business and geographical segments is set out in note 7 to the consolidated financial statements.

## Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement and Management Discussion and Analysis on pages 14 to 25 of this annual report. Possible risks and uncertainties that the Group may be facing are set out in the Management Discussion and Analysis on pages 20 to 25 and the Corporate Governance Report on pages 38 to 56.

Particulars of important events affecting the Group that have occurred since the end of the financial year 2016 are set out in Management Discussion and Analysis Section on page 25. An analysis of the Group's performance during the year is provided in the Five year Financial Summary on page 147 of this annual report. An environmental policy has been put in place to give due consideration to environment issues and minimise the impact of business operations on environment. In addition, a discussion on the Group's environmental policies and performance and an account of the Group's key relationships with its stakeholders will be included in the Environmental, Social and Governance Report to be published in the Company's website in late May 2017.

## Compliance With The Relevant Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain strong working relationships with regulators through effective communications.

## Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 73.

The Board did not recommend the payment of final dividend for the year (2015: nil). No interim dividend was declared for the year (2015: nil).

## **Directors' Report**

### **Segment Information**

An analysis of the Group's revenue and contribution to profit or loss for the year by its principal activities is set out in note 7 to the consolidated financial statements.

### **Financial Summary**

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 147.

### **Fixed Assets**

Particulars of the movements of investment properties and property, plant and equipment are set out in notes 16 and 17 to the consolidated financial statement respectively.

### **Share Capital**

Details in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

### **Reserves**

Movements in the reserves of the Company and the Group during the year are set out in note 42 to the consolidated financial statements and the consolidated statement of changes in equity on page 76 respectively.

### **Purchase, Sale or Redemption of Listed Securities**

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **Charitable Donations**

During the year, charitable donations approximately HK\$81,000 had been made by the Group (2015: HK\$Nil).

### **Major Suppliers and Customers**

During the year, the Group's revenue represented rental income from investment properties and the total revenue of the top five customers accounted for 66% of the Group's total revenue.

The Group's top five suppliers accounted for approximately 55% of the total purchases for the year. In addition, the Group's largest supplier accounted for approximately 26% of the total purchases for the year.

At no time during the year have the then and current directors of the Company, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

### Directors

The Directors during the year and up to the date of this Director's report are:

#### Executive Directors

Mr. Yang Longfei (*Chairman and CEO*)

Mr. Chan Tik Sang (*Deputy CEO*) (retired on 29 June 2016)

Mr. Yang Shao Xing Max

#### Non-executive Directors

Mr. Lee Vincent Marshall Kwan Ho

Mr. Lam Kwong Wai (resigned on 7 February 2016)

Ms. Dai Hui (re-designated from executive Director to non-executive Director on 7 February 2016)

Mr. Hung Ka Hai Clement (appointed on 24 February 2017, re-designated from independent Non-executive Director to non-executive Director on 3 March 2017)

#### Independent Non-executive Directors

Mr. Fan Ren Da Anthony

Mr. Fan Chun Wah Andrew (resigned on 1 January 2017)

Mr. Lau Yu Fung Wilson (retired on 29 June 2016)

Ms. Shek Pui Michelle (appointed on 15 November 2016)

Mr. Lo Wai Hung (appointed on 3 March 2017)

Pursuant to Article 101 of the Articles of Association, Ms. Dai Hui as the non-executive Director and Mr. Fan Ren Da, Anthony ("Mr. Fan") as an independent non-executive Director will retire from office by rotation as the Directors at the annual general meeting of the Company and being eligible, offer themselves for re-election.

Pursuant to Article 92, of the Articles of Association, Ms. Shek Pui Michelle, Mr. Lo Wai Hung as independent non-executive Directors and Mr. Hung Ka Hai Clement as the non-executive Director, will retire from office by rotation as the Directors at annual general meeting of the Company and being eligible, offer themselves for re-election.

Mr. Fan has notified the Board that he will not be standing for reelection at the annual general meeting due to other business engagements and will retire as an independent non-executive Director pursuant to article 101 of the Articles at the conclusion of the annual general meeting.

Mr. Lee Vincent Marshall Kwan Ho ("Mr. Lee") has notified the Board that he will offer himself for retirement at the annual general meeting. An ordinary resolution will be proposed at the annual general meeting for not to fill up the vacated office of Mr. Fan and Mr. Lee upon their retirement as an independent non-executive Director and non-executive Director respectively pursuant to article 103 of the Articles.

## Directors' Report

### Directors' Service Contracts

No Director being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### Directors of Subsidiaries

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report are as follows:

Mr. Yang Longfei

Ms. Dai Hui

Mr. Ip Tsz Tim

Mr. Wong Wai San

Mr. Chan Hon Ming

Mr. Yang Shao Xing Max

Mr. Yang Shao Ming

Mr. Li Guoxiang

Ms. Guo Niya

### Share Award Scheme

The Company has adopted the share award scheme (the "Share Award Scheme") to recognise the contributions of certain employees and help retain them for the Group's operations and further development. The Share Award Scheme was adopted by the Board on 8 August 2014 ("Adoption Date") and shall remain in force for a period of 10 years. The maximum number of shares which can be awarded under the Share Award Scheme is 10 per cent (ie, 33,876,598 shares) of Shares in issue as at the Adoption Date and the maximum number of shares which can be awarded to a selected employee in the Share Award Scheme is 1 per cent (ie, 3,387,659 shares). The rules and trust deed of the Share Award Scheme are available on the Company's website.

Further details of the Share Award Scheme are set out in note 37(a) to the consolidated financial statements.

### Share Option Scheme

On 22 August 2014, the Company adopted the share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to any Directors and any employee of the Company or the Group, who, in the absolute opinion of the Board, have contributed or will contribute to the Company or the Group.

Based on the 338,765,987 shares in issue as at the date of adoption of the Share Option Scheme, the maximum number of shares to be issued upon the exercise of options that may be granted under the Share Option Scheme are 33,876,598 shares, being 10% of the shares in issue and the maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Company is 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of 10 years commencing from 22 August 2014, the date of adoption of the Share Option Scheme. The Share Option Scheme is available on the Company's website.

On 16 May 2016, the Company granted 33,876,590 share options to the selected grantees under the Share Option Scheme, amongst which 3,387,659 share options were granted to Mr. Yang Shao Xing Max, the executive Director.

Further details of the Share Option Scheme are set out in note 37(b) to the consolidated financial statements.

### Directors' and Chief Executives' Interests in the Securities of the Company and Associated Corporations

As at 31 December 2016, the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 (the "Model Code") to Listing Rules is as follow:

#### Ordinary shares of the Company

Name	Number of Shares (ordinary share)	Capacity	Percentage of Issued Share Capital (approximately)
Mr. Yang, Longfei (Note)	254,055,888 (L)	Interest of Controlled Corporation	75%

(L): Long position

Note: The 254,055,888 shares of the Company held by China Lerthai Commercial Real Estate Holdings Limited, and Mr. Yang Longfei beneficially owns the entire issued share capital of China Lerthai Commercial Real Estate Holdings Limited. By virtue of the SFO, Mr. Yang, Longfei is deemed to be interested in the 254,055,888 shares of the Company held by China Lerthai Commercial Real Estate Holdings Limited.

## Directors' Report

### Options

Particulars of the Company's share option schemes are set out in note 37(b) to the consolidated financial statements.

The following table discloses details of the Company's share options in issue during the year:

Name of director	Date granted	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2016 HK\$	Granted during the year	Exercised during the year	Outstanding at 31.12.2016
Category 1: Director							
Yang Shao Xing Max	16.5.2016	16.5.2016-15.5.2026	4.11	—	3,387,659	—	3,387,659
Total for director				—	3,387,659	—	3,387,659
Category 2: Employees	16.5.2016	16.5.2016-15.5.2026	4.11	—	30,488,931	—	30,488,931
Total for employees				—	30,488,931	—	30,488,931
Total for all categories				—	33,876,590	—	33,876,590

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, during the year, none of the Directors or chief executives of the Company, nor their spouses or children under the age of 18 years, were granted or had exercised any right to subscribe for any securities of the Company or its associated corporations.



**Substantial Shareholders' Interests in the Securities of the Company**

As at 31 December 2016, so far as are known to any Director or chief executives of the Company, the following parties (other than a Director or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Number of Shares (ordinary share)	Capacity	Percentage of Issued Share Capital (approximately)
China Lerthai Commercial Real Estate Holdings Limited (Note 1)	254,055,888 (L)	Beneficial owner	75%
Success Victory Holdings Limited (Note 2)	49,360,815 (L)	Beneficial owner	14.57%
	254,055,888 (L)	Security interest	75%
ICBC International Holdings Limited (Note 3)	49,360,815 (L)	Beneficial Interest held by controlled corporation	14.57%
	254,055,888 (L)	Security interest held by controlled corporation	75%
ICBC International Investment Management Limited (Note 4)	49,360,815 (L)	Beneficial Interest held by controlled corporation	14.57%
	254,055,888 (L)	Security interest held by controlled corporation	75%
Industrial and Commercial Bank of China Limited (Note 5)	49,360,815 (L)	Beneficial Interest held by controlled corporation	14.57%
	254,055,888 (L)	Security interest held by controlled corporation	75%
Central Huijin Investment Ltd. (Note 6)	49,360,815 (L)	Beneficial Interest held by controlled corporation	14.57%
	254,055,888 (L)	Security interest held by controlled corporation	75%

## Directors' Report

### Notes:

- Note 1: As at 31 December 2016, China Lerthai is wholly owned by Mr. Yang Longfei, the chairman, chief executive officer and executive Director of the Company.
- Note 2: As at 31 December 2016, China Lerthai has provided a first priority share charge in respect of the 254,055,888 shares held by it in favour of Success Victory Holdings Limited, a subsidiary of ICBC International Holdings Limited, to secure the payment obligations under the convertible bonds in the principal amount of HK\$550 million issued by the Company. Success Victory Holdings Limited was the holder of convertible bonds in the principal amount of HK\$385 million convertible into 49,360,815 Shares and was the holder of the exchangeable bonds in the principal amount of HK\$175 million. Please refer to the announcements of the Company dated 24 December 2013, 27 December 2013 and 3 January 2014 for further details.
- Note 3: As at 31 December 2016, Success Victory Holdings Limited is a wholly-owned subsidiary of ICBC International Holdings Limited.
- Note 4: As at 31 December 2016, ICBC International Holdings Limited is a wholly-owned subsidiary of ICBC International Investment Management Limited.
- Note 5: As at 31 December 2016, ICBC International Investment Management Limited is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited.
- Note 6: As at 31 December 2016, Central Huijin Investment Ltd. is interested in 35.5% of the equity interest of Industrial and Commercial Bank of China Limited.

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## Arrangements to Purchase Shares or Debentures

Save as the Share Option Scheme and Share Award Scheme as disclosed in note 37(b) to the consolidated financial statements, there were no arrangements to which the Company, its ultimate holding company, or any of its ultimate holding company's subsidiaries was a party to enable the Directors to acquire benefit by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the year.

## Directors' and Controlling Shareholders' Interests in Contracts

Save as deed of non-competition of 16 May 2013, the loan agreements executed or signed by the controlling shareholder or his controlled corporation, provided to the Group as disclosed in note 30 to the consolidated financial statements, and the loan purchase agreement dated 3 May 2016 pursuant to which the JV provided its assets as guarantee for the obligations of Shijiazhuang Lerthai Real Estate Development Company Limited (a company wholly-owned by Mr. Yang) under the Loan Purchase Agreement, there were no contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director had, whether directly or indirectly, a material interest, nor there were any other contracts of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

### Related Party Transactions, Connected Transactions and Continuing Connected Transactions

Save as disclosed in note 39 to the consolidated financial statements, there were no significant related party transactions or connected party transactions, or continuing connected transactions entered into by the Group for the year.

### Directors' Interests in Competing Businesses

As at 31 December 2016, none of the Directors was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group's businesses except that Mr. Yang (through China Lerthai or other associates) has interest in 石家莊勒泰房地產開發有限公司 (Shijiazhuang Lerthai Property Development Company Limited), the property developer of 石家莊勒泰中心 (Shijiazhuang Lerthai Centre) and 唐山遠洋城房地產開發有限公司 (Tangshan Yuanyang City Property Development Company Limited), the property developer of 唐山遠洋城購物中心 (Tangshan Yuanyang City Mall).

### Retirement Benefit Schemes

Particulars of retirement benefits schemes of the Group are set out in note 38 to the consolidated financial statements.

### Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year as required under the Listing Rules.

### Auditor

Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Yang Longfei**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 30 March 2017





# Independent Auditor's Report

# Deloitte.

# 德勤

TO THE MEMBERS OF LT COMMERCIAL REAL ESTATE LIMITED

勒泰商業地產有限公司

*(incorporated in Hong Kong with limited liability)*

## Opinion

We have audited the consolidated financial statements of LT Commercial Real Estate Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 73 to 146, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### *Valuation of investment properties*

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgment associated with determining the fair value.

The carrying value of investment properties amounted to HK\$2,968,666,000 at 31 December 2016 and increase in the fair value changes recorded in loss for the year in respect of investment properties was approximately HK\$99,917,000.

The Group's investment properties comprise various categories of properties including offices, carparks, commercial buildings and residential buildings and a property development project with tourism characteristics. The valuation models used to determine the fair values of investment properties in different categories and different nature may vary. The valuation models of different investment properties include income capitalisation approach, residual method and direct comparison cost method as disclosed in note 16 to the consolidated financial statements. The Group uses independent external valuers (the "Valuers") to determine the fair values for all of the properties held in these categories.

The inputs with the most significant impact on these valuations, which include capitalisation rates, are disclosed in note 16 to the consolidated financial statements.

Our procedures in relation to the valuation of investment properties included:

- obtaining valuation reports of the Group's investment properties performed by the Valuers from the management;
- assessing the competence, capabilities and objectivity of the Valuers and verifying the qualifications of the Valuers;
- discussing the scope of the Valuers' work with management and reading the Valuers' terms of engagement to determine any limitation of scope imposed on the Valuers;
- evaluating the methodologies used and the key assumptions, such as capitalisation rates and market rents, adopted in the valuation models based on market data, entity-specific historical information, our knowledge of the real estate industry and the nature and composition of the Group's investment properties;
- testing a selection of inputs used in the valuation of the Group's investment properties, including rental income, tenancy schedules, capital expenditure details, development cost schedules, construction costs to completion and expected developer's profit, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof; and
- evaluating the sensitivity analysis on the significant inputs for the extent of impact on the fair values and assessing the appropriateness of the Group's disclosures relating to investment properties in notes to the consolidated financial statements.

## Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of properties under development for sales</i></p> <p>We identified the valuation of the properties under development for sales as a key audit matter due to the involvement of significant judgment by management in determining the prices at which the properties will be sold for the properties under development for sale. The property prices in the People's Republic of China (the "PRC") may be, from time-to-time affected by macroeconomic control measures executed by the PRC government as described in note 5 to the consolidated financial statements.</p> <p>The carrying value of properties under development for sales amounted to approximately HK\$3,413,157,000 as at 31 December 2016. The Group's properties under development for sales spread over various cities in the PRC where the underlying property projects are located. The properties under development for sales are stated at the lower of cost and net realisable value.</p> <p>No impairment on the properties under development for sales was recognised for the year ended 31 December 2016.</p>	<p>Our procedures in relation to the valuation of properties under development for sales included:</p> <ul style="list-style-type: none"><li>• obtaining an understanding of the impairment assessment of properties under development for sales;</li><li>• testing the net realisable value of properties under development for sale, on a sample basis, against the latest selling prices of the Group's properties and those of comparable properties;</li><li>• evaluating the reasonableness of the estimated future cost to completion of the properties under development for sale, on a sample basis, by comparing it to the actual development cost of similar completed properties of the Group; and</li><li>• challenging management on its methodology with reference to the historical accuracy of the allowance for properties under development for sale against actual losses.</li></ul>

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial

## Independent Auditor's Report

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Wang Hei.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 March 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>			
Revenue	6	12,560	12,610
Other income, gains and losses	8	4,255	46,348
Increase in fair value of investment properties	16	99,917	92,478
Selling and marketing expenses		(47,107)	(25,855)
Administrative expenses		(146,073)	(128,193)
Share-based payments		(69,242)	—
Share of loss of a joint venture		(1,108)	(1,152)
Finance costs	9	(70,748)	(39,050)
Loss before taxation	10	(217,546)	(42,814)
Income tax (expense) credit	11	(22,700)	1,317
Loss for the year from continuing operations		(240,246)	(41,497)
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	12	—	2,984
Loss for the year attributable to the owners of the Company		(240,246)	(38,513)
<b>Other comprehensive expense</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of functional currency to presentation currency		(46,449)	(32,097)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value changes on available-for-sale financial assets		—	(416)
Release of securities investments reserve upon disposal of available-for-sale financial assets		—	(3,297)
Exchange differences arising from translation of foreign operations		—	(771)
		—	(4,484)
<b>Other comprehensive expense for the year</b>		(46,449)	(36,581)
<b>Total comprehensive expense for the year attributable to owners of the Company</b>		(286,695)	(75,094)
<b>Loss per share (HK\$)</b>			
15			
<b>From continuing and discontinued operations</b>			
Basic		(0.71)	(0.11)
Diluted		(0.71)	(0.11)
<b>From continuing operations</b>			
Basic		(0.71)	(0.12)
Diluted		(0.71)	(0.12)

# Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Investment properties	16	2,968,666	1,274,937
Property, plant and equipment	17	8,621	9,565
Interest in a joint venture	18	—	59,428
Loans to a joint venture	18	—	388,314
Pledged bank deposits	19	17,323	6,138
Deferred tax assets	31	22,931	21,678
Other non-current assets		3,300	990
		<b>3,020,841</b>	<b>1,761,050</b>
<b>Current assets</b>			
Properties under development for sales	20	3,413,157	1,262,005
Trade and other receivables, deposits and prepayments	21	650,874	49,162
Restricted bank balances	19	32,093	50,126
Pledged bank deposits	19	12,944	14,103
Bank balances	19	51,818	71,980
		<b>4,160,886</b>	<b>1,447,376</b>
<b>Current liabilities</b>			
Trade and other payables and accruals	22	2,223,745	703,666
Deposits received from sales of properties	23	1,278,801	443,855
Amounts due to related companies	24	2,788	2,224
Tax payable		4,943	4,260
Convertible bonds	25	444,518	456,759
Bank and other borrowings	26	384,168	45,181
Senior notes	27	180,983	232,670
		<b>4,519,946</b>	<b>1,888,615</b>
Net current liabilities		<b>(359,060)</b>	<b>(441,239)</b>
Total assets less current liabilities		<b>2,661,781</b>	<b>1,319,811</b>
<b>Capital and reserves</b>			
Share capital	28	498,548	498,548
Reserves		(277,592)	(60,139)
Total equity attributable to owners of the Company		<b>220,956</b>	<b>438,409</b>

## Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
<b>Non-current liabilities</b>			
Rental deposits received		677	514
Bank and other borrowings	26	2,037,182	477,122
Bonds	29	38,660	38,475
Senior notes	27	90,309	—
Loans from a related company	30	212,881	326,805
Deferred tax liabilities	31	61,116	38,486
		<b>2,440,825</b>	881,402
		<b>2,661,781</b>	1,319,811

The consolidated financial statements on pages 73 to 146 were approved and authorised for issue by the Board of Directors on 30 March 2017 and are signed on its behalf by:

**YANG Longfei**  
DIRECTOR

**YANG Shao Xing Max**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company					Total HK\$'000
	Share capital	Share option reserve	Exchange reserve	Securities investments reserve	Retained profit (accumulated losses)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2015	498,548	—	(6,360)	3,713	17,602	513,503
Loss for the year	—	—	—	—	(38,513)	(38,513)
Other comprehensive expense of the year	—	—	(32,868)	(3,713)	—	(36,581)
Total comprehensive expense for the year	—	—	(32,868)	(3,713)	(38,513)	(75,094)
At 31 December 2015	498,548	—	(39,228)	—	(20,911)	438,409
Loss for the year	—	—	—	—	(240,246)	(240,246)
Other comprehensive expense of the year	—	—	(46,449)	—	—	(46,449)
Total comprehensive expense for the year	—	—	(46,449)	—	(240,246)	(286,695)
Recognition of share-based payments	—	69,242	—	—	—	69,242
At 31 December 2016	<b>498,548</b>	<b>69,242</b>	<b>(85,677)</b>	<b>—</b>	<b>(261,157)</b>	<b>220,956</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

NOTE	2016 HK\$'000	2015 HK\$'000
<b>Operating activities</b>		
Loss before taxation		
— continuing operations	(217,546)	(42,814)
— discontinued operation	—	3,559
Adjustments for:		
Interest income	(312)	(799)
Net exchange gain	—	(4,681)
Fair value change on investment properties	(99,917)	(92,478)
Fair value change on convertible bonds designated at fair value through profit or loss (“FVTPL”)	3,707	(38,176)
Share of loss of a joint venture	1,108	1,152
Depreciation of property, plant and equipment	3,252	2,697
Finance costs	70,748	39,050
Imputed interest income on loan to a joint venture	—	(1,019)
Share-based payments	69,242	—
Operating cash flows before movements in working capital	(169,718)	(133,509)
Increase in properties under development for sales	(703,618)	(266,694)
Increase in trade and other receivable, deposits and prepayments	(579,242)	(32,298)
Increase in restricted bank balances	—	(1,875)
(Decrease) increase in trade and other payable and accruals	(27,175)	381,658
Increase in deposits received from sales of properties	869,886	456,865
Cash (used in) from operating activities	(609,867)	404,147
People’s Republic of China income taxes paid	—	(5,611)
<b>Net cash (used in) from operating activities</b>	<b>(609,867)</b>	<b>398,536</b>
<b>Investing activities</b>		
Interest received	312	799
Proceed on disposal of available-for-sale financial assets	—	62,901
Deposit paid for acquisition of a subsidiary	—	(990)
Additions to investment properties	(646,565)	(605,728)
Acquisitions of assets through acquisitions of subsidiaries	(1,170)	—
Purchase of property, plant and equipment	(1,768)	(3,940)
Loans to a joint venture	—	(587,797)
Repayment of loans from a joint venture	—	126,432
Advance to a joint venture	—	(47,049)
Repayment from a joint venture	—	47,049
Placement of pledged bank deposits	(12,778)	(6,323)
Release of pledged bank deposits	15,246	2,960
Placement of restricted bank balance	—	(49,708)
<b>Net cash used in investing activities</b>	<b>(646,723)</b>	<b>(1,061,394)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
<b>Financing activities</b>		
Repayment of convertible bonds	(55,000)	(110,000)
Repayment of senior notes	(57,000)	—
Loans from a related company	1,603,676	1,114,806
Repayment on loans from a related company	(2,163,540)	(1,054,332)
Net proceeds on issuance of senior notes	89,000	76,845
Net proceeds on issuance of bonds	—	9,675
New bank and other borrowings raised	2,068,082	441,461
Repayment of bank borrowings	(134,540)	(1,382)
Interest paid	(113,186)	(117,509)
Advance from related companies	564	—
<b>Net cash from financing activities</b>	<b>1,238,056</b>	<b>359,564</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(18,534)</b>	<b>(303,294)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>71,980</b>	<b>379,331</b>
<b>Effect of foreign exchange rate changes</b>	<b>(1,628)</b>	<b>(4,057)</b>
<b>Cash and cash equivalents at 31 December</b>	<b>51,818</b>	<b>71,980</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Time deposits and bank balances	51,818	71,980



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 1. General

The Company is a public limited liability company incorporated and domiciled in Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The immediate and ultimate holding company of the Company is China Lerthai Commercial Real Estate Holdings Limited (“China Lerthai”), a private limited liability company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Yang Longfei (“Mr. Yang”), who is the chairman, chief executive officer and executive director of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 41. The Company and its subsidiaries are hereinafter referred to as the Group.

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the 2016 annual report issued by the Company.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is different from the functional currency, which is Renminbi (“RMB”), as the directors of the Company consider that HK\$ is the most appropriate presentation currency in view of its place of listing.

## 2. Basis of Preparation of the Consolidated Financial Statements

In preparing the consolidated financial statements, the directors of the Company have given due and careful considerations to the future liquidity of the Group in light of the Group’s current liabilities exceeds current assets by approximately HK\$359,060,000 as at 31 December 2016. The directors of the Company have carefully assessed the Group’s liquidity position. Having taken into account (i) the estimated proceeds from the sales of properties in the next twelve months from the end of the financial year; (ii) the available facilities provided by banks, a financial institution and Mr. Yang; (iii) the deposits received from sales of properties of HK\$1,279 million that do not expect to have a cash outflow impact; and (iv) a convertible note of HK\$450 million issued subsequent to the end of the reporting period, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

#### Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instrument <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to HKFRSs	Annual improvement to HKFRSs 2014–2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

### 3. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRS”) (continued)

#### HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors anticipate that the application of HKFRS 9 in the future may have impact on the change in fair value of the Group’s convertible notes designated at fair value through profit or loss that is attributable to changes in credit risk could be presented in other comprehensive income. In addition, the application of HKFRS 9 may also result in early recognition of credit losses based on expected loss model in relation to the Group’s financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

#### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRS”) (continued)

#### HKFRS 15 Revenue from Contracts with Customers (continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of the HKFRS 15 will have a material impact on timing and amounts of revenue recognised in the respective reporting periods.

#### HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK\$22,651,000 as disclosed in note 35. These commitments will wholly result in the recognition of right-of-use assets and liability for lease payments in the future.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies (continued)

The principal accounting policies are set out below.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of a subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

### 4. Significant Accounting Policies (continued)

#### Investment in a joint venture (continued)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies (continued)

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Group as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation on monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



### 4. Significant Accounting Policies (continued)

#### Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

#### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

#### Share-based payment arrangements

##### *Equity-settled share-based payment transactions*

##### *Share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies (continued)

#### Taxation

Income tax credit (expense) represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies (continued)

#### Taxation (continued)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies (continued)

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purpose). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Subsequent to initial recognition, investment properties, including completed investment properties and investment properties under construction are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

In circumstances where the fair values of investment properties under construction are not reliably determinable, such investment properties under construction are measured at cost less impairment, if any, until when their fair values become reliably determinable upon finalisation of the development plan, at which point in time the land and relocation cost and construction costs attributable to the investment property portion is reliably determinable.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

#### Properties under development for sales

Properties under development for sales are stated at lower of cost and net realisable value. Cost comprises the acquisition cost of land use rights and development costs for properties. Development costs of properties comprise construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable costs incurred during the construction period.

Properties under development for sales are transferred to properties held for sales upon completion.

### 4. Significant Accounting Policies (continued)

#### Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### *Financial assets*

Financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans to a joint venture, trade and other receivables, pledged bank deposits, restricted bank balances and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

### 4. Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### *Financial assets (continued)*

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### *Convertible bonds*

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. An embedded floor on the interest rate on a debt contract is closely related to the host contract, provided the floor is at or below the market rate of interest when the contract is issued, and the floor is not leveraged in relation to the host contract.

The Group has designated the convertible bonds with conversion options and embedded floor on the interest rate as financial liabilities at FVTPL. At the date of initial recognition and at the end of subsequent reporting periods, the convertible bonds are measured at fair value with changes in fair value recognised directly in profit or loss in the period in which they arise.

##### *Financial liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### *Financial liabilities and equity instruments (continued)*

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the other income, gains and losses line item.

##### *Financial liabilities at amortised cost*

Financial liabilities including trade and other payables and accruals, amounts due to related companies, senior notes, bonds, bank and other borrowings and loans from a related company are subsequently measured at amortised cost, using the effective interest method.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 “Provisions, contingent liabilities and contingent assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

##### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that directors has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

##### *Fair value of investment properties*

Fair values of investment properties of the Group are quoted by independent qualified professional valuers. The valuation involves, inter-alia, certain estimates, including comparable market transactions, appropriate capitalisation rates and reversionary income potential. In relying on the valuation, management has exercised judgment and is satisfied that the method of valuation is reflective of the current market conditions.

##### *Allowance for properties under development*

Management estimates the net realisable value for properties under development for sales. Significant judgement is required by the management in determining the prices at which the properties will be sold as the property prices in the People's Republic of China (the "PRC") may be, from time-to-time affected by macroeconomic control measures executed by the PRC government.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

#### Critical judgements in applying accounting policies (continued)

##### *Classification of properties as investment properties or properties under development for sale*

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of construction of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at lower of cost and net realisable value, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

##### *Deferred tax on investment properties*

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As at 31 December 2016, the Group recognised deferred tax on revaluation of investment properties amounted to HK\$61,116,000 (2015: HK\$38,486,000).

#### Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

#### Key sources of estimation uncertainty (continued)

##### *Fair value measurements and valuation processes*

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. Management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company (the "Board").

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed in notes 16, 25 and 34(c).

##### *Deferred tax asset*

As at 31 December 2016, a deferred tax asset of HK\$22.9 million (2015: HK\$21.7 million) in relation to unused tax losses was recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK\$377.9 million (2015: HK\$154.7 million) due to the unpredictability of future profit streams. The realisability of the deferred tax asset arising from the unused tax losses is mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits granted are more or less than expected, a material provision or reversal of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a provision or reversal takes place.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. Revenue

	2016 HK\$'000	2015 HK\$'000
The Group's revenue for the year from continuing operations is as follows:		
Rental income from investment properties	12,560	12,610

### 7. Segment Information

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance is based on different business activities of the Group in different geographical locations. This is also the basis upon which the Group is organised and managed. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 based on information reported to the CODM are as follows:

- (i) property investment in the PRC;
- (ii) property development in the PRC;
- (iii) property investment in the United States of America ("USA"); and
- (iv) property development in the USA.

An operating segment regarding the securities investment and finance was discontinued during the year ended 31 December 2015. The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in note 12.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 7. Segment Information (continued)

#### Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

#### *Continuing operations*

	Segment revenue		Segment profit (loss)	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Property investment in the PRC	—	—	82,846	58,427
Property development in the PRC	—	—	(100,065)	(11,832)
Property investment in the USA	12,560	12,610	11,910	24,372
Property development in the USA	—	—	(17,891)	(26,643)
	12,560	12,610	(23,200)	44,324
<b>Unallocated items</b>				
Other income, gains and losses			4,255	46,348
Unallocated corporate expenses			(126,745)	(93,284)
Finance costs			(70,748)	(39,050)
Share of loss of a joint venture			(1,108)	(1,152)
<b>Loss before taxation from continuing operations</b>			<b>(217,546)</b>	<b>(42,814)</b>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represents the profit/loss by each segment without allocation of central administration costs including directors' emoluments, other income, gains and losses, depreciation, share-based payments, finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue during both years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 7. Segment Information (continued)

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2016 HK\$'000	2015 HK\$'000
<i>Segment assets</i>		
<b>Continuing operations</b>		
Property investment in the PRC	2,677,165	1,109,844
Property development in the PRC	3,709,505	1,130,290
Property investment in the USA	189,870	191,754
Property development in the USA	227,485	226,947
<b>Total segment assets</b>	<b>6,804,025</b>	2,658,835
Deferred tax assets	22,931	21,678
Pledged bank deposits	12,944	14,103
Restricted bank balances	—	48,251
Bank balances	12,404	4,850
Interest in a joint venture	—	59,428
Loans to a joint venture	—	388,314
Unallocated corporate assets	329,423	12,967
<b>Consolidated total assets</b>	<b>7,181,727</b>	3,208,426
<i>Segment liabilities</i>		
<b>Continuing operations</b>		
Property investment in the PRC	1,655,013	365,492
Property development in the PRC	4,142,492	1,177,388
Property investment in the USA	117,547	119,384
Property development in the USA	1,540	1,818
<b>Total segment liabilities</b>	<b>5,916,592</b>	1,664,082
Convertible bonds	444,518	456,759
Senior notes	271,292	232,670
Loans from a related company	212,881	326,805
Bonds	38,660	38,475
Tax payable	4,943	4,260
Deferred tax liabilities	61,116	38,486
Unallocated corporate liabilities	10,769	8,480
<b>Consolidated total liabilities</b>	<b>6,960,771</b>	2,770,017



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 7. Segment Information (continued)

#### Segment assets and liabilities (continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain other receivables, deposits and prepayments, deferred tax assets, certain pledged bank deposits, certain restricted bank balances and certain bank balances, interest in a joint venture and loans to a joint venture; and
- all liabilities are allocated to operating segments other than certain other payables and accruals, convertible bonds, senior notes, bonds, loans from a related company, tax payable and deferred tax liabilities.

#### Other segment information

2016

##### Continuing operations

	Property investment in the PRC HK\$'000	Property development in the PRC HK\$'000	Property investment in the USA HK\$'000	Property development in the USA HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts include in the measure of segment profit or loss or segment assets:						
Depreciation	—	—	—	—	3,252	3,252
Increase in fair value of investment properties	98,365	—	1,552	—	—	99,917
Additions to property, plant and equipment	—	—	—	—	2,577	2,577
Additions to investment properties	1,156,890	—	—	—	—	1,156,890
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segments assets:						
Share of loss of a joint venture	—	—	—	—	1,108	1,108

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 7. Segment Information (continued)

#### Other segment information (continued)

2015

#### Continuing operations

	Property investment in the PRC HK\$'000	Property development in the PRC HK\$'000	Property investment in the USA HK\$'000	Property development in the USA HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts include in the measure of segment profit or loss or segment assets:						
Depreciation	—	—	—	—	2,697	2,697
Increase in fair value of investment properties	75,698	—	16,780	—	—	92,478
Additions to property, plant and equipment	—	—	—	—	3,940	3,940
Additions to investment properties	651,772	—	1,046	—	—	652,818
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segments assets:						
Principal amount of loans to a joint venture	—	—	—	—	447,841	447,841
Share of loss of a joint venture	—	—	—	—	1,152	1,152

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 7. Segment Information (continued)

#### Geographical information

The Group's operations are located on Hong Kong, the PRC and the USA.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	—	—	1,680	2,384
The PRC	—	—	2,785,445	1,092,901
The USA	12,560	12,610	190,162	189,217
	12,560	12,610	2,977,287	1,284,502

Non-current assets exclude interest in a joint venture, loans to a joint venture, other non-current assets, pledged bank deposits and deferred tax assets.

#### Information about major customers

There are two single customers in the Group's property investment in the USA segment who contributed 10% or more to the Group's total revenue and are as follows:

	2016 HK\$'000	2015 HK\$'000
Customer A	4,400	4,395
Customer B	2,105	2,051

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 8. Other Income, Gains and Losses

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
Interest income from bank deposits	312	799
Exchange gain	380	4,681
Change of fair value of convertible bonds designated at FVTPL	(3,707)	38,176
Imputed interest on loans to a joint venture	—	1,018
Design service fee	6,445	576
Others	825	1,098
	<b>4,255</b>	<b>46,348</b>

### 9. Finance Costs

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
Interest on convertible bonds	84,038	91,821
Interest on loans from a related company	85,842	35,354
Interest on senior notes	35,531	27,610
Interest on bonds	3,221	3,351
Interest on bank borrowings	40,490	4,572
Interest on other borrowings	32,483	7,511
	<b>281,605</b>	<b>170,219</b>
Less: Amount capitalised to investment properties and properties under development for sale	<b>(210,857)</b>	<b>(131,169)</b>
	<b>70,748</b>	<b>39,050</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 10. Loss Before Taxation

	2016 HK\$'000	2015 HK\$'000
Loss before taxation from continuing operations has been arrived at after charging:		
Employee benefits expenses		
Directors' emoluments (note 13)		
— Fees	1,460	1,780
— Salaries, bonuses and allowances	6,085	7,197
— Share-based payments	7,739	—
— Retirement benefits cost	108	157
	<b>15,392</b>	9,134
Other staff costs		
Salaries, bonuses and allowances	64,189	64,387
Share-based payments	61,503	—
Retirement benefits cost	9,898	8,950
	<b>135,590</b>	73,337
Total employee benefits expenses	<b>150,982</b>	82,471
Less: amount capitalised to investment properties and properties under development for sale	<b>(12,990)</b>	(16,902)
	<b>137,992</b>	65,569
Auditor's remuneration		
— audit services	1,300	910
— non-audit services	374	590
Operating lease payments	12,501	14,686
Depreciation	3,252	2,697
Gross rental income from investment properties	12,560	12,610
Less: direct operating expenses incurred for investment properties that generated rental income during the year	<b>(941)</b>	(445)
	<b>11,619</b>	12,165

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 11. Income Tax (Expense) Credit

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
The (charge) credit comprises:		
Deferred taxation (note 31)	(22,700)	1,317

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT") and Implementation Rules of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25%.

The subsidiaries in the USA are subject to Federal Income Tax of 35% and State Tax of 8.8% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and taxed as part of their holding company for federal and state tax purposes.

No provision for tax has been made as the companies in the Group had no assessable profit.

Income tax (expense) credit for the year is reconciled to the loss before taxation from continuing operations per the statement of profit or loss and other comprehensive income as follows:

	2016 HK\$'000	2015 HK\$'000
Loss before taxation	(217,546)	(42,814)
Tax at PRC EIT rate of 25% (2015: 25%)	54,387	10,704
Tax effect of income not taxable for tax purpose	78	10,952
Tax effect of expenses not deductible for tax purpose	(20,780)	(7,138)
Tax effect of tax losses not recognised	(55,816)	(12,296)
Tax effect of share of result of a joint venture	(277)	(288)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(292)	(617)
Income tax (expense) credit for the year	(22,700)	1,317

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 12. Discontinued Operation

During the year ended 31 December 2015, the Group disposed of all its fixed rate notes and discontinued the operation of securities investment and finance operation. The profit for the year from the discontinued securities investment and finance operation is set out below.

	2016 HK\$'000	2015 HK\$'000
Profit for the year	—	2,984

The results of the discontinued operation were as follows:

	2016 HK\$'000	2015 HK\$'000
Revenue	—	288
Gain on disposed of available-for-sale financial assets	—	3,297
Administrative expenses	—	(26)
Profit before tax	—	3,559
Income tax expense	—	(575)
Profit for the year	—	2,984

During the year ended 31 December 2015, the net operating cash flows contributed by the securities investment and finance operation to the Group were insignificant, and the Group received HK\$62,901,000 in respect of investing activities during the year ended 31 December 2015.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 13. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees

#### (a) Directors' and Chief executive's emoluments

Director's and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Name of directors	2016				Total HK\$'000
	Fees HK\$'000	Salaries and other allowances HK\$'000 (Note a)	Employer's contribution to retirement benefits schemes HK\$'000	Share-based payment HK\$'000	
<i>Executive directors</i>					
Mr. Yang Longfei (Note b)	180	3,250	18	—	3,448
Ms. Dai Hui (Note c)	15	100	2	—	117
Mr. Chan Tik Sang (Note d)	89	1,726	11	—	1,826
Mr. Yang Shao Xing Max	180	1,009	72	7,739	9,000
<i>Non-executive directors</i>					
Mr. Lee Vincent Marshall Kwan Ho	180	—	—	—	180
Ms. Dai Hui (Note c)	165	—	5	—	170
Mr. Lam Kwong Wai (Note e)	19	—	—	—	19
<i>Independent non-executive directors</i>					
Mr. Fan Ren Da Anthony	260	—	—	—	260
Mr. Fan Chun Wah Andrew	260	—	—	—	260
Mr. Lau Yu Fung Wilson (Note f)	89	—	—	—	89
Ms. Shek Pui Michelle (Note g)	23	—	—	—	23
	1,460	6,085	108	7,739	15,392



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 13. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (continued)

#### (a) Directors' and Chief executive's emoluments (continued)

Name of directors	Fees HK\$'000	2015		Total HK\$'000
		Salaries and other allowances HK\$'000 (Note a)	Employer's contribution to retirement benefits schemes HK\$'000	
<i>Executive directors</i>				
Mr. Yang Longfei (Note b)	180	3,250	17	3,447
Ms. Dai Hui	180	1,568	74	1,822
Mr. Chan Tik Sang	180	1,365	17	1,562
Mr. Yang Shao Xing Max	180	1,014	49	1,243
<i>Non-executive directors</i>				
Mr. Lee Vincent Marshall Kwan Ho	180	—	—	180
Mr. Lam Kwong Wai	180	—	—	180
<i>Independent non-executive directors</i>				
Mr. Fan Ren Da Anthony	260	—	—	260
Mr. Fan Chun Wah Andrew	260	—	—	260
Mr. Lau Yu Fung Wilson	180	—	—	180
	1,780	7,197	157	9,134

Notes:

- a. Other allowances represent operating lease rental of a quarter provided by the Group to Mr. Yang.
- b. Mr. Yang is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
- c. Ms. Dai Hui was re-designated as a non-executive director from an executive director on 7 February 2016.
- d. Mr. Chan Tik Sang resigned as an executive director on 29 June 2016.
- e. Mr. Lam Kwong Wai resigned as a non-executive director on 7 February 2016.
- f. Mr. Lau Yu Fung Wilson retired as an independent non-executive director on 29 June 2016.
- g. Ms. Shek Pui Michelle was appointed as an independent non-executive director on 15 November 2016.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 13. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (continued)

#### (a) Directors' and Chief executive's emoluments (continued)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

#### (b) Directors' material interests in transactions, arrangements or contracts

- (i) On 16 May 2013, Mr. Yang, China Lerthai and the Company entered into a deed of non-competition (the "Deed") pursuant to which subject to the exceptions set out in the Deed, (a) Mr. Yang, China Lerthai and their respective associates will not, directly or indirectly, carry on, engage, invest or hold any right or interest or be involved in the real estate development business; and (b) in the event any of Mr. Yang, China Lerthai or their associates becomes aware of any new business opportunity relating to the real estate development business, Mr. Yang and China Lerthai must first offer to make available to the Board for consideration, and will not invest in such new business opportunity unless it is declined by the Board in accordance with the terms of the Deed. The Deed will expire on the earlier of (a) the day on which the shares of the Company cease to be listed on the Stock Exchange; and (b) the day on which China Lerthai, Mr. Yang and any of its/his associates, taken as a whole, cease to own either directly or indirectly, in aggregate, 30% (or such other percentage as may from time to time be specified in the Listing Rules as a controlling shareholder of a listed issuer) or more of the then issued share capital of the Company.

Details of the Deed are set out in the Company's announcement dated 16 May 2013.

- (ii) Pursuant to the loan agreement dated 12 June 2014 and the supplement loan agreement dated 14 August 2015, a related company controlled by Mr. Yang provided unsecured loan facility and made loans to the Group, details of which are set out in notes 30 and 39.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 13. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (continued)

#### (c) Five highest paid employees

The five highest paid employees of the Group during the year included one director (2015: three directors), details of whose remuneration are set out note 13(a) above. Details of the remuneration for the year of the remaining four (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other allowances	1,550	3,387
Employer's contributions to a retirement benefit scheme	48	117
Share-based payments	27,336	—
	28,934	3,504

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2016	2015
HK\$1,500,001 to HK\$2,000,000	—	2
HK\$7,000,001 to HK\$7,500,000	4	—

### 14. Dividends

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 15. Loss per Share

#### For continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2016 HK\$'000	2015 HK\$'000
<b>Loss for the year</b>		
Loss for the year for the purpose of basic and diluted loss per share attributable to the owners of Company	(240,246)	(38,513)

	2016 '000	2015 '000
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic and diluted loss per share	338,766	338,766

#### From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following information:

	2016 HK\$'000	2015 HK\$'000
Loss for the year		
Loss for the year attributable to owners of the Company	(240,246)	(38,513)
Profit for the year from discontinued operation	—	2,984
Loss for the purpose of basic and diluted loss per share from continuing operations	(240,246)	(41,497)

The denominators used are the same as those detailed above for the basic and diluted loss per share.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 15. Loss per Share (continued)

#### From discontinued operation

Basic and diluted earnings per share from the discontinued operation for the year ended 31 December 2015 is HK0.88 cents per share based on the profit for the year ended 31 December 2015 from discontinued operation of HK\$2,984,000 and the denominators detailed above for the basic and diluted loss per share.

The potential ordinary shares attributable to the Company's outstanding convertible bonds and share options had anti-dilutive effect as the assumed conversion and exercise would result in a decrease in loss per share.

### 16. Investment Properties

	Completed investment property in the USA HK\$'000	Investment property under construction situated on land in the PRC HK\$'000	Total HK\$'000
<b>At fair value</b>			
At 1 January 2015	166,765	401,359	568,124
Additions	1,046	651,772	652,818
Change in fair value included in profit or loss			
— unrealised	16,780	75,698	92,478
Effect of foreign exchange difference	(125)	(38,358)	(38,483)
At 31 December 2015	184,466	1,090,471	1,274,937
Acquisition of a subsidiary (note 32)	—	522,685	522,685
Additions	—	1,156,890	1,156,890
Change in fair value included in profit or loss			
— unrealised	1,552	98,365	99,917
Effect of foreign exchange difference	77	(85,840)	(85,763)
At 31 December 2016	<b>186,095</b>	<b>2,782,571</b>	<b>2,968,666</b>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties with an aggregate carrying amount of HK\$2,941,996,000 (2015: HK\$221,860,000) at 31 December 2016 was pledged to secure bank borrowings granted to the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 16. Investment Properties (continued)

The fair values of the Group's investment properties situated in the PRC and the USA at 31 December 2016 and 2015 were arrived at on the basis of valuations carried out on those dates by the following independent qualified professional valuers not connected with the Group:

Location of the properties	Independent qualified professional valuer	Qualification
PRC	Cushman & Wakefield (formerly known as DTZ Debenham Tie Leung Limited)	Member of the Hong Kong Institute of Surveyors
USA	Edward Castillo of CCP Group, Inc	Certified General Real Estate Appraiser in California

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The value of the completed investment property is derived from the capitalisation of net income method with due allowance for the reversionary income.

For investment properties under construction located in Tangshan of the PRC that are measured at fair value, residual method of valuation is adopted. The value is based on the development potential of the properties as if they were completed in accordance with the existing development controls at the date of valuation. The value has also taken into consideration all costs of development and allowance of profit required for the development, which duly reflected the risks associated with the development.

For investment properties under construction located in Handan of the PRC that are measured at fair value, direct comparison method of valuation is adopted and expended construction cost is taken into consideration since the investment properties are tourism characteristics and unique in nature, there is no recent market transaction nearby available.

All of the fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 16. Investment Properties (continued)

The valuation techniques and major inputs used in the fair value measurement of the Group's investment properties as at 31 December 2016 and 2015 are set out below:

Investment properties held by the Group in the consolidated statements of financial position	Valuation techniques	Unobservable inputs	Range/weighted average of unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
Completed investment property located in the USA — retail	Income capitalisation approach	(i) Capitalisation rate	6.25%–6.75% (2015: 6.50%–7.00%)	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		(ii) Market rent	Market rent: US\$20.25 (2015: US\$19.74) per square foot ("sqf") per year	The higher the market rent, the higher the fair value.	A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.
Investment property under construction that are measured at fair value located in Tangshan of the PRC	Residual method	(i) Capitalisation rate	5.50%–6.50% (2015: 5.5%–6.50%)	The higher the capitalisation rate, the lower the fair value.	A slight increase in capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		(ii) Market rent per month	RMB41–181 per annum (2015: RMB59–211) per sqm	The higher the market rent, the higher the fair value.	A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.
		(iii) Expected developer's profit	5% (2015: 15%)	The higher the expected developer's profit, the lower the fair value.	A slight increase in developer's profit used would result in a significant decrease in fair value, and vice versa.
		(iv) Construction costs to complete	RMB82,000,000 (2015: RMB884,000,000)	The higher the cost, the lower the fair value.	A slight increase in the construction costs used would result in a significant decrease in fair value, and vice versa.
Investment property under construction that are measured at fair value located in Handan of the PRC	Direct comparison cost method	(i) Market price per square meter for land portion and expended construction cost	RMB9,287 per square meter in average	The higher the market price of land, the higher the fair value.	An increase in the market price would result in an increase in the fair value.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 17. Property, Plant and Equipment

	Furniture and fixtures and computer equipment	Leasehold improvement	Motor vehicles	Machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>					
At 1 January 2015	4,289	1,522	4,271	—	10,082
Additions	2,125	822	993	—	3,940
Effect of foreign exchange difference	(91)	(110)	(162)	—	(363)
At 31 December 2015	6,323	2,234	5,102	—	13,659
Acquisition of subsidiaries (note 32)	177	—	632	—	809
Additions	932	74	610	152	1,768
Effect of foreign exchange difference	134	(436)	(17)	—	(319)
At 31 December 2016	7,566	1,872	6,327	152	15,917
<b>DEPRECIATION</b>					
At 1 January 2015	750	359	251	—	1,360
Charge for the year	1,320	397	980	—	2,697
Effect of foreign exchange difference	(28)	(9)	74	—	37
At 31 December 2015	2,042	747	1,305	—	4,094
Charge for the year	1,513	331	1,359	49	3,252
Effect of foreign exchange difference	38	(22)	(66)	—	(50)
At 31 December 2016	3,593	1,056	2,598	49	7,296
<b>CARRYING VALUES</b>					
At 31 December 2016	3,973	816	3,729	103	8,621
At 31 December 2015	4,281	1,487	3,797	—	9,565

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values over their estimated useful lives of five years.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 18. Interest in a Joint Venture

	2016 HK\$'000	2015 HK\$'000
Cost of investment, unlisted	—	—
Deemed capital contribution to a joint venture	—	60,545
Share of post-acquisition results	—	(1,152)
Exchange difference	—	35
	—	59,428
Loans to a joint venture	—	388,314
	—	447,742

On 3 May 2016, Handan LT Real Estate Development Company Limited (“Handan LT”), an indirectly wholly owned subsidiary of the Company, Handan Municipal Investment Real Estate Development Company Limited (“Handan Municipal Real Estate”), an independent third party and Handan LT Municipal Investment Real Estate Development Company Limited (“JV”), a joint venture of the Company entered into a letter of intent for the transfer of 50% equity interest in the JV held by Handan Municipal Real Estate to Handan LT. On the same date, Handan LT, Handan Municipal Real Estate, Shijiazhuang Lerthai Real Estate Development Company Limited (“Shijiazhuang LT”), a related company which wholly owned by the controlling shareholder of the Company, and the JV entered into a loan purchase agreement (the “Loan Purchase Agreement”), pursuant to which Handan Municipal Real Estate agreed to dispose of and Shijiazhuang LT agreed to purchase the loan advanced by Handan Municipal Real Estate to the JV and Handan Municipal Real Estate ceased its participation in the management and operation of the JV. An equity transfer agreement in relation thereto was also entered into on 3 May 2016. On 4 May 2016, representative from Handan Municipal Real Estate resigned and representative from the Company has been appointed as legal representative and general manager of the JV. The JV has become a wholly owned subsidiary of the Group accordingly. Details of which are disclosed in the circular of the Company dated 31 October 2016.

At 31 December 2015, the loans were unsecured, interest free and had no fixed repayment terms. In the opinion of the directors, the loans would not be repaid in the next twelve months and thus, they were classified as non-current assets at 31 December 2015. The fair values of the loans to a joint venture was determined based on the effective interest rate of 4.75% per annum on initial recognition. The difference between the principal amount of the loans and the fair value determined on initial recognition had been debited to deemed capital contribution to a joint venture. At 31 December 2015, the total principal amount of loans to a joint venture was HK\$447,841,000.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 18. Interest in a Joint Venture (continued)

Particulars of the Group's joint venture at 31 December 2015 were as follows:

Name of joint venture	Form of legal entity	Proportion of nominal value of registered capital and voting power held by the Group	Country of registration and operations	Principal activities
Handan LT Municipal Investment Real Estate Development Company Limited	Limited liability company	50%	PRC	Property development and operation

The summarised financial information of JV as at 31 December 2015, which was prepared in accordance with HKFRSs, was set out below:

	HK\$'000
Current assets	1,549,731
Non-current assets	889
Current liabilities	1,552,855

The above amounts of assets and liabilities included the following:

	HK\$'000
Cash and cash equivalent	21,239
Current financial liabilities (including trade and other payables and provisions)	1,540,679
Revenue	—
Loss for the year	(2,303)
Other comprehensive income for the year	70
Total comprehensive expense for the year	(2,233)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 18. Interest in a Joint Venture (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in JV recognised in the consolidated financial statements at 31 December 2015:

	HK\$'000
Net liabilities of JV	(2,235)
Proportion of the Group's ownership interest in JV	50%
Net liabilities of the Group's interest in JV	(1,117)
Deemed capital contribution to JV	60,545
Carrying amount of the Group's interest in JV	59,428

### 19. Pledged Bank Deposits, Restricted Bank Balances and Bank Balances

Deposits amounting to HK\$17,323,000 (2015: HK\$6,138,000) have been pledged for the guarantees given to banks with respect to loans procured by the purchasers of the Group's properties and thus, are classified as non-current assets. The pledged deposits will be released upon the release of guarantees by banks, details of which are set out in note 40.

Deposits amounting to HK\$12,944,000 (2015: HK\$14,103,000) have been pledged to secure the convertible bonds. At the end of both reporting periods, they were classified as current assets as the convertible bonds were classified as current liabilities, details of which are set out in note 25.

Restricted bank balances carry interest at market rate of 0.35% (2015: 0.35%) per annum. Restricted bank balance amounting to HK\$32,093,000 (2015: HK\$1,875,000) can only be applied to designated property development project of the Group in the PRC. At 31 December 2015, remaining balance amounting to HK\$48,251,000 represented bank balance placed with a bank for application of a banking facility.

Bank balances carry interests at prevailing market rates.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 20. Properties under Development for Sales

	2016 HK\$'000	2015 HK\$'000
<b>Cost</b>		
At the beginning of the year	1,262,005	959,705
Acquisition of a subsidiary (note 32)	980,048	—
Additions	1,252,791	341,667
Exchange adjustment	(81,687)	(39,367)
At the end of the year	3,413,157	1,262,005
Properties under development for sales of which:		
— expected to be completed within twelve months	1,983,006	826,190
— expected to be completed after twelve months after the end of the reporting period	1,430,151	435,815
	3,413,157	1,262,005

As at December 31, 2016, the Group's properties under development for sales with a carrying value of approximately HK\$2,020,607,000 (2015: HK\$457,080,000) were pledged to secure certain borrowing facilities granted to the Group.

### 21. Trade and Other Receivables, Deposits and Prepayments

	2016 HK\$'000	2015 HK\$'000
Trade receivables	1,791	1,192
Prepayment of business taxes and other PRC taxes	100,865	33,363
Prepayment for purchase of construction materials	518,954	—
Other receivables, deposits and prepayments	29,264	14,607
	650,874	49,162

Trade receivables represent rental receivables due from the property manager appointed by the Group. Pursuant to the agreement between the property manager and the Group, the property manager shall pay the rental collected on behalf of the Group to the Group within 30 days. At 31 December 2016 and 2015, these trade receivable are not yet due for payment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 22. Trade and Other Payables and Accruals

	2016 HK\$'000	2015 HK\$'000
Construction cost payables	57,153	99,573
Accrued construction costs	1,499,471	528,270
Deposits received from suppliers/contractors on contracts tendering	28,510	48,986
Advance received from government (Note)	589,008	—
Other payables and accruals	49,603	26,837
	<b>2,223,745</b>	<b>703,666</b>

Note: The amount represents advance from government for construction of relocated residence for residents who originally lived in a site which was acquired by the Group for property development.

Construction costs payables are aged within one year, based on invoice date.

### 23. Deposits Received from Sales of Properties

	2016 HK\$'000	2015 HK\$'000
Deposits received from sales of properties	1,278,801	443,855

### 24. Amounts due to Related Companies

The amounts represent (a) certain operating expenses of the Group in the PRC paid on behalf of the Group by the related companies which are unsecured, interest-free and repayable on demand and (b) accrued interest on loans from a related company. These related companies are controlled by Mr. Yang.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 25. Convertible Bonds

	2016 HK\$'000	2015 HK\$'000
At 1 January	456,759	568,523
Repayment of convertible bonds	(55,000)	(110,000)
Interest charged during the year	84,038	91,821
Interest paid	(44,986)	(55,409)
Change in fair value	3,707	(38,176)
At 31 December	444,518	456,759

On 10 January 2014, the Company issued convertible bonds to an independent third party in the principal amount of HK\$550,000,000. The convertible bonds will mature on 9 January 2017 (“Maturity Date”), are denominated in HK\$.

The convertible bonds with original principal amount of HK\$550,000,000 can be converted into shares at conversion price of HK\$2.6701 per share up to an aggregate of 33,537,900 shares or a number of shares that represents 9.01% of the then issued share capital of the Company as enlarged by and immediately following the issue of shares upon such conversion, whichever is higher. The details of the terms of conversion and redemption and other terms of the convertible bonds are set out in the announcement issued by the Company on 24 December 2013 and 3 January 2014. At 31 December 2016, the principal amount of convertible bonds with conversion feature (“CB with Conversion Feature”) was HK\$89,550,000 (2015: HK\$89,550,000) and principal amount of convertible bonds without conversion feature (“Straight Note”) was HK\$295,450,000 (2015: HK\$350,450,000).

The convertible bonds are secured by pledged bank deposits, the Company’s shares held by China Lerthai, guarantees provided by Mr. Yang, China Lerthai and certain related companies controlled by Mr. Yang. These related companies and Mr. Yang did not charge the Company for the securities and guarantees provided.

The convertible bonds have been designated as financial liabilities at FVTPL as they contain more than one non-closely related embedded derivatives. The fair value of the convertible bonds are determined by aggregating the fair value of (i) the Straight Note and (ii) CB with Conversion Feature. The fair value of the Straight Note was calculated as the present value of the contractually determined stream of future cash flows discounted at an interest rate which are determined by referencing the HK\$ Fund Note plus a credit spread by reference to the credit analysis of the Company and the market rate of comparable companies with similar credit ratio. The fair value of CB with Conversion Feature is determined using Binomial Option Pricing Model with the following key inputs.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 25. Convertible Bonds (continued)

	At 31 December 2016	At 31 December 2015
Share price of the Company	<b>HK\$3.8</b>	HK\$2.55
Risk free rates	<b>0.69%</b>	0.04% and 0.15%
Discount rate	<b>22.30%</b>	20.98% and 21.09%
Dividend yield	<b>0%</b>	0%
Option life	<b>0.03 years</b>	1.03 years
Volatility	<b>24.48%</b>	48.81%
Exercise price	<b>HK\$2.6701</b>	HK\$2.6701

The above risk free rates were determined with reference to yields of 0.03 years and 1.03 years Hong Kong Exchange Fund Notes available as of 31 December 2016 and 2015 respectively. The expected volatility was determined based on the historical volatility of the Company's share price for the past 0.03 years and 1.03 years respectively.

An increase in volatility would result in an increase in the fair value of convertible bonds, and vice versa. If the volatility is 10% higher and lower while all other variables are held constant, the carrying amount of the convertible bonds would increase by approximately nil (2015: HK\$1,805,000) and decrease by approximately nil (2015: HK\$1,748,000) respectively. An increase in discount rate would result in a decrease in the fair value of convertible bonds, and vice versa. If the discount rate is 10% higher and lower while all other variables are held constant, the carrying amount of the convertible bonds would decrease by approximately HK\$177,000 (2015: HK\$5,936,000) and increase by approximately HK\$180,000 (2015: HK\$6,145,000) respectively.

The fair values of convertible bonds at initial recognition and at 31 December 2016 and 31 December 2015 were arrived at on the basis of a valuation carried out on that dates by Asset Appraisal Limited, an independent qualified professional valuer not connected to the Group. They are categorised as Level 3 under the fair value hierarchy set out in HKFRS 13. Level 3 fair value measurements are those derived from valuation techniques that include inputs for that asset or liability that are not based on observable market data (unobservable inputs).

At the end of both reporting periods, the Group breached certain terms and conditions of the convertible bonds which are primarily related to the Group's liability to asset ratio. Since the convertible bonds' holder had not agreed to waive its right to demand immediate repayment at 31 December 2015, the convertible bonds with a carrying value of HK\$456,759,000 was reclassified as current liabilities at 31 December 2015.

Subsequent to the end of the reporting period, the Company has fully repaid the convertible notes in January 2017 at HK\$447,478,000.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 26. Bank and Other Borrowings

	2016 HK\$'000	2015 HK\$'000
Secured bank loans with carrying amount repayable:		
Within one year	163,696	45,181
Within a period of more than one year but not exceeding two years	613,141	88,710
Within a period of more than two year but not exceeding five years	677,659	40,507
Within a period of more than five years	746,382	108,584
	<b>2,200,878</b>	282,982
Secured other loans with carrying amount repayable:		
Within one year	220,472	—
Within a period of more than one year but not exceeding two years	—	239,321
	<b>220,472</b>	239,321
	<b>2,421,350</b>	522,303
Amount shown under current liabilities	<b>(384,168)</b>	(45,181)
	<b>2,037,182</b>	477,122

The amounts due set out above are based on the scheduled repayment date set out in the loan agreements.

The carrying amount of the Group's bank and other borrowings and the weighted average effective interest rates are as below:

	2016		2015	
	HK\$'000	%	HK\$'000	%
Fixed rate borrowings	220,472	13.6	239,321	13.6
Floating rate borrowings	2,200,878	5.0	282,982	5.3
	<b>2,421,350</b>		522,303	

The floating rate borrowings are arranged at the interest rate based on benchmark interest rates of the base rate of People's Bank of China ("PBOC") or Daily Wall Street Journal Prime Rate.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 26. Bank and Other Borrowings (continued)

The bank and other borrowings are:

- secured by the Group's certain investment properties under construction;
- secured by properties of related companies controlled by Mr. Yang;
- guaranteed by the related companies controlled by Mr. Yang and/or Mr. Yang and his spouse;
- secured by the Group's certain properties under development for sales;
- charged all the sales proceeds or income from certain secured properties;
- secured by the assignment of all rents of certain investment property located in the USA; and
- personal guarantee by Mr. Yang.

### 27. Senior Notes

	2016 HK\$'000	2015 HK\$'000
At 1 January	232,670	149,002
Issue of senior notes	100,000	86,000
Expenses on issue of senior notes	(11,000)	(9,155)
Principal repayment	(57,000)	—
Interest charged during the year	35,531	27,610
Interest paid	(28,909)	(20,787)
At 31 December	271,292	232,670
Analysed as:		
Non-current liabilities (Note a)	90,309	—
Current liabilities (Note b)	180,983	232,670
	271,292	232,670

Notes:

- (a) During the year ended 31 December 2016, the Company issued senior notes with aggregated principal amount of HK\$100,000,000 to independent third parties ("2018 Senior Notes"). The 2018 Senior Note are denominated in HK\$, unsecured, transferrable, bear fixed interest at 7% per annum and will be redeemed at 100% of their principal amount on 29 November 2018. The Company may, on or at any time after issue date and prior to 29 November 2018, upon giving not less than five business days' prior written notice to the noteholders, redeem the 2018 Senior Note, in whole but not in part, at 101% of their principal amount, together with accrued interest.

At 31 December 2016, the principal amount of 2018 Senior Note is HK\$100,000,000 (2015: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 27. Senior Notes (continued)

Notes: (continued)

- (b) The senior notes are denominated in HK\$, transferrable, unsecured, mature in October 2017 and bear interest at 10% per annum ("2017 Senior Notes").

The holders of the 2017 Senior Notes can request the Company to redeem all or some of the senior notes in October 2016 at 100% of the principal amount, together with accrued and unpaid interest. The Company may, on or at any time after October 2015 and prior to the maturity date, redeem the 2017 Senior Notes, in whole but not in part, at 100% of the principal amount, together with accrued and unpaid interest. In addition, at any time following the occurrence of (a) any person or persons acting together acquire(s) the control of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Board of directors after the date of issue; or (b) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to a third party or a third party acquires the legal or beneficial ownership of all or substantially all of the issued share capital of the Company, the holder of each note can require the Company to redeem all, or some only, of such holder's senior notes at 101% of the principal amount, together with accrued and unpaid interest. In the opinion of the directors of the Company, the fair value of the option to early redeem the 2017 Senior Notes is insignificant at initial recognition and at the end of the reporting period.

At 31 December 2016, the principal amount of 2017 Senior Notes is HK\$192,000,000 (2015: HK\$249,000,000).

### 28. Share Capital

	Number of shares	Share capital HK\$'000
Issued and fully paid ordinary share		
At 1 January 2015, 31 December 2015 and 31 December 2016	338,765,987	498,548

### 29. Bonds

	2016 HK\$'000	2015 HK\$'000
At 1 January	38,475	28,638
Issue of bonds	—	10,000
Expenses on issue of bonds	—	(325)
Interest charged during the year	3,221	3,351
Interest paid	(3,036)	(3,189)
At 31 December	38,660	38,475

The bonds are denominated in HK\$, transferrable, unsecured, matured on eight years after the date of issue and bear interest at 8% per annum. The Company may at any time prior to the maturity date redeem the bonds at 101% of the outstanding principal amount (in whole or in part) in cash by serving at least five business days' prior written notice on the holder of the bonds. In the opinion of the directors of the Company, the fair value of the option to early redeem the bonds is insignificant at initial recognition and at the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 30. Loans from a Related Company

On 12 June 2014, the Group entered into a loan agreement with a related company controlled by Mr. Yang, pursuant to which the related company agreed to provide a revolving loan with principal amount of RMB400,000,000 (approximately HK\$502,800,000) to the Company. On 14 August 2015, the Group entered into a supplementary loan agreement with the related company pursuant to which the related company agreed to increase the revolving loan amount to RMB700,000,000 (approximately to HK\$847,000,000) while other terms remained the same.

The loans are unsecured, interest bearing at 12% per annum and repayable in full on the day falling 36 months from the date on which the loans are drawn down.

### 31. Deferred Taxation

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years.

	Tax losses HK\$'000	Revaluation of investment properties HK\$'000	Total HK\$'000
At 1 January 2015	—	20,318	20,318
(Credit) charge to profit or loss (note 11)	(21,678)	20,361	(1,317)
Effect of foreign exchange difference	—	(2,193)	(2,193)
At 31 December 2015	(21,678)	38,486	16,808
(Credit) charge to profit or loss (note 11)	(2,960)	25,660	22,700
Effect of foreign exchange difference	1,707	(3,030)	(1,323)
At 31 December 2016	<b>(22,931)</b>	<b>61,116</b>	<b>38,185</b>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	22,931	21,678
Deferred tax liabilities	(61,116)	(38,486)
	<b>(38,185)</b>	<b>(16,808)</b>

At the end of the reporting period, the Group had estimated unused tax losses of HK\$469.6 million (2015: HK\$241.4 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$91.7 million (2015: HK\$86.7 million) of the tax losses. No deferred tax asset has been recognised for the remaining estimated tax losses of HK\$377.9 million (2015: HK\$154.7 million) due to the uncertainty of future profits streams.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 32. Acquisitions of Assets through Acquisitions of Subsidiaries

On 27 November 2015, the Group entered into the sales and purchase agreement with an independent third party, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of LERTHAI Asset Management Limited (formally known as First Investment Management Limited) at a consideration of HK\$3,300,000. LERTHAI Asset Management Limited is principally holding of Type 9 (Asset Management) license under the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong). The transaction has been completed on 26 July 2016.

In addition, as set out in note 18, on 4 May 2016, the Group acquired remaining equity interest in JV at a cash consideration of RMB1 (equivalent to HK\$1).

The net assets and liabilities acquired:

	HK\$'000
Net assets acquired:	
Plant and equipment	809
Investment properties	522,685
Other non-current asset	3,300
Properties under development for sales	980,048
Deposits and prepayments	26,340
Bank and cash balances	1,140
Trade payables	(9,664)
Other payables and accruals	(621,943)
Loan from a related party	(445,940)
Loan from the Group	(453,475)
	<hr/> 3,300
Net cash outflow arising on acquisition:	
Considerations	(3,300)
Deposit paid for acquisition of a subsidiary	990
Bank and cash balance acquired	1,140
	<hr/> (1,170)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 33. Capital Risk Management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes loans from a related company, convertible bonds, bank and other borrowings, senior notes and bonds disclosed in notes 30, 25, 26, 27 and 29 respectively and equity of the Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of the Group's total interest bearing borrowings to total assets (2015: dividing the excess of the sum of loans from a related company, convertible bonds, bank and other borrowings, senior notes and bonds over the sum of bank balances and cash (inclusive of pledged bank deposits and restricted bank balances) by total equity). The review is conducted at least semi-annually and before each major financing or investment decision is made.

The gearing ratios at the end of reporting dates are as follows:

	2016 HK\$'000	2015 HK\$'000
Bank and other borrowings	2,421,350	522,303
Convertible bonds	444,518	456,759
Loans from a related company	212,881	326,805
Senior notes	271,292	232,670
Bonds	38,660	38,475
Total interest bearing borrowings	3,388,701	1,577,012
Total assets	7,181,727	3,208,426
Total interest bearing borrowings to total assets	47%	49%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 34. Financial Instruments

#### a. Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	121,361	545,067
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	5,167,270	1,825,650
Convertible bonds	444,518	456,759

#### b. Financial risk management objectives and policies

Details of the Group's financial instruments are disclosed above and in the respective notes. The risks associated with these financial instruments include foreign currency risk, interest rate risk, credit risk and liquidity risk.

Management monitors and manages the financial risk of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### *Market risk*

##### *Foreign currency risk*

Certain assets and liabilities are denominated in foreign currencies of respective group entities, which are mainly USD and HK\$. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2016 HK\$'000	2015 HK\$'000
<b>Assets</b>		
USD	5,933	32
HK\$	29,469	17,523
<b>Liabilities</b>		
HK\$	761,680	732,434

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 34. Financial Instruments (continued)

#### b. Financial risk management objectives and policies (continued)

##### *Market risk (continued)*

##### *Foreign currency risk (continued)*

##### Foreign currency sensitivity

The Group's foreign currency risk is mainly concentrated on fluctuation among RMB against HK\$ and USD. The following table details the Group's sensitivity to a 5% increase or decrease in RMB against HK\$ and USD.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in RMB. If RMB had weakened against the HK\$ and USD by 5%, the impact on the Group's post-tax loss for the year would be:

	2016 HK\$'000	2015 HK\$'000
<b>US\$</b>		
Decrease in loss	297	2
<b>HK\$</b>		
Increase in loss	36,611	35,746

For a 5% strengthening of RMB against HK\$ and USD, there would be an equal and opposite impact on the results.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 34. Financial Instruments (continued)

#### b. Financial risk management objectives and policies (continued)

##### *Market risk (continued)*

##### *Interest rate risk*

The Group's results and operating cash flows would be affected by the changes of market interest rates. The Group's exposure to market risk for changes in interest rates mainly arises from borrowings (including convertible bonds, bank and other borrowings, senior notes, bonds and loans from a related company). Borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group has exposure to cash flow interest rate risk through the impact of the rate changes on bank balances, convertible bonds and bank borrowings which are carried at variable interest rate. The Group has exposure to fair value interest rate risk through fixed rate bank deposits, fixed rate other borrowings, loans from a related company, bonds and senior notes.

The directors of the Company consider the Group's exposure of the bank deposits to fair value interest rate risk is not significant as interest bearing bank deposits at fixed rate are within short maturity periods in general.

##### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates risk for its variable rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the exposure of the bank deposits because the impact is not significant. The variable-rate borrowings (including convertible bonds and bank borrowings) carry interests at Hong Kong Interbank Offered Rate, Daily Wall Street Journal Prime Rate and base rate of PBOC.

The analysis is prepared assuming that the bank borrowings outstanding at the end of the reporting periods were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in the interest rates.

If the floating interest rates had been 50 basis points higher/lower, the Group's post-tax loss for the year would increase/decrease by approximately HK\$583,000 (2015: HK\$1,415,000) and the interest capitalised to the Group's properties under development for sale or investment properties under development would increase/decrease by approximately HK\$10,421,000 (2015: HK\$13,471,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.



### 34. Financial Instruments (continued)

#### b. Financial risk management objectives and policies (continued)

##### *Credit risk*

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets as stated in the consolidated statement of financial position.

At 31 December 2016 and 31 December 2015, the Group also had concentration risk on bank deposits. The directors of the Company consider the credit risk for bank deposits is limited because the counterparties are financial institutions with high credit ratings.

At 31 December 2015, the Group also had concentration risk on loans to a joint venture. The Group reviewed the recoverable amount of the loans at the end of the reporting period to ensure adequate impairment is provided.

##### *Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings including bank and other borrowings, senior notes, bonds and loans from a related company. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

At 31 December 2016, the Group had net current liabilities of HK\$359,060,000. Having considered (i) the estimated proceeds from the sales of properties in the next twelve months from the end of the financial year; (ii) the available facilities provided by banks, a financial institution and Mr. Yang; (iii) the deposits received from sales of properties of HK\$1,279 million that do not expect to have a cash outflow impact; and (iv) a convertible note of HK\$450 million issued subsequent to the end of the reporting period, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirements. At 31 December 2016, the Group had unutilised bank facilities of HK\$380 million, unutilised credit facilities of HK\$224 million and HK\$565 million from a financial institution and Mr. Yang respectively.

The following table details the Group's remaining contractual maturity of the Group's non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 34. Financial Instruments (continued)

#### b. Financial risk management objectives and policies (continued)

##### Liquidity risk (continued)

##### Liquidity and interest risk tables

	Weighted average effective interest rate %	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2016</b>							
<b>Non-derivative financial liabilities</b>							
Convertible bonds	12.38	444,518	—	—	—	444,518	444,518
Trade and other payables and accruals	—	2,220,299	—	—	—	2,220,299	2,220,299
Amounts due to related companies	—	2,788	—	—	—	2,788	2,788
Loans from a related company	12	25,546	238,427	—	—	263,973	212,881
Senior notes	9	195,211	107,000	—	—	302,211	271,292
Bonds	8	3,200	3,200	9,600	42,836	58,836	38,660
Other borrowings	13.6	244,209	—	—	—	244,209	220,472
Bank borrowings	5.0	262,396	752,334	814,902	811,137	2,640,769	2,200,878
Financial guarantee contracts issued — maximum amount guaranteed	—	574,276	—	—	—	574,276	—
		<b>3,972,443</b>	<b>1,100,961</b>	<b>824,502</b>	<b>853,973</b>	<b>6,751,879</b>	<b>5,611,788</b>
<b>2015</b>							
<b>Non-derivative financial liabilities</b>							
Convertible bonds	12.38	456,759	—	—	—	456,759	456,759
Trade and other payables and accruals	—	703,173	—	—	—	703,173	703,173
Amounts due to related companies	—	2,224	—	—	—	2,224	2,224
Loans from a related company	12	39,217	39,217	346,413	—	424,847	326,805
Senior notes	10	232,670	—	—	—	232,670	232,670
Bonds	8	3,200	3,200	9,600	46,036	62,036	38,475
Other borrowings	13.6	—	271,869	—	—	271,869	239,321
Bank borrowings	5.3	55,273	94,758	46,548	111,842	308,421	282,982
Financial guarantee contracts issued — maximum amount guaranteed	—	196,301	—	—	—	196,301	—
		<b>1,688,817</b>	<b>409,044</b>	<b>402,561</b>	<b>157,878</b>	<b>2,658,300</b>	<b>2,282,409</b>

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

### 34. Financial Instruments (continued)

#### b. Financial risk management objectives and policies (continued)

##### *Liquidity risk (continued)*

##### *Liquidity and interest risk tables (continued)*

At the end of the reporting period, convertible bonds were included in the “within 1 year or on demand” since the Group breached certain terms and conditions of the convertible bonds and the convertible bonds’ holder had not agreed to waive its right to demand immediate repayment at the end of the reporting period. Accordingly, total undiscounted cash flow of the convertible bonds amounting to HK\$444,518,000 (2015: HK\$456,789,000) was included in the “within 1 year or on demand”.

At 31 December 2015, 2017 Senior Notes were included in the “within 1 year or on demand” as the holders of the 2017 Senior Notes could request the Company to redeem all or some of the 2017 Senior Notes in October 2016 at 100% of the principal amount together with accrued and unpaid interest. In view of the interest of 2017 Senior Notes, the Group expected the holders of the 2017 Senior Notes would redeem the 2017 Senior Notes upon maturity in October 2017 and considered the possibility of the holders of the 2017 Senior Notes to redeem the 2017 Senior Notes in October 2016 was low.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by counterparty which are guaranteed after credit losses.

#### c. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the determination of fair value of convertible bonds are set out in note 25; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 35. Operating Lease

#### The Group as lessor

Property rental income in respect of the investment property earned is HK\$12,560,000 (2015: HK\$12,610,000). The completed investment property held have committed tenants for the next one to ten years (2015: one to ten).

At the end of the reporting period, the Group had contracted with tenants for following future minimum lease payments (i.e. fixed rental income) which fall due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	30,343	11,574
In the second and to fifth years inclusive	91,147	36,133
Over five years	21,201	13,169
	142,691	60,876

#### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	11,571	12,931
In the second and to fifth years inclusive	11,080	2,044
	22,651	14,975

Operating lease payments represent rental payable by the Group for its office premises and director's quarter. Leases are negotiated and are fixed for one to three years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 36. Commitments

As of the end of the reporting period, the Group had the following commitments:

	2016 HK\$'000	2015 HK\$'000
<b>Capital commitment</b>		
Development costs for investment properties under construction or development	1,084,798	639,424
Capital contribution to a joint venture	—	30,157
Acquisition of a subsidiary	—	2,310
<b>Total capital commitments</b>	<b>1,084,798</b>	<b>671,891</b>
<b>Other commitment</b>		
Development costs for properties under development held for sale	2,139,509	1,241,234

### 37. Share-Based Payment Transactions

#### (a) Share award scheme

On 8 August 2014, the Board resolved to adopt a share award scheme (the "Award Scheme") to provide incentives to attract and retain selected employees for the benefits of the Group. The Award Scheme will remain in force for a period of 10 years commencing from 8 August 2014. Pursuant to the Award Scheme, existing ordinary shares in the capital of the Company will be purchased in the market by the trustee at the cost of the Company and held on trust for all or one or more of the employees until such ordinary shares in the capital of the Company are vested with the relevant selected employees in accordance with the rules of the Award Scheme. The Award Scheme shall be subject to the administration of the Board and the trustee in accordance with the Award Scheme and the trust deed. The number of ordinary shares in the capital of the Company to be awarded under the Scheme throughout its duration shall not exceed 10% of the issued share capital of the Company from time to time. The maximum number of ordinary shares in the capital of the Company which may be awarded to a selected employee under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

No ordinary share in the capital of the Company has been purchased and awarded pursuant to the Award Scheme since its adoption.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 37. Share-Based Payment Transactions (continued)

#### (b) Share option scheme

On 22 August 2014, the Company adopted a share option scheme (the “Option Scheme”). The Option Scheme will remain in force for a period of 10 years commencing from 22 August 2014. The purpose of the Option Scheme is to provide the participants with an opportunity to obtain an equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

The subscription price was determined by the Board and represented at least the higher of (i) the closing price of a share as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the grant; and (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the grant. Without prior approval from the Company’s shareholders, (i) and total number of shares in respect of which options may be granted under the Option Scheme shall not exceed 10% of the shares of the Company in issue at any point in time; (ii) the maximum aggregate number of shares in respect of which options may be granted under the Option Scheme and any other share option schemes adopted by the Company exceeding, in aggregate, shall not exceed 30% of the shares in issue from time to time; (iii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period shall not exceed 1% of the shares of the Company in issue at any point in time. An option may be exercised at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

On 16 May 2016, a total of 33,876,590 share options were granted to a director and certain employees of the Group under the Option Scheme. The share options are exercisable during the period from 16 May 2016 to 15 May 2026.

The fair value of options granted by the Company was assessed using the binomial model. The following inputs were used:

Date of grant	16 May 2016
Share price on date of grant	HK\$4.11
Exercise price	HK\$4.11
Expected volatility (Note (a))	57.76%
Expected life	10 years
Risk-free rate (Note (b))	1.189%
Expected dividend yield	0%

Notes:

(a) Expected volatility was determined based on the historic daily volatility of the Company’s share prices (calculated based on the expected life of the share options).

(b) Risk-free rate was determined based on the yields to maturity of respective Hong Kong Sovereign Curve.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 37. Share-Based Payment Transactions (continued)

#### (b) Share option scheme (continued)

The binomial option pricing model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the best assessment of the directors of the Company on the valuer's estimation. Changes in variables and assumptions may result in changes in the fair value of the share options.

The estimated fair value of the options granted was approximately HK\$69,242,000. In the current year, the Group recognised share-based payments of HK\$69,242,000 in profit or loss and the corresponding amount has been credited to share option reserve. No liabilities were recognised due to share-based payment transactions.

The following table discloses movements in such holdings during the year:

Category of grantee	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.1.2016	Granted during the year	Outstanding at 31.12.2016
<b>Director</b>						
Yang Shao Xing Max	16.5.2016	16.5.2016–15.5.2026	4.11	—	3,387,659	<b>3,387,659</b>
<b>Employee</b>						
	16.5.2016	16.5.2016–15.5.2026	4.11	—	30,488,931	<b>30,488,931</b>
				—	33,876,590	<b>33,876,590</b>

### 38. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The assets of the MPF Scheme are held separately from those of the Group, and are in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions.

Employees of the subsidiaries in the USA are members of pension schemes operated by the respective governments and private sectors. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

Total retirement benefit expense charged to profit or loss for the year amounted to HK\$10,006,000 (2015: HK\$9,400,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 39. Related Party Transactions

Apart from transactions disclosed in notes 13, 18, 24, 25, 26 and 30 and certain assets of the Group agreed to be charged as guarantee of loan due by a related party pursuant to Loan Purchase Agreement as set out in the Company's announcement dated 19 July 2016, during the year, the Group had the following transactions with related parties:

	2016 HK\$'000	2015 HK\$'000
Interest expense on loans from a related company	85,842	35,354
Imputed interest income on loans to a joint venture	—	1,018

Mr. Yang, together with China Lerthai and/or related companies controlled by him, have provided guarantees for the Group's convertible bonds, details of which are set out in note 25. Mr. Yang, together with his spouse and companies controlled by him have provided guarantees and properties for the Group's bank and other borrowings, details of which are set out in note 26. These related parties did not charge the Group for the guarantees provided and assets pledged to banks and a financial institution for the Group's credit facilities.

During both years, the Group assisted the JV in handling the construction contracts tendering and did not charge the JV of the services provided.

Remuneration paid and payable to the members of key management, who are the directors during the year, are disclosed in note 13.

Balances with related parties are set out in the consolidated statement of financial position and details of terms are set out in notes 24 and 30.

### 40. Contingent Liabilities

	2016 HK\$'000	2015 HK\$'000
Guarantees given to banks in favour of its customers in respect of mortgage loans provided by the banks	574,276	196,031

The guarantees are given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the directors, the fair values of the financial guarantee contracts are not significant as the possibility of default by the relevant purchasers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

The guarantees are secured by the Group's pledged bank deposits amounting to HK\$17,323,000 (2015: HK\$6,138,000).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 41. Particulars of the Subsidiaries of the Company

Particulars of the principal subsidiaries of the Company at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place/country of incorporation/ operation	Paid up issued/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2016 %	2015 %	2016 %	2015 %	
Chi Cheung Management Services Limited	Hong Kong	HK\$2 Ordinary shares	50	50	50	50	Provision of management services
LERTHAI Assets Management Limited (Note 2)	Hong Kong	HK\$300,000 Ordinary shares	—	—	100	—	Assets management
LERTHAI Futures (Hong Kong) Limited (Note 2)	Hong Kong	HK\$1 Ordinary shares	—	—	100	—	Futures and Securities investment
LERTHAI Securities (Hong Kong) Limited (Note 2)	Hong Kong	HK\$8,705,000 Ordinary shares	—	—	100	—	Securities trading and investment
LT Design Studio	USA	1,000 Shares common stock	100	100	—	—	Project design
LT Global Investment	USA	US\$1,000,000 Shares common stock	—	—	100	100	Investment holding
LTG South Hills LLC	USA	Note 1	—	—	100	100	Property investment
LTG Platinum LLC	USA	Note 1	—	—	100	100	Property development
北京勒泰商業管理有限公司 Beijing Lerthai Commercial Management Co. Ltd. ("BJ Lerthai")	PRC	Registered capital of RMB10,000,000	—	—	100	100	Provision of management services
唐山勒泰購物廣場有限公司 Tangshan Lerthai Shopping Mall Co. Ltd. ("TS Lerthai Shopping")	PRC	Registered capital of RMB250,000,000	—	—	100	100	Property development and investment
唐山勒泰房地產開發有限公司 Tangshan Lerthai Properties Development Co. Ltd. ("TS Lerthai Development")	PRC	Registered capital of RMB250,000,000	—	—	100	100	Property development and investment
邯鄲勒泰房地產開發有限公司 Handan LT Real Estate Development Co. Ltd.	PRC	Registered capital of RMB30,000,000	—	—	100	100	Investment holding
邯鄲勒泰城投房地產有限公司 Handan LT Municipal Investment Real Estate Development Company Limited	PRC	Registered capital of RMB80,000,000	—	—	100	N/A	Property development and investment

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 41. Particulars of the Subsidiaries of the Company (continued)

Notes:

- (1) According to the operating agreements, members may be obligated to make any additional contribution to the capital if management deemed necessary and approved by 70% of ownership.
- (2) These companies are set up/acquired during the year ended 31 December 2016 and did not commence business during the year ended 31 December 2016.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

BJ Lerthai, TS Lerthai Shopping and TS Lerthai Development are wholly foreign-owned enterprises. Handan LT is a wholly domestic owned enterprise.

None of the subsidiaries had any debt securities subsisting at 31 December 2016 and 31 December 2015 or at any time during the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2016	2015
Investment holding	Cayman Islands	1	1
	BVI	5	5
	Hong Kong	4	4
	Canada	2	2
		<b>12</b>	<b>12</b>
Inactive	BVI	1	1
	Hong Kong	4	6
	USA	0	1
		<b>5</b>	<b>8</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 42. Statement of Financial Position and Reserves of the Company

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Property, plant and equipment	233	376
Investments in subsidiaries	851,451	851,451
Amounts due from subsidiaries	—	330,053
	<b>851,684</b>	<b>1,181,880</b>
Current assets		
Amounts due from subsidiaries	591,826	78,998
Trade and other receivables, deposits and prepayments	2,210	21,292
Pledged bank deposits	12,944	14,103
Bank balances	8,443	3,432
	<b>615,423</b>	<b>117,825</b>
Current liabilities		
Trade and other payables and accruals	5,461	4,530
Amounts due to subsidiaries	239,467	13,658
Convertible bonds	444,518	456,759
Senior notes	180,983	232,670
	<b>870,429</b>	<b>707,617</b>
Net current liabilities	<b>(255,006)</b>	<b>(589,792)</b>
Total assets less current liabilities	<b>596,678</b>	<b>592,088</b>
Capital and reserves		
Share capital	498,548	498,548
Reserves	(210,413)	(100,914)
	<b>288,135</b>	<b>397,653</b>
Non-current liabilities		
Bonds	38,660	38,475
Senior note	90,309	—
Loans from a related company	179,574	155,979
	<b>308,543</b>	<b>194,454</b>
	<b>596,678</b>	<b>592,088</b>

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 March 2017 and are signed on its behalf by:

**YANG Longfei**  
DIRECTOR

**YANG Shao Xing Max**  
DIRECTOR

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 42. Statement of Financial Position and Reserves of the Company (continued)

Details of the Company's reserves are set out below:

	Share option reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000 (Note)	Retained losses HK\$'000	Total HK\$'000
At 1 January 2015	—	20	59,973	(65,035)	(5,042)
Loss for the year	—	—	—	(90,999)	(90,999)
Other comprehensive income for the year	—	(4,873)	—	—	(4,873)
At 31 December 2015	—	(4,853)	59,973	(156,034)	(100,914)
Loss for the year	—	—	—	(171,387)	(171,387)
Other comprehensive expense for the year	—	(7,354)	—	—	(7,354)
Total comprehensive expense for the year	—	(7,354)	—	(171,387)	(178,741)
Recognition of share-based payments	69,242	—	—	—	69,242
At 31 December 2016	<b>69,242</b>	<b>(12,207)</b>	<b>59,973</b>	<b>(327,421)</b>	<b>(210,413)</b>

Note: Amount represented fair value adjustment on amount due to a subsidiary at initial recognition.

### 43. Subsequent Events

On 22 January 2017, the Company as issuer, Fantastic Stargaze Limited, an independent third party and Mr. Yang entered into a subscription agreement pursuant to which the Company has issued a convertible note with principal amount of HK\$450 million. The net proceeds from issue of convertible note were used to repay the existing outstanding convertible bonds as set out in note 25. Details of which is set out in the Company's announcement dated 22 January 2017.

# Five Year Financial Summary

	For the year ended 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>RESULTS</b>					
Revenue	12,560	12,898	4,726	10,165	24,728
(Loss) profit before taxation	(217,546)	(39,255)	(18,456)	(20,888)	27,851
Income tax (expense) credit	(22,700)	742	(20,570)	(126)	(4,604)
(Loss) profit for the year	(240,246)	(38,513)	(39,026)	(21,014)	23,247
(Loss) profit for the year attributable to owners of the Company from continuing operation	(240,246)	(41,497)	(41,770)	(20,313)	15,309
from discontinued operation	—	2,984	2,744	(701)	7,938
	(240,246)	(38,513)	(39,026)	(21,014)	23,247
Basic and diluted (loss) earnings per share (HK\$) (Note)	(0.71)	(0.11)	(0.12)	(0.06)	0.07
Final and interim dividends per share (HK\$)	—	—	—	—	0.01
Special interim dividend per share (HK cents)	—	—	—	—	1.45

Note: The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company for the years and on the weighted average number of shares in issue during the relevant years.

	As at 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	7,181,727	3,208,426	2,005,918	565,213	1,078,625
Total liabilities	(6,960,771)	(2,770,017)	(1,492,415)	(5,490)	(5,492)
Total equity attributable to owners of the Company	220,956	438,409	513,503	559,723	1,073,133
Net asset value per share attributable to owners of the Company (HK\$)	0.65	1.29	1.52	1.65	3.17
Number of shares issued	338,765,987	338,765,987	338,765,987	338,765,987	338,765,987

# Investment Properties and Properties under Development for Sale

Particulars of investment properties and properties under development for sale at 31 December 2016

Location	Type	Lease term	Effective % held	Gross floor area	Participated completion
<b>Completed property held for investment</b>					
Lerthai South Hills Plaza 1410-1432 South Azusa Avenue City of West Covina California The United States of America	Shopping mall	Freehold	100%	348,000 sq. ft.	N/A
<b>Properties under construction for investment and sale</b>					
Tangshan Lerthai City 298 Beixin West Road Lubei District Tangshan City Hebei Province The People's Republic of China	Residential, commercial, office and hotel	Long-term	100%	9,838,000 sq. ft.	under construction
North of Renmin Road, east of Lingxide Street, south of Congtai Road and west of Congtai Road, Handan City Heibui Province The People's Republic of China	Residential and commercial	Long-term	100%	3,349,000 sq. ft.	under construction
North of Qin River, east of Chengneishong Street and south of Qingnian Road, Handan City, Hebei Province The People's Republic of China	Residential and commercial	Long-term	100%	3,613,000 sq. ft.	under construction
<b>Land held for development for sale and investment</b>					
Lerthai Platinum Centre Northeast of the intersection of South Stage College Boulevard and East Orangewood Avenue Orange Country California The United States of America	Residential, commercial, office and hotel	Freehold	100%	2,850,000 sq. ft.	Planning and designing stage

\* Should there be any discrepancy between the English and Chinese versions, the English version shall prevail.



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Units 5101-02 & 13, 51/F, The Center, 99 Queen's Road Central,  
Central, Hong Kong

