



LEE HING DEVELOPMENT LIMITED

Stock Code: 68

ANNUAL REPORT 2016

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Corporate Information

Board of Directors

Executive Directors

Mr. Tan Boon Seng (*Chairman and Managing Director*)

Mr. Chan Kai Kwok

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman

Mr. Fung Ka Pun

Mr. Lim Lay Leng

Audit Committee

Mr. Ho Hau Chong, Norman (*Chairman*)

Mr. Fung Ka Pun

Mr. Lim Lay Leng

Remuneration Committee

Mr. Ho Hau Chong, Norman (*Chairman*)

Mr. Fung Ka Pun

Mr. Lim Lay Leng

Nomination Committee

Mr. Tan Boon Seng (*Chairman*)

Mr. Ho Hau Chong, Norman

Mr. Fung Ka Pun

Mr. Lim Lay Leng

Registered Office

Suite 1506-07, 15th Floor,
Nine Queen's Road Central,
Hong Kong

Share Registrars and Transfer Office

Tricor Standard Limited
Level 22 Hopewell Centre
183 Queen's Road East,
Hong Kong

Company Secretary

Mr. Chan Kai Kwok

Auditor

CHENG & CHENG LIMITED

Principal Bankers

Credit Suisse AG
CIMB Bank Berhad
Chong Hing Bank Limited
Hong Leong Bank Berhad

Website

www.lhd.com.hk

Corporate Information (Cont'd)

Biographical Details of Directors and Senior Management

Board of Directors

Mr. Tan Boon Seng, MA (Cantab)

Chairman and Managing Director, aged 61

Mr. Tan joined the Board of the Company on 19 January 1987 and has been the Managing Director of the Company since August 1989 and is the Chairman of the Nomination Committee of the Company. He holds a Master of Arts from Cambridge University. He is also an Executive Director of IGB Corporation Berhad, a company listed on the Stock Exchange of Kuala Lumpur, Malaysia. Mr. Tan was an Independent Non-executive Director of Auto Italia Holdings Limited (formerly known as Wo Kee Hong (Holdings) Limited), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and he resigned in that position with effect from 29 August 2014.

Mr. Ho Hau Chong, Norman, B.A., A.C.A., F.C.P.A.

Independent Non-executive Director, aged 61

Mr. Ho joined the Board of the Company on 31 August 1988 and is the Chairman of the Audit Committee and Remuneration Committee; and a member of the Nomination Committee of the Company. Mr. Ho is also an Executive Director of Miramar Hotel & Investment Company Limited and Vision Values Holdings Limited, an Independent Non-executive Director of Hong Kong Ferry (Holdings) Company Limited and Shun Tak Holdings Limited which are listed on The Stock Exchange of Hong Kong Limited. He is a member of the Institute of Chartered Accountants in England and Wales, and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Fung Ka Pun (alias K. B. FUNG)

Independent Non-executive Director, aged 71

Mr. Fung joined the Board of the Company on 3 July 2003 and is a member of the Audit Committee; Remuneration Committee and Nomination Committee of the Company. He is an Independent Non-executive Director of GZI Transport Limited, which is listed on Main Board of The Stock Exchange of Hong Kong Limited. Mr. Fung is a member of the Association of International Accountants and the Institute of Chartered Secretaries and Administrators.

Corporate Information (Cont'd)

Biographical Details of Directors and Senior Management (Cont'd)

Board of Directors (Cont'd)

Mr. Lim Lay Leng

Independent Non-executive Director, aged 66

Mr. Lim joined the Board of the Company on 13 April 2011 and is a member of the Audit Committee; Remuneration Committee and Nomination Committee of the Company. He holds a Bachelor of Civil Engineering (Honours) from Queen Mary College at the University of London. He is a director of several private property and investment holding companies in Hong Kong, China and Malaysia and has extensive experience in property development and investment.

Mr. Chan Kai Kwok, F.C.C.A., C.P.A.

Executive Director, aged 52

Mr. Chan joined the Company as Group Financial Controller and Company Secretary in 2001 and has been an Executive Director of the Company since 2003. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Letter to Shareholders

“The Perform Storm”

Film released in Hong Kong on 27 July 2000

In 2016, we had a disastrous year. At the end of 2016, the net asset value of Lee Hing share was HK\$8.39, which was down 45.41% from the 2015 close of HK\$15.37. By comparison, the Hang Seng Index was up by 0.54%.

As a result of our drop in value, the gap has widened substantially between us and the compounded growth rate of the Hang Seng Index of 7.88% since 1989 when the present management took over (ours measure a miserable 2.84%).

In 2016, we were hit by a perfect storm of the unexpected Brexit decision which resulted in a drop in the Pound Sterling to its lowest level for the past 30 years. Also, share price of PureCircle Limited was further driven down when the U.S. Customs & Border Protection placed PureCircle Limited on the Withhold Release Order restriction list because of an allegation that the company's product was produced using forced labour. This effectively banned the importation of stevia into the United States, which represented one third of the company's sales in its last financial year.

On 30 January 2017, the U.S. Customs and Border Protection cleared PureCircle Limited from the allegation and has removed PureCircle Limited from the Withhold Release Order. This means that trade with the U.S. can now resume on a regular basis.

The significant increase in loss attributable to owners of the Company and the total comprehensive loss attributable to owners of the Company was mainly due to the decrease in the fair value of the investment in PureCircle Limited, a company listed on The London Stock Exchange. As at 31 December 2016, the Company held 45,430,820 shares in PureCircle Limited, representing approximately 26.16% of the issued share capital of PureCircle Limited. Due to the decrease in the share price of PureCircle Limited, which closed at GBP2.5 per share as at 30 December 2016 (as compared to the closing price of GBP4.075 per share as at 31 December 2015) and the devaluation of Pound Sterling during the year of 2016, the Group recorded an impairment loss on its investment in PureCircle Limited of HK\$542 million for the year ended 31 December 2016. The movement in the value of the Company's investment in PureCircle Limited has not resulted in any cash outflow and has no adverse impact on the cash position of the Group. Furthermore, as at 7 March 2017, the trading day before the date of this Annual Report, the closing price of PureCircle Limited was GBP3.3 per share.

Letter to Shareholders (Cont'd)

Sources of reported loss

The following table shows the main sources of our operating loss:–

	2016 (HK\$ Million)	2015 (HK\$ Million)
Operating loss:–		
Net gain on sale of available-for-sale investments	42.0	25.2
Net gain on derivative financial instruments	–	1.4
Net exchange gain	15.5	2.4
Net gain on sale of held for trading investments	–	0.2
Net gain on financial assets at fair value through profit or loss	–	0.8
Dividend income from listed investments	7.9	6.5
Dividend income from unlisted investments	0.6	–
Interest income	0.2	0.3
Other revenue	0.2	0.5
Sundry income	0.2	–
Provision for impairment losses	(547.3)	(4.0)
	<u>(480.7)</u>	<u>33.3</u>
Corporate expenses		
– finance costs	(16.4)	(18.9)
– operating expenses	(18.7)	(19.8)
Operating loss	<u>(515.8)</u>	<u>(5.4)</u>

Listed shares

Below we present our holdings in listed shares with a market value of more than HK\$50 million at 31 December 2016:–

	Market Value (HK\$ Million)
Malaysia	
Goldis Berhad	261.6
Goldis Berhad – PA	129.7
	<u>391.3</u>
England	
PureCircle Limited	1,084.6
Total	<u>1,475.9</u>

Letter to Shareholders (Cont'd)

Looking forward

The Group CEO of PureCircle Limited Magomet Malsagov said:

“In 1H FY2017 we continued to develop our proprietary product innovation and I am delighted that our expanded product facility is ready to ensure our strong project pipeline.

With access to all markets available, our strong customer relationships and the increased demand for stevia solutions by the global F&B industry, the Company is confident of significant medium to long term growth in sales and profitability.”

We are exploring various options for the development of the villas.

We agree with the outlook of Magomet Malsagov and our main focus will continue to be on the ‘game changing’ stevia. Now with the problem with the U.S. Customs resolved we hope that the future results will be sweet.

Tan Boon Seng
Chairman

Hong Kong, 8 March 2017

Management Discussion and Analysis

Results for the year

The Group recorded HK\$67 million revenue and income for the year ended 31 December 2016, a 78% increase as compared with last year. The substantial increase was largely attributable to the increase in net gain on disposals of available-for-sale investments.

Operating loss after finance costs was HK\$516 million, an increase of HK\$510 million as compared with last year. The substantial increase was mainly attributable to impairment loss on available-for-sale investment, PureCircle Limited of HK\$542 million.

Business review

The Group is principally engaged in share investment and dealing.

During the year under review, the Group's revenue and income were mainly attributable to net gain on disposals of available-for-sale investments, Goldis Berhad of HK\$37 million and PureCircle Limited of HK\$5 million, dividends from listed investments of HK\$8 million and exchange gain of HK\$16 million. In 2016, the Group acquired shares in PureCircle Limited at cost of HK\$105 million. The Group believes that these investments will generate considerable income in the future.

Financial resources and liquidity

The Group's borrowings were secured bank loans. With respect to interest rate structure of the borrowings, interest rates were 1% to 3.5% per annum above the bank's cost of fund, 1.25% to 2.7% per annum above HIBOR, 1% per annum below prime rate or 3% per annum above LIBOR.

The gearing ratio of the Group was 31.5%. The computation is based on total borrowings of the Group divided by total equity as at 31 December 2016.

Charges on Group's assets

The Group's leasehold land and buildings, certain available-for-sale investments and bank deposits with a total net book value of approximately HK\$1,544 million were pledged to banks to secure banking facilities granted to the Group.

Contingent liabilities

As at 31 December 2016, the Group had no contingent liabilities but the Company had contingent liabilities in respect of guarantees for banking facilities granted to its subsidiaries in the sum of HK\$395 million.

Management Discussion and Analysis (Cont'd)

Significant investments

The Group had interests in listed shares of Goldis Berhad, a company listed in Malaysia and PureCircle Limited, a company listed in London. As at 31 December 2016, the Group held 60,067,742 shares in Goldis Berhad, representing approximately 9.88% of the issued ordinary share capital of Goldis Berhad, and 45,430,820 shares in PureCircle Limited, representing approximately 26.16% of the issued ordinary share capital of PureCircle Limited. The market values of these investments as at 31 December 2016 were HK\$261 million and HK\$1,085 million respectively.

PureCircle Limited is the world's leading producer and marketer of high purity stevia ingredients for the global food and beverage industry and its shares are listed on the Main Market of the London Stock Exchange. For information on PureCircle Limited and its business outlook and future prospects, please refer to information published by PureCircle Limited on its website at www.purecircle.com.

Goldis Berhad principally engages in property investment and management (both retail and commercial properties), property development and construction as well as hotel operations. The shares of Goldis Berhad are listed on the Main Market of Bursa Malaysia Securities Berhad. For information on Goldis Berhad and its business outlook and future prospects, please refer to information published by Goldis Berhad on its website at www.goldis.com.

During the year, decrease in fair value of investment in PureCircle Limited amounted to HK\$1,013 million of which HK\$542 million were recognised in profit or loss.

Material acquisitions and disposals

During the year, the Group acquired listed shares in PureCircle Limited at cost of HK\$105 million.

During the year, the Group disposed of shares in Goldis Berhad and PureCircle Limited, at consideration of HK\$132 million, and resulted in net gain of HK\$42 million.

Foreign currency exposure

The Group had major investments, amounts receivables, bank balances, accounts payable and bank loans denominated in Malaysian Ringgit, British Pound, Euro, Japanese Yen and Thai Baht, hence the Group had direct exposure to foreign exchange fluctuations. During the year under review, the Group did not use any foreign currency derivative product to hedge its exposure to currency risk. However, the management managed and monitored the exposure to ensure appropriate measures were implemented on a timely and effective manner.

Employees

As at 31 December 2016, the Group's number of staff was 8. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

Directors' Report

The Directors present their annual report together with the audited consolidated financial statements for the financial year ended 31 December 2016.

Principal place of business

The Company is a limited company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Suite 1506-07, 15/F., Nine Queen's Road Central, Hong Kong.

Principal activities

The principal activity of the Company is investment holding and the activities of its subsidiaries and associates are shown in notes 18 and 19 to the consolidated financial statements respectively.

Business review

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position can be found in the "Letter to Shareholders" and "Management Discussion and Analysis" set out on pages 5 to 7 and pages 8 to 9 respectively. An analysis of the Group's financial risk management is provided in note 32 to the consolidated financial statements.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group continues to upgrade equipment such as lighting and airconditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

The Group complies with the requirements under the Hong Kong Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures Ordinance, for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers.

The Group's success also depends on the support from key stakeholders which comprise employees, shareholders and banks. Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group. The Group also maintains adequate committed lines of funding from major financial institutions to meet its liquidity requirements.

Directors' Report (Cont'd)

Consolidated financial statements

The consolidated financial performance of the Group for the financial year ended 31 December 2016 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 32 to 71.

Share capital

Particulars regarding the share capital are set out in note 28 to the consolidated financial statements.

Reserves

The movements in reserves during the financial year are set out in note 29 to the consolidated financial statements and consolidated statement of changes in equity on page 35.

Dividends

In October 2016, an interim dividend of 5 HK cents per share (2015: 5 HK cents per share) was paid, amounting to HK\$7,363,000 (2015: HK\$7,405,000). The Directors now recommend a final dividend of 5 HK cents per share (2015: 5 HK cents per share) for the year ended 31 December 2016. The proposed final dividends, if approved, will be payable on 9 August 2017.

Donations

During the year, the Group made donations for charitable and community purposes amounting to HK\$190,000 (2015: HK\$190,000).

Group's borrowings

Details of bank borrowings are shown in note 25 to the consolidated financial statements.

Major customers and suppliers

During the year, less than 30% of the Group's revenue and income, and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Summary of financial information

A summary of the revenue and income, results, assets and liabilities of the Group for the last five financial years is shown on page 72.

Directors

1. The Directors during the financial year and at the date of this report are:
Mr. Tan Boon Seng (*Managing Director*)
Mr. Chan Kai Kwok
Mr. Ho Hau Chong, Norman
Mr. Fung Ka Pun
Mr. Lim Lay Leng
2. In accordance with the Company's Articles of Association, the following Directors are due to retire and, being eligible, they offer themselves for re-election:
Mr. Ho Han Chong, Norman
Mr. Fung Ka Pun
3. During the year and up to the date of this report, Mr. Tan Boon Seng and Mr. Chan Kai Kwok are also directors of certain subsidiaries of the Company. Other directors of the Company's subsidiaries include Mr. Tan Yee Seng and Mr. Koreshige Mizutani.

Directors' Report (Cont'd)

Biographical details of Directors and senior management

Biographical details of Directors and senior management are set out on pages 3 to 4.

Directors' right to acquire shares or debentures

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Service contracts of Directors

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

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement or contract to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had, whether directly or indirectly, a material interest subsisted at the end of the financial year or at any time during the financial year.

Equity-linked agreements

No equity-linked agreements were entered into by the Group; or existed during the year.

Permitted indemnity provision

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for the Directors and officers of the Group.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2016, the Directors' interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Directors	Number of ordinary shares			Total	Percentage holding
	Personal interests	Family interests	Corporate interests		
Mr. Tan Boon Seng	1,469,000	2,991,000(iii)(iv)	52,340,000(i)(ii)(v)	56,800,000	38.57
Mr. Chan Kai Kwok	-	-	-	-	-
Mr. Ho Hau Chong, Norman	-	-	-	-	-
Mr. Fung Ka Pun	-	-	-	-	-
Mr. Lim Lay Leng	-	-	-	-	-

Notes:

- (i) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.
- (ii) HK 1 Limited held 14,386,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.

Directors' Report (Cont'd)

Directors' interests and short positions in shares, underlying shares and debentures (Cont'd)

Notes: (Cont'd)

- (iii) TYMS Limited held 2,981,000 shares. This company is beneficially owned by Mr. Tan Boon Seng's children and Mr. Tan Boon Seng acts as trustee for his children.

Subsequent to the year under review, TYMS Limited disposed and transferred 2,981,000 shares to Mr. Tan's children over the age of 18 on 6 February 2017. The disposal did not change the beneficial interest in those shares.

- (iv) The wife of Mr. Tan Boon Seng held 10,000 shares.

- (v) Zali Capital Limited held 35,854,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.

One nominee share in Lee Hing Investment Company, Limited, a subsidiary of the Company, was held by Mr. Tan Boon Seng in trust for the Company.

Save as mentioned above, no Directors held an interest in the share capital of the Company's subsidiaries.

As at 31 December 2016, no right was granted to or exercised by any Director of the Company or his spouse or children under 18 years of age to subscribe for equity or debt securities of the Company or any of its associated corporations.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Substantial shareholders

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31 December 2016 the Company had been notified of the following interest in the Company's shares:

	Number of ordinary shares	Percentage holding
Mr. Tan Boon Seng	56,800,000 (Note)	38.57
Petaling Garden (S) Pte. Limited	29,006,000	19.70

Notes:

- (i) The 56,800,000 shares are held as to 1,469,000 shares by Mr. Tan Boon Seng, as to 10,000 shares by the wife of Mr. Tan Boon Seng, as to 2,100,000 shares by Wah Seong Enterprises Sdn. Bhn., as to 14,386,000 shares by HK 1 Limited, as to 2,981,000 shares by TYMS Limited and as to 35,854,000 shares by Zali Capital Limited. Wah Seong Enterprises Sdn. Bhd; HK 1 Limited and Zali Capital Limited are beneficially owned by Mr. Tan Boon Seng. TYMS Limited is beneficially owned by the children of Mr. Tan Boon Seng and Mr. Tan Boon Seng acts as trustee for his children.
- (ii) Subsequent to the year under review, TYMS Limited disposed and transferred 2,981,000 shares to Mr. Tan's children over the age of 18 on 6 February 2017. The disposal did not change the beneficial interest in those shares.

Purchase, sale or redemption of listed securities

Details of repurchase by the Company of its own shares during the year are set out in note 28 to the consolidated financial statements on pages 61 to 62. The repurchase was made for the purpose of enhancing the net asset value per share of the Company and was pursuant to general mandate granted to the Board at the 2015 annual general meeting of the Company to repurchase shares in the share capital of the Company.

Directors' Report (Cont'd)

Purchase, sale or redemption of listed securities (Cont'd)

Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the year.

Corporate governance

The Company is committed to maintain the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 20.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

Audit Committee

An Audit Committee has been established and the members of the Committee are Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting system, risk management and internal control systems.

Emolument policy

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The emoluments of the Executive Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market standards.

Independent Non-executive Directors

Confirmation of independence has been received from each of the Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors to be independent.

Sufficiency of public float

According to the information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Auditor

The consolidated financial statements for the year have been audited by CHENG & CHENG LIMITED who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

Tan Boon Seng
Chairman

Hong Kong, 8 March 2017

Corporate Governance Report

Corporate governance practices

The Board of Directors of the Company (the “Board”) continues to achieve high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company’s shareholders. The Company has taken effective measures to ensure that it is in compliance with the principles and provisions of the Corporate Governance Code (the “Code”). In the opinion of the Board, except for the deviations as disclosed in this report, the Company has, throughout the year ended 31 December 2016, complied with the Code.

Directors’ securities transactions

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). None of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not in compliance with the Model Code and upon specific enquiry of all Directors, the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2016.

Board of Directors

To ensure objectivity and impartiality in the management of the Company, the Board is made up of a balance of Executive Directors and Non-executive Directors such that no individual or small group can dominate the Board’s decision making. The Board comprises a total of five members, with a Chairman, also the Managing Director, one Executive Director and three Independent Non-executive Directors. The Board headed by Mr. Tan Boon Seng is mainly responsible for overseeing the Company’s strategic development and monitoring the Company’s day-to-day management and operation. The Board also delegates specific responsibilities and duties to its respective committees. During the reporting period, Mr. Tan Boon Seng acted as an Executive Director, Chairman and Managing Director of the Company. Although this arrangement constitutes a deviation from the Code Provision A.2.1, the Board considers that this structure, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, especially given that there is a strong and independent non-executive element on the Board and a clear division of responsibility for running the business of the Company. The arrangement under which the roles of an Executive Director, Chairman and Managing Director are performed by the same individual is the extension of the Company’s existing corporate governance model. It has been considered beneficial at the present stage as it helps to maintain the continuity of the Company’s policies and the stability of the Company’s operations, as well as to enhance the management of the Company.

Details of the composition of the Board, relationship among members of the Board, and biographical information of the Directors are set out in the section “Corporate Information” on pages 3 to 4 of this annual report. The Company has received annual confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

Corporate Governance Report (Cont'd)

Board of Directors (Cont'd)

In accordance with the Company's Articles of Association, one-third of the Directors shall be subject to retirement by rotation at each annual general meeting of the Company. In the opinion of the Directors, this meets the principle set out in Code Provision A.4.2. According to Code Provision A.4.1, Non-executive Directors should be appointed for a specific term and be subject to re-election. During the reporting period, none of the existing Non-executive Directors of the Company was appointed for a specific term. This constitutes a deviation from the Code but in the opinion of the Directors, since one-third of the Directors (Executive and Non-executive) will retire from office by rotation at each annual general meeting, this arrangement meets the same objective and is no less exacting than the Code.

The Directors acknowledge their responsibilities for overseeing the preparation of consolidated financial statements of the Group. The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the section "Independent Auditor's Report" on pages 26 to 31 of this annual report. The Board is mindful of its responsibility to present a balanced and clear assessment of the Group's financial position and prospects. The Board is satisfied that it has met this obligation.

Corporate governance functions

The Board is responsible for performing the corporate governance duties including to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

Board Diversity Policy

The Board has adopted a Board Diversity Policy to comply with the Code Provision on board diversity. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills. In identifying suitable candidates, the Nomination Committee will consider candidates on merit and against the objective criteria with due regard for the benefits of diversity on the Board. During the year, there were no additions to the Board.

Board meetings

Regular Board meetings are held at least four times a year with at least 14 days' notice and additional meetings with reasonable notice will be held as and when the Board considers appropriate. The Company Secretary assists the Chairman in preparing agenda for each meeting. Draft agenda for each Board meeting is circulated to all Directors to enable them to include other matters in the agenda. Agenda accompanying board papers are sent to all Directors at least 3 days before each Regular Board meeting. Board decisions are voted upon at Board meetings. The Company Secretary records all matters considered by the Board, decisions reached and any concerns raised or dissenting views expressed by Directors. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Corporate Governance Report (Cont'd)

Directors' training

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company Secretary also provides Directors with updates on latest development and amendments in the Listing Rules and other relevant legal and regulatory requirements from time to time.

Also, Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in house trainings for Directors in the form of attending seminars and reading materials. A summary of training received by Directors for the year ended 31 December 2016 according to the records provided by the Directors is as follows:

Directors	Training on corporate governance, regulatory development and other relevant topics
Chairman and Managing Director Mr. Tan Boon Seng	✓
Executive Director Mr. Chan Kai Kwok	✓
Independent Non-executive Directors Mr. Ho Hau Chong, Norman	✓
Mr. Fung Ka Pun	✓
Mr. Lim Lay Leng	✓

Audit Committee

The Audit Committee comprises Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng, being all the three Independent Non-executive Directors. Mr. Ho Hau Chong, Norman is the Chairman of the Audit Committee. The Audit Committee has adopted terms of reference, which are in line with the Code. The Audit Committee is responsible for reviewing the completeness, accuracy and fairness of the Group's consolidated financial statements, the Group's financial reporting system, risk management and internal control systems, the scope and nature of the external audit and matters concerning the engagement of external auditor. During the year, the Audit Committee reviewed the audited consolidated financial statements for the year ended 31 December 2015 and the unaudited interim financial statements for the six months ended 30 June 2016 with recommendations to the Board for approval, reviewed internal control system of the Group and discussed with the management and the external auditor the accounting policies and practices which may affect the Group and financial reporting matters. Furthermore, the Audit Committee reviewed the framework and policy of risk management, the system of internal control and the consolidated financial statements for the year ended 31 December 2016 with recommendation to the Board for approval.

Corporate Governance Report (Cont'd)

Remuneration Committee

The Remuneration Committee comprises three Independent Non-executive Directors, Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng. Mr. Ho Hau Chong, Norman is the Chairman of the Remuneration Committee. The Remuneration Committee has adopted terms of reference, which are in line with the Code. The Remuneration Committee is responsible for reviewing the remuneration policy and remuneration packages of the Executive Directors and members of the senior management. During the year, the Remuneration Committee reviewed the remuneration policy for Directors and senior management of the Company and made recommendation to the Board. Directors' remuneration is listed in the section "Notes to the Consolidated Financial Statements" on pages 50 to 51 of this annual report.

Nomination Committee

The Nomination Committee comprises Mr. Tan Boon Seng, Chairman and Managing Director of the Company and Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Lim Lay Leng, being all the three Independent Non-executive Directors of the Company. Mr. Tan Boon Seng is the Chairman of the Nomination Committee. The Nomination Committee has adopted terms of reference, which are in line with the Code. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendation on any proposed changes to the Board to complement the Company's corporate strategy. It considers the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assesses the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. During the year under review, a meeting was held by the Nomination Committee.

Attendance at meeting of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee, and Annual General Meeting

Directors	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Chairman and Managing Director					
Mr. Tan Boon Seng	4/4	-	-	1/1	1/1
Executive Director					
Mr. Chan Kai Kwok	4/4	-	-	-	1/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman	4/4	2/2	1/1	1/1	1/1
Mr. Fung Ka Pun	4/4	2/2	1/1	1/1	0/1
Mr. Lim Lay Leng	4/4	2/2	1/1	1/1	0/1

Auditors' remuneration

During the year, the Group engaged external auditors to perform audit and non-audit related services and incurred audit related service fees of approximately HK\$487,000 (2015: HK\$471,000) and non-audit service fees of approximately HK\$80,000 (2015: HK\$80,000). Non-audit service represents interim review service.

Corporate Governance Report (Cont'd)

Risk management and internal control

The Board has overall responsibilities for maintaining a sound and effective risk management and internal control systems of the Group. The systems include a defined management structure with limits of authority, and are designed for the Group to identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Under Code Provision C.2.5, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for risk management and internal control systems of the Group. The Board through the Audit Committee had conducted an annual review on the risk management and internal control systems of the Group. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

The Company formulated the inside information policy. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees apprised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

Company Secretary

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out in the section "Corporate Information" on page 4 of this annual report.

Constitutional documents

During the year, there was no significant change in the Company's constitutional documents.

Shareholders' rights

- A. Procedures for shareholders for convening an Extraordinary General Meeting
- Shareholders holding not less than one-twentieth (1/20) of the paid-up capital of the Company can deposit a written request to convene an Extraordinary General Meeting ("EGM") (stating the objects of the meeting and signed by the shareholders concerned) at the registered office of the Company for the attention of the Company Secretary. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

Corporate Governance Report (Cont'd)

Shareholders' rights (Cont'd)

B. Procedures for putting forward proposals at a general meeting

To put forward proposals at shareholders' meeting, a request in writing must be made by shareholders holding not less than one-fortieth (1/40) of the total voting rights of all shareholders having the right to vote at the meeting, or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK\$2,000, to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting. The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

C. Procedures for directing shareholders' enquires to the Board

Enquires to the Board may be put through the Company Secretary by writing at the registered office of the Company. Shareholders may also make enquires with the Board at general meetings of the Company.

Corporate communication

The Code requires the Company to have a dialogue with shareholders and it is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports. The Company's Share Registrars and Transfer Office serves the shareholders with respect to all share registration matters. The Company's annual general meetings provide a further opportunity for investors to exchange views with the Board. Under Code Provision A.6.7, Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two members of the Independent Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 15 April 2016.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Director. The circular despatched to shareholders together with the annual report includes details of the procedures and the timetable of proposing appropriate candidates to stand for election as Directors at each annual general meeting, and relevant details of proposed resolutions, including biographies of each candidate standing for re-election and whether such candidates are considered to be independent.

Looking forward

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Corporate Governance Code introduced by The Stock Exchange of Hong Kong Limited.

Environmental, Social and Governance Report

The Group believes that sound environmental, social and governance (“ESG”) performance is critically important to the sustainable development of its business and community. The Group is committed, not only to achieving strong financial results, but also to promoting environmental protection, social responsibility and effective corporate governance.

The Board is responsible for the Group’s ESG strategy and reporting. The Group has established an ESG working team to engage the management and employees across all functions in order to identify relevant ESG issues and to assess their materiality to the Group’s business as well as the Company’s stakeholders, through reviewing our operations and internal discussions. Disclosures relating to the material ESG issues identified have been included in this ESG Report pursuant to the requirements of Appendix 27 of the Listing Rules (the “ESG Guide”).

The table below shows the ESG issues which were determined to be material to the Group, together with the aspects on the ESG Guide to which they relate, based on the assessment performed by the ESG working team. This ESG Report mainly covers the policies, initiatives and performance of the Group’s business in relation to these issues, for the year ended 31 December 2016 (the “Reporting Period”):

ESG aspects as set forth in ESG Guide	Material ESG issues for the Group
A. Environmental	
A1 Emissions	Carbon dioxide emissions and waste management
A2 Use of resources	Use of energy and water
A3 The environment and natural resources	Air quality
B. Social	
B1 Employment	Labour practices
B2 Health and safety	Workplace health and safety
B3 Development and training	Employee development and training
B4 Labour standards	Anti-child and forced Labour
B5 Supply chain management	–
B6 Product responsibility	–
B7 Anti-corruption	Anti-corruption and money laundering
B8 Community investment	Community programs and donation

Note: Since the Group is principally engaged in investment holding, and sales and purchases of securities, no significant levels of pollutants were discharged into the air or water and no substantial amounts of packaging materials were used in the Reporting Period. Therefore, disclosures relating to these aspects, as set forth in the ESG Guide, are not applicable to the Group and so have not been made.

Environmental, Social and Governance Report (Cont'd)

A. Environmental

The Group has established environmental policies and has communicated measurable environmental objectives to employees. The Group proactively encourages the staff to protect the environment through training, education and communication. The ultimate goal is to have all employees adopting environmentally-responsible behavior in both the workplace and their daily lives.

The Group always keeps itself up-to-date on developments in local legislation and standards for environmental protection and is committed to achieving a level of environmental performance that goes beyond compliance. During the Reporting Period, the Group did not experience any cases of non-compliance relating to environmental laws and regulations in Malaysia, Japan and Hong Kong.

A1 Emissions

Carbon dioxide emissions

The major source of carbon dioxide emissions is the use of energy. The Group has developed various energy-saving initiatives to reduce the carbon footprint (please refer to the “Use of energy” section below).

Waste management

Waste generated from the Group’s business activities mainly consists of paper (e.g. office paper) during the Reporting Period. No substantial hazardous waste was produced by the Group during the Reporting Period.

The Group has launched a number of waste management programs, including:

- Recycling of glass, cardboard, paper materials, metal, printing cartridges and batteries, with collection facilities placed across the properties; and
- to encourage staff to reduce paper consumption by double-sided printing and reusing papers printed on one side.

The Group is now considering making use of recycled materials, from internal sources, to produce corporate stationery for internal use, where feasible.

A2 Use of resources

With the vision of helping to protect the planet and of incorporating environmental sustainability into its business functions and processes, the Group proactively seeks opportunities for increasing operating efficiency in order to reduce the use of resources. The Group also closely monitors the utilisation of resources and reports to senior management on this aspect of performance. Appropriate remedial actions to improve efficiency in the use of resources are taken, whenever necessary.

Environmental, Social and Governance Report (Cont'd)

A. Environmental (Cont'd)

A2 Use of resources (Cont'd)

Use of energy

To achieve higher energy efficiency, the Group implemented the following key initiatives during the Reporting Period:

- Blinds for windows to reduce solar heat in air-conditioned areas and hence the strength of air-conditioning required;
- an optimal air-conditioning control program to select the best configuration automatically, based on the in-door requirement and out-door condition;
- to switch off lights and air-conditioning in the meeting room and computers at work stations where not in use; and
- LED lights in most parts of the Group's properties which save the energy usage as compared with fluorescent lights.

Use of water

During the Reporting Period, water consumed by the Group was not material. Nevertheless, the Group actively promotes water efficient practices.

A3 The environment and natural resources

Air quality

In order to improve air quality, the Group aims to reduce air emissions generated from its properties by green initiatives. The Group is committed to fulfilling and complying with the regime of smoking prevention and control requirements.

B. Social

B1 Employment

Labour practices

To ensure that the Group is able to operate according to professional and ethical labour practices, the Group has developed clear work processes with robust control mechanisms which have been clearly communicated to all employees. Certain policies to govern employees' affairs such as payroll, attendance and termination are clearly set out in staff appointment letters in compliance with Hong Kong Employment Ordinance. Malaysia and Japan offices are in compliance with the relevant labour laws and regulations in Malaysia and Japan respectively.

The Group also aims to promote the diversity of workforce, including in terms of age, gender and nationality, as well as a culture of equal opportunity. The management regularly reviews the Group's remuneration policy in relation to relevant market standards.

Environmental, Social and Governance Report (Cont'd)

B. Social (Cont'd)

B2 Health and safety

Workplace health and safety

The Group has established a set of policies which is focused on maintaining a healthy and safe working environment, and which includes the following requirements:

- The facilities operated by employees should meet safety and health standards;
- expert advice should be obtained to identify health and safety risk in the operations and the corresponding mitigating actions that should be taken; and
- relevant information and training should be provided to employees in respect of risks to their health and safety which may arise out of their work.

The Group did not violate any health and safety laws and regulations of Malaysia, Japan and Hong Kong, where applicable, during the Reporting Period.

The Group has established a mechanism for monitoring occupational health and safety, as well as procedures for dealing with related risks. The Group engages employees in the determination of appropriate occupational health and safety precautionary measures. Accident reporting and investigation procedures have also been adopted for the follow-up of any health and safety incidents.

Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures.

B3 Development and training

Employee development and training

The Group strives to promote the long-term development of its employees by providing learning opportunities that broaden their skills and make them valuable assets to the Group.

Various employee training programs and seminars held by external organisations are offered to employees including in the areas of finance, governance, languages, rules and regulations, supervisory and managerial skills, as well as various technical training courses relating to their respective job duties.

Environmental, Social and Governance Report (Cont'd)

B. Social (Cont'd)

B4 Labour standards

Anti-child and forced labour

The Group strictly prohibits the use of child and forced labour in the Group, and is totally committed to creating a work environment which respects human rights.

In addition to having well-established recruitment processes requiring background checks on candidates and formalised reporting procedures to address any exceptions found, the Group also performs regular reviews and inspections to detect the existence of any child or forced labour in the operations.

B5 Supply chain management

As the Group is principally engaged in investment holding, and sales and purchases of securities, the office-based operation of the Company is not considered to have environmental and social risks of the supply chain. Therefore, disclosure relating to this aspect as set forth in the ESG Guide, is not applicable to the Group.

B6 Product responsibility

The office-based operation of the Company is not considered to have environmental and social risks of product responsibility due to its nature of business. Therefore, disclosure relating to this aspect, as set forth in the ESG Guide, is not applicable to the Group.

B7 Anti-corruption

Anti-corruption and money laundering

The Group has in place a number of policies addressing anti-corruption, such as acceptance of gifts, and conflicts of interest, which provide guidance to employees in this area. The Group has also established policies and procedures to deal with money laundering in its operations.

In addition, the Group has established prevention system by setting up communication channels for faults and anti-corruption reporting. The whistle-blowing system can handle any breach of laws and regulations.

Relevant articles on anti-corruption and anti-money laundering are provided to employees for their study and reference in order to raise their awareness of the code of conduct as well as related procedures and guidelines.

During the Reporting Period, no legal case regarding corruption was brought against the Group or its employees. Also, there were no material cases of non-compliance with laws and regulations on anti-money laundering in Hong Kong, Malaysia and Japan.

B8 Community investment

Community programs and donation

The Group has been supporting education, arts and culture, sports and other charitable activities many years. During the Reporting Period, the Group made donations for charitable and community purposes amounting to approximately HK\$190,000.



CHENG & CHENG LIMITED

CERTIFIED PUBLIC ACCOUNTANTS
鄭 鄭 會 計 師 事 務 所 有 限 公 司

10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

Independent Auditor's Report

TO THE MEMBERS OF LEE HING DEVELOPMENT LIMITED (Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Lee Hing Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 71, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 ("HKSAs") 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 judgement, 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.

Independent Auditor's Report (Cont'd)

Key audit matters (Cont'd)

Key audit matter

Valuation, existence and classification of available-for-sale investments

Refer to notes 8, 20 and 32 to the consolidated financial statements

As at 31 December 2016, the listed available-for-sale investments were valued at HK\$1,475,927,000 and classified as level 1 financial instruments in accordance with HKFRS 13 where quoted prices in active markets are available for identical assets.

During the year, part of the listed available-for-sale investments representing investment in PureCircle Limited suffered from a decrease in fair value of HK\$1,012,866,000. This gives rise to impairment loss of HK\$541,566,000 being recognised in profit or loss after setting off the relevant balance of investment revaluation reserve brought forward.

As at 31 December 2016, the Group held equity interest in PureCircle Limited of 26.16%. However, the Group classified this investment as available-for-sale investment as the Group did not have significant influence over the management of PureCircle Limited.

How the key audit matter was addressed in our audit

Our audit procedures included the following:

We agreed available-for-sale investments of HK\$1,475,927,000 as at 31 December 2016 to relevant bank statements/confirmation. These listed shares were held by banks as security for facilities granted to the Group or for safe custody.

We used independent sources of information to identify market value for 100% of available-for-sale investments, and compared to the amount as stated in the note 20 to the consolidated financial statements, and to ensure the market prices were quoted prices in active markets.

We critically assessed the existence of significant influence by considering the following:

- representation on the board of directors;
- participation in policy making processes;
- material transaction between the Group and its investee;
- interchange of managerial personnel; and
- provision of essential technical information.

We found that available-for-sale investments were properly held, valued and classified by the Group.

Independent Auditor's Report (Cont'd)

Information other than the consolidated financial statements and auditor's report thereon

The Directors 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 for the consolidated financial statements

The Directors 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.

The Directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Cont'd)

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. We report 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 HKSAs 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 HKSAs, we exercise professional judgement 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.

Independent Auditor's Report (Cont'd)

Auditor's responsibilities for the audit of the consolidated financial statements (Cont'd)

- 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 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 the Audit Committee 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 the Audit Committee 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.

Independent Auditor's Report (Cont'd)

Auditor's responsibilities for the audit of the consolidated financial statements (Cont'd)

From the matters communicated with the Audit Committee, 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.

CHENG & CHENG LIMITED

Certified Public Accountants

10/F, Allied Kajima Building,
138 Gloucester Road,
Wanchai, Hong Kong

Tong Yat Hung
Practising Certificate number P01055

8 March 2017

Consolidated Statement of Profit or Loss for the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue and income	6	66,580	37,394
Impairment loss on available-for-sale investments	8	(541,566)	(22)
Unrealised loss on financial assets at fair value through profit or loss		(8)	–
Operating expenses		<u>(24,462)</u>	<u>(23,874)</u>
Operating (loss)/profit before finance costs	9	(499,456)	13,498
Finance costs	12	<u>(16,354)</u>	<u>(18,939)</u>
Operating loss after finance costs		(515,810)	(5,441)
Share of results of associates		<u>(75)</u>	<u>(66)</u>
Loss before tax		(515,885)	(5,507)
Income tax	13	<u>(11)</u>	<u>(2)</u>
Loss attributable to owners of the Company		<u><u>(515,896)</u></u>	<u><u>(5,509)</u></u>
Loss per share (HK cents)	16		
Basic and diluted		<u><u>(350.30)</u></u>	<u><u>(3.72)</u></u>

Details of dividends paid and proposed are disclosed in note 15 to the consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Loss attributable to owners of the Company		<u>(515,896)</u>	<u>(5,509)</u>
Other comprehensive loss	14		
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments: net movements in investment revaluation reserve		(499,809)	(774,301)
Exchange differences on translation of financial statements of foreign subsidiaries and associates		<u>1,156</u>	<u>7,083</u>
		<u>(498,653)</u>	<u>(767,218)</u>
Total comprehensive loss attributable to owners of the Company		<u>(1,014,549)</u>	<u>(772,727)</u>

Consolidated Statement of Financial Position as at 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	17	79,643	78,706
Associates	19	26,690	26,646
Available-for-sale investments	20	1,486,257	2,519,805
Other non-current assets	21	2,055	8,232
		<u>1,594,645</u>	<u>2,633,389</u>
Current assets			
Financial assets at fair value through profit or loss	22	15,939	–
Other assets	23	295	295
Accounts receivable, deposits and prepayments	24	467	2,145
Time deposits and bank balances		16,444	5,558
		<u>33,145</u>	<u>7,998</u>
Current liabilities			
Bank borrowings	25	232,202	190,330
Accounts payable, deposits and accruals	26	2,842	2,810
Other payable	27	348	348
		<u>235,392</u>	<u>193,488</u>
Net current liabilities		<u>(202,247)</u>	<u>(185,490)</u>
Total assets less current liabilities		1,392,398	2,447,899
Non-current liabilities			
Bank borrowings	25	156,881	182,663
Net assets		<u>1,235,517</u>	<u>2,265,236</u>
Equity			
Share capital	28	717,808	717,808
Reserves	29	517,709	1,547,428
Total equity		<u>1,235,517</u>	<u>2,265,236</u>

Tan Boon Seng
Director

Chan Kai Kwok
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

		Share capital	Investment revaluation reserve	Translation reserve	Retained profits	Total equity
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2016		717,808	624,564	6,770	916,094	2,265,236
Loss for the year		-	-	-	(515,896)	(515,896)
Other comprehensive loss for the year	14	-	(499,809)	1,156	-	(498,653)
Total comprehensive loss for the year		-	(499,809)	1,156	(515,896)	(1,014,549)
2015 final dividend		-	-	-	(7,368)	(7,368)
2016 interim dividend		-	-	-	(7,363)	(7,363)
Unclaimed dividend forfeited		-	-	-	129	129
Over-provision for dividend written back		-	-	-	4	4
Repurchase of shares		-	-	-	(572)	(572)
		-	-	-	(15,170)	(15,170)
At 31.12.2016		717,808	124,755	7,926	385,028	1,235,517
At 1.1.2015		717,808	1,398,865	(313)	964,600	3,080,960
Loss for the year		-	-	-	(5,509)	(5,509)
Other comprehensive loss for the year	14	-	(774,301)	7,083	-	(767,218)
Total comprehensive loss for the year		-	(774,301)	7,083	(5,509)	(772,727)
2014 final dividend		-	-	-	(7,539)	(7,539)
2015 interim dividend		-	-	-	(7,405)	(7,405)
Over-provision for dividend written back		-	-	-	155	155
Repurchase of shares		-	-	-	(28,208)	(28,208)
		-	-	-	(42,997)	(42,997)
At 31.12.2015		717,808	624,564	6,770	916,094	2,265,236

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Net cash used in operating activities	30	<u>(32,018)</u>	<u>(22,574)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,937)	(105)
Purchase of available-for-sale investments		(105,025)	(205,806)
Proceeds from disposals of available-for-sale investments		131,660	67,757
Proceeds from disposals of property, plant and equipment		122	–
(Increase)/decrease in bank deposits pledged to banks		(7,020)	27,762
Increase in amount due from an investee company		<u>–</u>	<u>(10,169)</u>
Net cash generated from/(used in) investing activities		<u>17,800</u>	<u>(120,561)</u>
Cash flows from financing activities			
Bank loans raised		85,819	356,118
Repayment of bank loans		(59,404)	(182,582)
Repurchase of shares		(572)	(28,208)
Dividends paid		<u>(14,670)</u>	<u>(14,789)</u>
Net cash generated from financing activities		<u>11,173</u>	<u>130,539</u>
Net decrease in cash and cash equivalents		(3,045)	(12,596)
Cash and cash equivalents at beginning of the year		(687)	14,288
Effect of foreign exchange rates changes		<u>–</u>	<u>(2,379)</u>
Cash and cash equivalents at end of the year		<u>(3,732)</u>	<u>(687)</u>
Analysis of the balances of cash and cash equivalents			
Time deposits and bank balances		16,444	5,558
Bank deposits pledged to banks		(11,904)	(4,800)
Bank overdraft		<u>(8,272)</u>	<u>(1,445)</u>
		<u>(3,732)</u>	<u>(687)</u>

Notes to the Consolidated Financial Statements

1. General information

The Company is a company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are property investment, property development, investment holding, general investment and sales and purchases of securities.

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

The HKICPA has issued the following new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2016.

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012 – 2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Revised in 2011)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of the above new and revised HKFRSs has no material impact on these consolidated financial statements.

Notes to the Consolidated Financial Statements (Cont'd)

3. Adoption of new and revised Hong Kong Financial Reporting Standards (Cont'd)

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
HKAS 7 (Amendments)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9, Financial Instruments with HKFRS 4, Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarification to HKFRS 15, Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Notes to the Consolidated Financial Statements (Cont'd)

3. Adoption of new and revised Hong Kong Financial Reporting Standards (Cont'd)

Key requirements of HKFRS 9 are described below:

All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss (“FVTPL”), 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 at FVTPL 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 new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

Notes to the Consolidated Financial Statements (Cont'd)

3. Adoption of new and revised Hong Kong Financial Reporting Standards (Cont'd)

The Directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

The Group has already commenced an assessment of the impact of other new and revised HKFRSs, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

4. Significant accounting policies

(a) Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain available-for-sale investments and financial assets at fair value through profit or loss, which are stated at fair value.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December.

(c) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Notes to the Consolidated Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(c) Subsidiaries (Cont'd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If this consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as associates, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Non-controlling interest is the equity in a subsidiary which is not attributable, directly or indirectly, to the Company. The Group treats transactions with non-controlling interest (namely, acquisitions of additional interests and disposals of partial interests in subsidiaries that do not result in a loss of control) as transactions with equity owners of the Group. For purchases of additional interests in subsidiaries from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders are also recorded in equity.

The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In the Company's statement of financial position, investments in subsidiaries are stated at cost less any accumulated impairment losses.

Notes to the Consolidated Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under equity method of accounting, less any accumulated impairment losses. The Group's share of the associates' post-acquisition results is recognised in profit or loss, and its share of the associates' post-acquisition other comprehensive income is recognised in other comprehensive income. When the share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further loss, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss. For equity accounting purpose, accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or loss on deemed disposal on dilution arising from investments in associates are recognised in profit or loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's statement of financial position, investments in associates are stated at cost less any accumulated impairment losses.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortisation and depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally recognised in profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(e) Property, plant and equipment (Cont'd)

Depreciation or amortisation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates:

Leasehold land classified as finance lease	over the lease term
Building	2%
Freehold land	–
Construction in progress	–
Equipment and motor vehicles	10% – 20%

The useful lives and residual values of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

(f) Leases

Leases where substantially all the rewards and risks of ownerships of assets remain with the lessee are accounted for as finance leases. All other leases are accounted for as operating leases.

(g) Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, and available-for-sale (“AFS”) investments. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired.

(i) Financial assets at FVTPL

Financial assets at FVTPL include held for trading investments and financial assets designated upon initial recognition as at FVTPL.

A financial asset is classified as held for trading investment if it has been acquired for the purpose of selling in the near term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. A derivative is also classified as held for trading unless it is designated as an effective hedging instrument or a financial guarantee contract.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include other non-current assets, accounts receivable and deposits, time deposits and bank balances.

(iii) AFS investments

AFS investments are non-derivatives that are either designated in this category or not classified as other categories of financial assets.

Notes to the Consolidated Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(g) Financial assets (Cont'd)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all those assets not carried at FVTPL. Financial assets at FVTPL are initially recognised at fair value, and transaction costs are recognised in profit or loss. Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at FVTPL and AFS investments are subsequently carried at fair value. The fair value of an investment is determined on the basis of its quoted market price or determined by financial institution or fund manager. In the case of investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are subsequently stated at cost less any accumulated impairment losses. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

Gains and losses arising from changes in fair value of the financial assets at FVTPL are recognised in profit or loss. The net gain or loss does not include any dividend or interest earned on financial assets at FVTPL. Gains and losses arising from changes in fair value of AFS investments are recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. When AFS investments are sold, the accumulated fair value adjustments are recognised in profit or loss as gains or losses from investments.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as AFS investments, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. In the case of loans and receivables, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

If any such evidence exists for AFS investments, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from investment revaluation reserve and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as AFS are not reversed through profit or loss. For loans and receivables, the amount of the provision is the difference between the carrying amount of the receivables and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible. Subsequent recovery of amounts previously written off is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(h) Impairment of assets

At the end of each reporting period, assets, other than financial assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. When an indication of impairment exists, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs of disposal and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss recognised in prior year for an asset is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdraft.

(j) Payables

Payables (including accounts payable, deposits and accruals and other payable) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Bank borrowings

Bank borrowings are initially recognised at fair value, net of transaction costs associated with the borrowings. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(l) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

(m) Income tax

Income tax represents the sum of current tax and deferred tax.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Notes to the Consolidated Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(m) Income tax (Cont'd)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(n) Revenue recognition

Major categories of revenues are recognised in the consolidated financial statements on the following bases:

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

(o) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(p) Financial guarantees issued and contingent liabilities

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within accounts payable, deposits and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the amount currently carried in accounts payable, deposits, and accruals in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Notes to the Consolidated Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(p) Financial guarantees issued and contingent liabilities (Cont'd)

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(q) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollars, which are the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences arising on the translation of monetary items carried at fair value are reported as part of fair value gain or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are recognised in profit or loss except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of those foreign subsidiaries and associates that have a functional currency different from the presentation currency of the Group are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period and their income and expenses are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

Notes to the Consolidated Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(q) Foreign currencies (Cont'd)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(r) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or the Group's holding company.

(ii) An entity is related to the Group if any of the following conditions applies:

- (a) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's holding company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements (Cont'd)

5. Critical accounting estimates and judgements

The Group makes estimates, assumptions and judgements as appropriate in the preparation of the consolidated financial statements. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include write back/provision for impairment losses on investments in and advances to associates, and advances to an investee company and impairment losses on available-for-sale investments.

6. Revenue and income

Analysis of the Group's revenue and income is as follows:

	2016 HK\$'000	2015 HK\$'000
Net gain on disposals of available-for-sale investments	41,957	25,182
Net gain on disposals of held for trading investments	–	209
Net gain on derivative financial instruments	–	1,437
Net gain on financial assets		
at fair value through profit or loss	1	847
Dividends from listed investments	7,916	6,507
Dividends from unlisted investments	589	–
Interest income on financial assets not		
at fair value through profit or loss	214	307
Other revenue	157	456
Net exchange gain	15,505	2,415
Net gain on disposals of property, plant and equipment	122	–
Sundry income	119	34
	<u>66,580</u>	<u>37,394</u>

7. Segment reporting

The Group determines its operating segments based on the internal reports reviewed by the Group's chief operating decision maker that are used to allocate resources to the segment and assess its performance. The chief operating decision maker of the Group has been identified as the Managing Director.

The Group has one reportable segment: share investment and dealing. The management considers that it is impracticable to allocate the revenue and income, segment results and assets to geographical location.

8. Impairment loss on available-for-sale investments

Impairment loss of HK\$541,566,000 was arising from drop of the share price of PureCircle Limited, which was accounted for as available-for-sale investments as disclosed in note 20 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Cont'd)

9. Operating (loss)/profit before finance costs

	2016 HK\$'000	2015 HK\$'000
Operating (loss)/profit before finance costs is stated at after charging/(crediting):		
Auditors' remuneration:		
audit services	487	471
others	80	80
Staff costs (excluding Directors' emoluments)	2,860	2,712
Depreciation	723	638
Amortisation of leasehold land	456	456
Impairment loss on amount due from an investee company	5,786	4,000
Net gain on disposals of held for trading investments	–	(209)
Net gain on financial assets at fair value through profit or loss	(1)	(847)
Net exchange gain	(15,505)	(2,415)
Net gain on derivative financial instruments	–	(1,437)
Net gain on disposals of available-for-sale investments	(41,957)	(25,182)

10. Directors' remuneration

The emoluments of the Directors are as follows:

2016

	As Directors	As management			Total HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits HK\$'000	Performance bonus HK\$'000	Contributions to retirement scheme HK\$'000	
<i>Executive Directors</i>					
Mr. Tan Boon Seng (Note)	152	4,382	–	208	4,742
Mr. Chan Kai Kwok	129	1,009	–	50	1,188
<i>Independent Non-executive Directors</i>					
Mr. Ho Hau Chong, Norman	152	–	–	–	152
Mr. Fung Ka Pun	129	–	–	–	129
Mr. Lim Lay Leng	129	–	–	–	129
	691	5,391	–	258	6,340

Notes to the Consolidated Financial Statements (Cont'd)

10. Directors' remuneration (Cont'd)

2015

	As Directors	As management			Total HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits HK\$'000	Performance bonus HK\$'000	Contributions to retirement scheme HK\$'000	
<i>Executive Directors</i>					
Mr. Tan Boon Seng (Note)	144	4,198	-	198	4,540
Mr. Chan Kai Kwok	122	960	-	48	1,130
<i>Independent Non-executive Directors</i>					
Mr. Ho Hau Chong, Norman	144	-	-	-	144
Mr. Fung Ka Pun	122	-	-	-	122
Mr. Lim Lay Leng	122	-	-	-	122
	654	5,158	-	246	6,058

Note:

In addition, the Group's property was provided to a Director as quarters on rent free basis for his management services and the estimated rental value for the year was HK\$871,000 (2015: HK\$861,000).

The emoluments of Directors, including basic salary and performance bonus, are based on each Director's skill, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

There was no arrangement under which a Director had waived or agreed to waive any remuneration.

11. Five highest-paid employees

During the year, the five highest-paid employees in the Group included two (2015: two) Directors, details of whose emoluments are included in the disclosure of Directors' remuneration. The details of the remaining three (2015: three) highest-paid non-director employees are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other emoluments	1,556	1,482
Performance bonus	-	-
Contributions to retirement scheme	78	74
	1,634	1,556

The emoluments of each of the non-director employee were below HK\$1,000,000 for 2016 and 2015.

Notes to the Consolidated Financial Statements (Cont'd)

12. Finance costs

	2016 HK\$'000	2015 HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss:		
interest on bank loans	12,101	15,490
interest on bank loans subject to a repayment on demand clause	3,541	2,063
interest on bank overdrafts	<u>270</u>	<u>28</u>
	15,912	17,581
Bank loan arrangement fee	<u>442</u>	<u>1,358</u>
	<u>16,354</u>	<u>18,939</u>

13. Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2016 HK\$'000	2015 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	<u>11</u>	<u>2</u>

No Hong Kong profits tax has been provided by the Company and its subsidiaries for the 2016/17 year of assessment (2015/16: no provision) as no assessable profit was earned during the year.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Consolidated Financial Statements (Cont'd)

13. Income tax (Cont'd)

(b) The reconciliation between income tax and accounting loss of the Group in the consolidated financial statements is as follows:

	2,016	2015
	HK\$'000	HK\$'000
Loss before tax	(515,885)	(5,507)
Share of results of associates	<u>75</u>	<u>66</u>
	<u>(515,810)</u>	<u>(5,441)</u>
Notional tax at the applicable tax rate of 16.5% (2015: 16.5%)	(85,109)	(898)
Tax effect of net expenses that are not deductible in determining taxable profit	85,136	638
Tax effect of unrecognised tax losses in the year	-	260
Tax effect of utilisation of previously unrecognised tax losses	(27)	-
Overseas taxation	<u>11</u>	<u>2</u>
Income tax	<u>11</u>	<u>2</u>

(c) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1.1.2015	165	(165)	-
(Credited)/charged to consolidated statement of profit or loss for the year	<u>(41)</u>	<u>41</u>	<u>-</u>
At 31.12.2015	124	(124)	-
Charged/(credited) to consolidated statement of profit or loss for the year	<u>163</u>	<u>(163)</u>	<u>-</u>
At 31.12.2016	<u>287</u>	<u>(287)</u>	<u>-</u>

Notes to the Consolidated Financial Statements (Cont'd)

13. Income tax (Cont'd)

(d) Deferred tax assets unrecognised

At 31 December 2016, the Group had unused tax losses of HK\$35,685,000 (2015: HK\$35,846,000) available for set-off against future taxable profit. A deferred tax asset has been recognised in respect of HK\$1,740,000 (2015: HK\$751,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$33,945,000 (2015: HK\$35,095,000) due to unpredictability of future taxable profit streams. The tax losses do not expire under current tax legislation.

14. Other comprehensive loss

	2016 HK\$'000	2015 HK\$'000
Available-for-sale investments		
Changes in fair value recognised during the year	(457,852)	(749,119)
Reclassification adjustments for amounts transferred to profit or loss:		
Net gain on disposals	<u>(41,957)</u>	<u>(25,182)</u>
Net movements in investment revaluation reserve during the year recognised in other comprehensive loss	(499,809)	(774,301)
Exchange differences on translation of financial statements of foreign subsidiaries and associates	<u>1,156</u>	<u>7,083</u>
Other comprehensive loss for the year, net of tax	<u><u>(498,653)</u></u>	<u><u>(767,218)</u></u>

15. Dividends

	2016 HK\$'000	2015 HK\$'000
Interim dividend paid – 5 HK cents per share (2015: 5 HK cents per share)	7,363	7,405
Final dividend proposed – 5 HK cents per share (2015: 5 HK cents per share)	<u>7,363</u>	<u>7,368</u>
	<u><u>14,726</u></u>	<u><u>14,773</u></u>

Notes to the Consolidated Financial Statements (Cont'd)

16. Loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK\$515,896,000 (2015: HK\$5,509,000) and the weighted average of 147,272,198 shares (2015: 148,142,099 shares) in issue during the year.

Diluted loss per share is same as basic loss per share because there were no potential dilutive shares outstanding during the years 2015 and 2016.

17. Property, plant and equipment

	Leasehold land in Hong Kong – long lease	Buildings in Hong Kong	Freehold land outside Hong Kong	Construction in progress	Equipment and motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
At 1.1.2015	55,071	5,508	14,104	5,830	4,794	85,307
Additions	–	–	–	104	1	105
Translation difference	–	–	–	(53)	–	(53)
At 31.12.2015	55,071	5,508	14,104	5,881	4,795	85,359
Additions	–	–	–	319	1,618	1,937
Disposals	–	–	–	–	(1,199)	(1,199)
Translation difference	–	–	–	179	–	179
At 31.12.2016	55,071	5,508	14,104	6,379	5,214	86,276
Accumulated amortisation and depreciation						
At 1.1.2015	1,788	940	–	–	2,831	5,559
Provision	456	110	–	–	528	1,094
At 31.12.2015	2,244	1,050	–	–	3,359	6,653
Provision	456	110	–	–	613	1,179
Write back	–	–	–	–	(1,199)	(1,199)
At 31.12.2016	2,700	1,160	–	–	2,773	6,633
Net book amount						
At 31.12.2016	52,371	4,348	14,104	6,379	2,441	79,643
At 31.12.2015	52,827	4,458	14,104	5,881	1,436	78,706

Notes to the Consolidated Financial Statements (Cont'd)

18. Subsidiaries

Details of subsidiaries are as follows:

Unlisted companies	Principal activities	Issued and paid up ordinary share capital/registered capital	Places of incorporation/operation	Percentage of equity interest held	
				by the Company	by the Group
HK8 Limited	Investment holding	1 share of US\$1	Liberia/Hong Kong	-	100
HK12 Limited	Investment holding	1 share of US\$1	Liberia/Hong Kong	-	100
HK333 Limited	General investment	1 share of US\$1	Liberia/Hong Kong	-	100
HK888 Limited	Sales and purchases of securities	1 share of US\$1	Liberia/Hong Kong	-	100
kabushiki kaisha zali at hakone*	Property development	1,000 shares of JPY10,000 each	Japan	-	100
Lee Hing Investment Company, Limited	Property investment, investment holding, and sales and purchases of securities	2,000 ordinary shares	Hong Kong	100	100
Teamlight Enterprises Limited	Property investment	1 ordinary share	Hong Kong	-	100
Wang Tak Company Limited	Property investment, investment holding, and sales and purchases of securities	1,000 ordinary shares	Hong Kong	100	100
zali@hakone Limited*	Dormant	1 share of US\$1	British Virgin Islands	-	100
zali@resorts Ltd.*	Dormant	1 share of US\$1	British Virgin Islands	-	100
Wang Tak Majujaya Sdn. Bhd.*	Investment holding, and sales and purchases of securities	2 ordinary shares of RM1 each	Malaysia	-	100

* Companies not audited by Cheng & Cheng Limited.

Notes to the Consolidated Financial Statements (Cont'd)

19. Associates

	2016 HK\$'000	2015 HK\$'000
Unlisted investments		
Share of net assets	43,720	43,676
Less: Impairment losses	<u>(17,030)</u>	<u>(17,030)</u>
	<u>26,690</u>	<u>26,646</u>

Aggregate information of associates that are not individually material:

	2016 HK\$'000	2015 HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	26,690	26,646
Aggregate amounts of the Group's share of those associates		
Loss from continuing operations	(75)	(66)
Post-tax profit from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive loss	(75)	(66)

Details of the associates are as follows:

Unlisted companies	Principal activities	Places of incorporation/ operation	Issued and paid up ordinary share capital/ registered capital	Percentage of equity interest held	
				by the Company	by the Group
Key Finance Limited*	Investment holding	British Virgin Islands/ Hong Kong	81,591,755 'A' shares of HK\$0.01 each and 81,591,755 'B' shares of HK\$0.01 each	-	-
Parkway M & A Capital Corporation*	Investment holding	British Virgin Islands	4,500,000 shares of US\$1 each	-	39
Phil Inc.*	Dormant	U.S.A.	100,000 common shares of US\$1 each	20	20
Start Hold Limited*	Investment holding	Hong Kong	6 ordinary shares	-	33
Trusoul Ayutthaya Co., Ltd.*	Property development	Thailand	2,000,000 common shares of Baht 100 each	-	49
Trusoul Ayutthaya Holding Co., Ltd.*	Investment holding	Thailand	40,000 common shares of Baht 100 each	-	49

* Companies not audited by Cheng & Cheng Limited.

Notes to the Consolidated Financial Statements (Cont'd)

20. Available-for-sale investments

	2016 HK\$'000	2015 HK\$'000
Listed equity securities, at market value		
Overseas	1,475,927	2,509,475
Unlisted equity securities		
At cost	63,020	63,020
Less: Impairment losses	(52,690)	(52,690)
	10,330	10,330
	1,486,257	2,519,805

Details of the significant available-for-sale investments are as follows:

Listed companies	Place of incorporation	Class of shares	Equity interest held
PureCircle Limited	Bermuda	Ordinary shares of US\$0.1 each	26.16% (2015: 25.63%)
Goldis Berhad	Malaysia	Ordinary shares of RM1 each	9.88% (2015: 13.08%)

The Group does not have significant influence over the management of PureCircle Limited as the Group does not have any representative in the board of directors of PureCircle Limited. In addition, there is no participation in policy making processes, material transaction between the Group and PureCircle Limited, interchange of managerial personnel or provision of essential technical information.

The unlisted equity securities do not have quoted market prices in an active market and other methods of reasonably estimating fair value are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. They are therefore stated at cost less accumulated impairment losses. The Group has no intention of disposing of these investments.

Notes to the Consolidated Financial Statements (Cont'd)

21. Other non-current assets

	2016 HK\$'000	2015 HK\$'000
Amounts due from associates	4,131	4,139
Less: Provision for impairment losses	<u>(2,076)</u>	<u>(2,076)</u>
	<u>2,055</u>	<u>2,063</u>
Amount due from an investee company	9,786	10,169
Less: Provision for impairment losses (Note)	<u>(9,786)</u>	<u>(4,000)</u>
	<u>—</u>	<u>6,169</u>
	<u>2,055</u>	<u>8,232</u>

Note:

Movements in provision for impairment losses are as follows:

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	4,000	—
Impairment loss	<u>5,786</u>	<u>4,000</u>
At end of the year	<u>9,786</u>	<u>4,000</u>

Amounts due from associates and amount due from an investee company are unsecured, non-interest bearing with no fixed term of repayment and not past due.

22. Financial assets at fair value through profit or loss

	2016 HK\$'000	2015 HK\$'000
Unlisted investments, at fair value	<u>15,939</u>	<u>—</u>

Notes to the Consolidated Financial Statements (Cont'd)

23. Other assets

	2016 HK\$'000	2015 HK\$'000
Club debenture, at cost	<u>295</u>	<u>295</u>

24. Accounts receivable, deposits and prepayments

The Group maintains a defined credit policy on its trade receivable.

	2016 HK\$'000	2015 HK\$'000
Loan and receivable	–	1,500
Other receivable and deposits	286	445
Prepayments	<u>181</u>	<u>200</u>
	<u>467</u>	<u>2,145</u>

No ageing analysis has been prepared as there was no trade receivable at 31 December 2016 (2015: Nil).

25. Bank borrowings

	2016 HK\$'000	2015 HK\$'000
Secured bank overdrafts	8,272	1,445
Secured bank loans	250,342	244,015
Secured bank loans subject to a repayment on demand clause	<u>130,469</u>	<u>127,533</u>
	389,083	372,993
Less: Current portion	<u>(232,202)</u>	<u>(190,330)</u>
Non-current portion	<u>156,881</u>	<u>182,663</u>

Repayments of bank loans and overdrafts based on the scheduled repayment dates set out in the loan agreements are as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	144,311	101,740
After one year but within two years	79,860	132,851
After two years but within five years	151,971	124,874
After five years	<u>12,941</u>	<u>13,528</u>
	<u>389,083</u>	<u>372,993</u>

Notes to the Consolidated Financial Statements (Cont'd)

26. Accounts payable, deposits and accruals

	2016 HK\$'000	2015 HK\$'000
Accounts payable, deposits and accruals	<u>2,842</u>	<u>2,810</u>

No ageing analysis has been prepared as there was no trade payable at 31 December 2016 (2015: Nil).

27. Other payable

	2016 HK\$'000	2015 HK\$'000
Amount due to investee company	<u>348</u>	<u>348</u>

Amount due to investee company is unsecured, non-interest bearing and with no fixed term of repayment.

28. Share capital

	2016		2015	
	Number of shares ('000)	HK\$'000	Number of shares ('000)	HK\$'000
Issued and fully paid				
Balance at beginning of year	147,352	717,808	150,773	717,808
Repurchase of shares	<u>(86)</u>	<u>-</u>	<u>(3,421)</u>	<u>-</u>
Balance at end of year	<u>147,266</u>	<u>717,808</u>	<u>147,352</u>	<u>717,808</u>

Notes to the Consolidated Financial Statements (Cont'd)

28. Share capital (Cont'd)

Repurchase of shares

During the year, the Company repurchased a total of 86,000 of its own shares on The Stock Exchange of Hong Kong Limited. The particulars of repurchases are as follows:

Month of repurchases	Number of shares	Price per share paid Highest/Lowest	Aggregate price paid
2016		HK\$	HK\$'000
January	60,000	6.80/6.60	402
February	<u>26,000</u>	6.50	<u>169</u>
	<u>86,000</u>		<u>571</u>

The above repurchase of shares was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchase of shares of HK\$571,000 was paid wholly out of retained profits. The repurchase of shares was made for the purpose of enhancing the net asset value per share of the Company and was pursuant to general mandate granted to the Board at the 2015 annual general meeting of the Company to repurchase shares in the share capital of the Company.

Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the year.

29. Reserves

	2016 HK\$'000	2015 HK\$'000
Investment revaluation reserve	124,755	624,564
Translation reserve	7,926	6,770
Retained profits	<u>385,028</u>	<u>916,094</u>
	<u>517,709</u>	<u>1,547,428</u>

The movements of the Group's reserves for the years ended 31 December 2016 and 31 December 2015 are presented in the consolidated statement of changes in equity on page 35 of the consolidated financial statements.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policy of available-for-sale investments as set out in note 4(g) to the consolidated financial statements.

Translation reserve is dealt with in accordance with the accounting policy of foreign currencies as set out in note 4(q) to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Cont'd)

30. Notes to consolidated statement of cash flows

Reconciliation of loss before tax to net cash used in operating activities is set out below:

	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities		
Loss before tax	(515,885)	(5,507)
Adjustments for:		
Depreciation	723	638
Amortisation of leasehold land	456	456
Share of results of associates	75	66
Net gain on disposals of available-for-sale investments	(41,957)	(25,182)
Impairment loss on available-for-sale investments	541,566	22
Net gain on disposals of property, plant and equipment	(122)	-
Unrealised loss on financial assets		
at fair value through profit or loss	8	-
Impairment loss on amount due from an investee company	5,786	4,000
Unrealised exchange gain	(8,883)	(1,893)
Finance costs	16,354	18,939
Interest income	(214)	(307)
Dividend income	(8,505)	(6,507)
	<hr/>	<hr/>
Operating loss before working capital changes	(10,598)	(15,275)
Decrease in held for trading investments	-	17,200
(Increase)/decrease in financial assets		
at fair value through profit or loss	(15,947)	7,918
Decrease/(increase) in accounts receivable, deposits and prepayments	1,678	(103)
Increase/(decrease) in accounts payable, deposits and accruals	327	(18,836)
Decrease in derivative financial instruments	-	(1,980)
	<hr/>	<hr/>
Cash used in operations	(24,540)	(11,076)
Dividends received	8,505	6,507
Interest received	214	741
Finance costs paid	(16,186)	(18,739)
Overseas tax paid	(11)	(7)
	<hr/>	<hr/>
Net cash used in operating activities	<u>(32,018)</u>	<u>(22,574)</u>

Notes to the Consolidated Financial Statements (Cont'd)

31. Pledge of assets

The Group pledged its leasehold land and buildings, certain available-for-sale investments and bank deposits with a total net book value of HK\$1,544,000,000 (2015: HK\$2,570,000,000) as security for banking facilities extended to the Group in the sum of HK\$519,000,000 (2015: HK\$531,000,000).

32. Financial risk management and fair values

Exposure to credit, currency, price, interest rate and liquidity risks arises in the normal course of the Group's business. These risks are limited by the Group's financial policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, amounts due from associates and an investee company, accounts receivable and deposits. Except for those that are impaired, the management is satisfied with credit quality of financial assets. The credit risk is limited because the banks are authorised financial institutions with high credit ratings. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(b) Currency risk

The Group is exposed to currency risk on the following financial instruments denominated in Malaysian Ringgit, British Pound, Euro and Thai Baht. The management manages and monitors the exposures to ensure appropriate measures are implemented on a timely and effective manner.

	2016 HK\$'000	2015 HK\$'000
Amounts due from associates	1,622	1,613
Amount due from an investee company	-	6,169
Accounts receivable and deposits	157	292
Time deposits and bank balances	8,053	305
Bank borrowings	(146,263)	(92,890)
Accounts payable and accruals	(25)	(420)
	<u>(136,456)</u>	<u>(84,931)</u>

Notes to the Consolidated Financial Statements (Cont'd)

32. Financial risk management and fair values (Cont'd)

(b) Currency risk (Cont'd)

At 31 December 2016, if the foreign currencies had strengthened/weakened 10% against Hong Kong dollars with all other variables held constant, the potential effects on loss after tax and components of equity are as follows:

	2016 HK\$'000	2015 HK\$'000
Increase/decrease in loss after tax and decrease/increase in retained profits	<u>13,646</u>	<u>8,493</u>

The 10% increase/decrease represents management's assessment of the likely maximum change in exchange rates over the period until the end of next annual reporting period.

The Group is also exposed to currency risk on the following financial instruments denominated in United States dollars ("USD"). As USD are pegged to Hong Kong dollars ("HKD"), the Directors do not expect any significant movements in USD/HKD exchange rate.

	2016 HK\$'000	2015 HK\$'000
Amount due from associate	433	–
Time deposits and bank balances	3,878	76
Accounts payable and accruals	(284)	(103)
Bank borrowings	<u>(28,720)</u>	<u>(37,390)</u>
	<u>(24,693)</u>	<u>(37,417)</u>

(c) Price risk

The following financial instruments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

	2016 HK\$'000	2015 HK\$'000
Available-for-sale investments	1,475,927	2,509,475
Financial assets at fair value through profit or loss	<u>15,939</u>	<u>–</u>
	<u>1,491,866</u>	<u>2,509,475</u>

Notes to the Consolidated Financial Statements (Cont'd)

32. Financial risk management and fair values (Cont'd)

(c) Price risk (Cont'd)

At 31 December 2016, if the security price had increased/decreased 10% with all other variables held constant, the potential effects on loss after tax and components of equity are as follows:

	2016 HK\$'000	2015 HK\$'000
Decrease/increase in loss after tax and increase/decrease retained profits	<u>1,594</u>	<u>–</u>
Increase/decrease in investment revaluation reserve	<u>147,593</u>	<u>250,948</u>

The 10% increase/decrease represents management's assessment of the likely maximum change in security price over the period until the end of next annual reporting period.

The Group has significant concentration of risk on investment in a listed equity security of HK\$1,085,000,000 (2015: HK\$2,041,000,000).

(d) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group's policy is to obtain the most favourable interest rates available for its financial instruments. The following financial instruments are exposed to interest rate risk.

	2016 HK\$'000	2015 HK\$'000
Time deposits and bank balances	13,675	1,794
Bank borrowings	<u>(389,083)</u>	<u>(372,993)</u>
	<u>(375,408)</u>	<u>(371,199)</u>

At 31 December 2016, if the interest rate had increased/decreased by 25 basis points with all other variables held constant, the potential effects on loss after tax and components of equity are as follows:

	2016 HK\$'000	2015 HK\$'000
Increase/decrease in loss after tax and decrease/increase in retained profits	<u>939</u>	<u>928</u>

The 25 basis points increase/decrease represents management's assessment of the likely maximum change in interest rates over the period until the end of next annual reporting period.

Notes to the Consolidated Financial Statements (Cont'd)

32. Financial risk management and fair values (Cont'd)

(e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. Maturities of the financial liabilities of the Group based on the earliest period in which the Group is required to pay are as follows:

	2016 HK\$'000	2015 HK\$'000
Carrying amounts		
Non-derivative financial liabilities		
Bank overdraft	8,272	1,445
Bank loans	250,342	244,015
Bank loan subject to a repayment on demand clause	130,469	127,533
Accounts payable, deposits and accruals	2,842	2,810
Other payable	348	348
	<u>392,273</u>	<u>376,151</u>
Within one year	235,392	193,488
After one year but within two years	7,142	60,102
After two years but within five years	149,739	122,561
	<u>392,273</u>	<u>376,151</u>

The carrying amounts of the above financial liabilities are same as their contractual undiscounted cash flows except for bank loans and overdrafts as below:

Maturities of bank loans and overdrafts of the Group based on the scheduled repayment dates set out in the loan agreements are as follows:

	2016 HK\$'000	2015 HK\$'000
Contractual undiscounted cash flows		
Within one year	146,967	115,182
After one year but within two years	80,361	142,413
After two years but within five years	190,374	147,953
After five years	14,031	15,034
	<u>431,733</u>	<u>420,582</u>

Notes to the Consolidated Financial Statements (Cont'd)

32. Financial risk management and fair values (Cont'd)

(f) Fair values

The Directors have considered that the carrying amounts of all financial assets and liabilities, other than those described in note 20 to the consolidated financial statements, approximate their fair values at 31 December 2016 and 31 December 2015.

The following table sets out the carrying value of financial instruments measured at fair value at 31 December 2016 and 31 December 2015 using the three-level hierarchy as defined in HKFRS 13.

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

Level 2: 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.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<u>2016</u>				
Recurring fair value measurement				
Assets				
Available-for-sale investments	1,475,927	-	-	1,475,927
Financial assets at fair value through profit or loss	-	15,939	-	15,939
	<u>1,475,927</u>	<u>15,939</u>	<u>-</u>	<u>1,491,866</u>
<u>2015</u>				
Recurring fair value measurement				
Assets				
Available-for-sale investments	2,509,475	-	-	2,509,475
Financial assets at fair value through profit or loss	-	-	-	-
	<u>2,509,475</u>	<u>-</u>	<u>-</u>	<u>2,509,475</u>

During the years ended 31 December 2016 and 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of financial assets at fair value through profit or loss in Level 2 was quoted price determined by financial institution or fund manager.

Notes to the Consolidated Financial Statements (Cont'd)

33. Capital management

The Group's objectives when managing capital are:

- (a) to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (b) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. During the year, the Group's strategy was unchanged. The debt-to-equity ratios for the years 2016 and 2015 are as follow:

	2016 HK\$'000	2015 HK\$'000
Total liabilities	392,273	376,151
Total debt	392,273	376,151
Total equity	1,235,517	2,265,236
Debt-to-equity ratio	0.317	0.166

The increase is due to increase in debt and decrease in equity.

34. Related party transactions

In addition to those disclosed in the consolidated financial statements, the Group had no material transactions with related parties during the year.

35. Retirement scheme

All the employees of the Group are members of the Mandatory Provident Fund Scheme. Under the Mandatory Provident Fund Scheme, the Group and its employees each made contributions to the scheme calculated at 5% of the employees' relevant income on a monthly basis. The amount of contributions recognised in profit or loss for the year was HK\$395,000 (2015: HK\$375,000).

36. Capital commitments

	2016 HK\$'000	2015 HK\$'000
Construction in progress		
Contracted but not provided for	6,603	6,404

Notes to the Consolidated Financial Statements (Cont'd)

37. Company statement of financial position

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Subsidiaries	–	4,658
Associates	–	–
Other non-current assets	<u>1,236,569</u>	<u>1,663,363</u>
	<u>1,236,569</u>	<u>1,668,021</u>
Current assets		
Accounts receivable, deposits and prepayments	145	145
Bank balances	<u>63</u>	<u>72</u>
	208	217
Current liabilities		
Accounts payable, deposits and accruals	<u>1,205</u>	<u>1,240</u>
Net current liabilities	<u>(997)</u>	<u>(1,023)</u>
Net assets	<u>1,235,572</u>	<u>1,666,998</u>
Equity		
Share capital	717,808	717,808
Reserves (Note)	<u>517,764</u>	<u>949,190</u>
Total equity	<u>1,235,572</u>	<u>1,666,998</u>

Tan Boon Seng
Director

Chan Kai Kwok
Director

Notes to the Consolidated Financial Statements (Cont'd)

37. Company statement of financial position (Cont'd)

Note:

	Retained profits	Total
	HK\$'000	HK\$'000
At 1.1.2015	999,797	999,797
Loss for the year	(7,610)	(7,610)
Dividends	(14,944)	(14,944)
Repurchase of shares	(28,208)	(28,208)
Over-provision for dividend written back	155	155
	<hr/>	<hr/>
At 31.12.2015	949,190	949,190
Loss for the year	(416,256)	(416,256)
Dividends	(14,731)	(14,731)
Repurchase of shares	(572)	(572)
Unclaimed dividend forfeited	129	129
Over-provision for dividend written back	4	4
	<hr/>	<hr/>
At 31.12.2016	517,764	517,764
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2016, the reserves of the Company available for distribution to shareholders, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, amounted to HK\$517,764,000 (2015: HK\$949,190,000), without taking into account of proposed final dividend for the year.

38. Comparative amounts

Certain comparative amounts have been reclassified to confirm with current year's presentation.

39. Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 8 March 2017.

Five Year Financial Summary

	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue and income	<u>66,580</u>	<u>37,394</u>	<u>101,062</u>	<u>37,217</u>	<u>110,211</u>
(Loss)/profit attributable to owners of the Company	<u>(515,896)</u>	<u>(5,509)</u>	<u>62,963</u>	<u>(24,535)</u>	<u>95,625</u>
Dividends	<u>14,726</u>	<u>14,773</u>	<u>15,090</u>	<u>15,102</u>	<u>15,145</u>
Non-current assets	1,594,645	2,633,389	3,261,649	3,416,014	1,725,123
Current assets	<u>33,145</u>	<u>7,998</u>	<u>73,243</u>	<u>312,648</u>	<u>952,162</u>
Total assets	1,627,790	2,641,387	3,334,892	3,728,662	2,677,285
Current liabilities	<u>235,392</u>	<u>193,488</u>	<u>253,932</u>	<u>89,274</u>	<u>544,853</u>
Total assets less current liabilities	1,392,398	2,447,899	3,080,960	3,639,388	2,132,432
Non-current liabilities	<u>156,881</u>	<u>182,663</u>	<u>–</u>	<u>25,931</u>	<u>–</u>
Net assets	<u>1,235,517</u>	<u>2,265,236</u>	<u>3,080,960</u>	<u>3,613,457</u>	<u>2,132,432</u>
Equity					
Share capital	717,808	717,808	717,808	151,025	151,210
Reserves	<u>517,709</u>	<u>1,547,428</u>	<u>2,363,152</u>	<u>3,462,432</u>	<u>1,981,222</u>
Total equity	<u>1,235,517</u>	<u>2,265,236</u>	<u>3,080,960</u>	<u>3,613,457</u>	<u>2,132,432</u>
(Loss)/earnings per share (HK cents)	<u>(350.30)</u>	<u>(3.72)</u>	<u>41.71</u>	<u>(16.24)</u>	<u>63.04</u>
Dividends per share (HK cents)	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>