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海航實業集團股份有限公司
HNA HOLDING GROUP CO. LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 521)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the “**Board**”) of directors (the “**Directors**”) of HNA Holding Group Co. Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2016 with comparative figures for the year ended 31 December 2015. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 HK\$'000	2015 HK\$'000 (restated)
Continuing operations			
Revenue	3	182,546	162,006
Cost of sales		<u>(123,029)</u>	<u>(131,223)</u>
Gross profit		59,517	30,783
Other income	4	21,422	62,465
Other expenses		(73)	(14,530)
Other gains and losses	5	142,224	103,780
Selling and distribution costs		(6,152)	(6,906)
Administrative expenses		(124,815)	(72,939)
Finance costs	6	<u>(113,071)</u>	<u>(133,530)</u>
Loss before tax		(20,948)	(30,877)
Income tax credit	7	<u>2,003</u>	<u>1,305</u>
Loss for the year from continuing operations	9	<u>(18,945)</u>	<u>(29,572)</u>
Discontinued operations			
Loss for the year from discontinued operations	8	<u>(40,895)</u>	<u>(206,029)</u>
Loss for the year		(59,840)	(235,601)
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		<u>(157,711)</u>	<u>(169,580)</u>
Total comprehensive expense for the year		<u><u>(217,551)</u></u>	<u><u>(405,181)</u></u>

	<i>NOTE</i>	2016 HK\$'000	2015 HK\$'000 (restated)
Loss for the year attributable to owners of the Company			
– from continuing operations		(8,322)	(29,288)
– from discontinued operations		(13,580)	<u>(184,522)</u>
Loss for the year attributable to owners of the Company		(21,902)	(213,810)
Loss for the year attributable to non-controlling interests			
– from continuing operations		(10,623)	(284)
– from discontinued operations		(27,315)	<u>(21,507)</u>
Loss for the year attributable to non-controlling interests		(37,938)	<u>(21,791)</u>
		(59,840)	<u>(235,601)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(152,169)	(361,982)
Non-controlling interests		(65,382)	<u>(43,199)</u>
		(217,551)	<u>(405,181)</u>
LOSS PER SHARE	<i>10</i>		
Basic (<i>HK cents</i>)		(0.19)	<u>(4.28)</u>
Diluted (<i>HK cents</i>)		(0.40)	<u>(4.28)</u>
From continuing operations			
Basic (<i>HK cents</i>)		(0.07)	<u>(0.59)</u>
Diluted (<i>HK cents</i>)		(0.28)	<u>(0.59)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		260,655	331,866
Land use rights		1,059,477	1,178,104
Investment properties		2,447,621	–
Intangible assets		–	171
Available-for-sale investments		155,000	847
Club debentures		700	700
Amounts due from related companies		2,500	427,528
		3,925,953	1,939,216
Current assets			
Land use rights		41,548	44,457
Amounts due from related companies		908,065	121,456
Inventories		6,916	7,732
Trade receivables	<i>11</i>	27,040	104,575
Prepayments, deposits and other receivables		11,188	224,500
Amounts due from customers for contract work		–	88,415
Tax recoverable		–	4,957
Pledged bank deposits		27,890	3,220
Bank balances and cash		1,085,447	2,844,905
		2,108,094	3,444,217
Assets associated with disposal groups classified as held-for-sale	<i>8</i>	387,075	1,045,743
		2,495,169	4,489,960
Current liabilities			
Trade and bills payables	<i>12</i>	7,021	53,550
Other payables, deposits received, receipt in advance and accruals		107,952	203,884
Borrowings – due within one year		54,598	201,616
Amounts due to related companies		7,475	91
Convertible bonds and related payables		–	187,836
Embedded derivative components of convertible bonds		–	11,996
Tax liabilities		13,704	17,429
Financial guarantee liabilities		–	6,255
Deferred revenue		49,489	34,349
Obligations under finance leases		565	266
		240,804	717,272
Liabilities associated with disposal groups classified as held-for-sale	<i>8</i>	396,961	204,024
		637,765	921,296
Net current assets		1,857,404	3,568,664
Total assets less current liabilities		5,783,357	5,507,880

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current liabilities		
Deferred revenue	193,909	232,663
Borrowings – due after one year	1,230,986	518,066
Convertible bonds	324,421	–
Embedded derivative components of convertible bonds	56,167	–
Promissory note	–	543,773
Deferred tax liabilities	237,406	256,074
Obligations under finance leases	1,706	991
	<u>2,044,595</u>	<u>1,551,567</u>
Net assets	<u>3,738,762</u>	<u>3,956,313</u>
Capital and reserves		
Share capital	4,731,480	4,731,480
Reserves	(1,329,029)	(1,249,179)
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale	<u>(42,240)</u>	<u>30,079</u>
Equity attributable to owners of the Company	<u>3,360,211</u>	<u>3,512,380</u>
Non-controlling interests	<u>378,551</u>	<u>443,933</u>
Total equity	<u>3,738,762</u>	<u>3,956,313</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Hong Kong HNA Holding Group Co. Limited (“**Hong Kong HNA**”), a company incorporated in Hong Kong with limited liability, is the immediate parent of the Company. HNA Group Co., Ltd. (“**HNA Group**”), a company registered in the People’s Republic of China (the “**PRC**”), is the ultimate parent of the Company. The address of the registered office and principal place of business of the Company is Suites 5811-5814, 58/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong.

Pursuant to a special resolution passed on 17 June 2016, the Company changed the name from HNA International Investment Holdings Limited (海航國際投資集團有限公司) to HNA Holding Group Co. Limited (海航實業集團股份有限公司).

The Company is an investment holding company.

The functional currency of the Company is Renminbi (“**RMB**”), as the Company mainly holds investments in subsidiaries whose operations are primarily in the PRC.

As the Company is listed in the Stock Exchange, for the convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars (“**HK\$**”), which are the presentation currency for the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

Amendments to HKAS 1 *Disclosure Initiative*

The Group has applied the amendments to HKAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregation information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that the management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to financial instruments was reordered. Other than the above change, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unreleased Losses ⁴

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“**CODM**”), being the Chief Executive Officer of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

During the year ended 31 December 2016, the Group acquired certain investment properties to earn rentals and/or for capital appreciation purposes. The CODM reviewed the results of the leasing of investment properties, and the property investment business has been regarded as a reportable and operating segment of the Group during the year.

The Group's reportable and operating segments from continuing operations under HKFRS 8 are as follows:

Golf club and hotel business	–	Operation of golf club and provision of hotel and leisure services
Property investment business	–	Leasing of office properties and golf courses

Since 2011, a reportable and operating segment namely the “digital television technical solutions and equipment business” (the “**DTV Business**”) was classified as a disposal group held-for-sale and included in discontinued operation. On 17 August 2016, the Company and Leader Concept (as defined in Note 8(a)) entered into the Agreement (as defined in Note 8(a)) to dispose of the DTV Business, together with the sales of light emitted diode business (the “**LED Business**”), which is also a reportable and operating segment of the Group. Accordingly, the LED Business was classified as discontinued operation in 2016.

For the year ended 31 December 2016, a reportable and operating segment of the Group, namely “Intelligent Information Business” has also been included as discontinued operations as the Group has resolved to dispose of it as detailed in Note 8(b).

The segment information reported below does not include any amounts for these discontinued operations, which is described in more detail in Note 8, and the comparative figures in the segment information for the year ended 31 December 2015 have been represented.

(a) **Segment revenue and results**

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

For the year ended 31 December 2016

Continuing operations

	Golf club and hotel business HK\$'000	Property investment business HK\$'000	Total HK\$'000
SEGMENT REVENUE			
External sales	<u>148,739</u>	<u>33,807</u>	<u>182,546</u>
Segment (loss) profit	<u>(35,979)</u>	<u>21,344</u>	(14,635)
Unallocated income and gains			73,221
Unallocated expenses			(85,038)
Gain on derecognition of the derivative components of convertible bonds			11,996
Gain on fair value change of the derivative components of convertible bonds			61,191
Finance costs			<u>(67,683)</u>
Loss before tax (continuing operations)			<u>(20,948)</u>

For the year ended 31 December 2015

Continuing operation

	Golf club and hotel business HK\$'000 (restated)
SEGMENT REVENUE	
External sales	<u>162,006</u>
Segment profit	6,400
Unallocated income and gains	96,971
Unallocated expenses	(66,074)
Gain on fair value change of the derivative components of convertible bonds	24,726
Finance costs	<u>(92,900)</u>
Loss before tax (continuing operation)	<u>(30,877)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit from each segment without allocation of certain interest income, other miscellaneous income, certain gains and losses, corporate expenses and those disclosed in the reconciliation above. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

(b) **Segment assets and liabilities**

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Reportable segment assets		
Continuing operations		
Golf club and hotel business	1,397,788	2,064,891
Property investment business	2,449,925	–
	<u>3,847,713</u>	<u>2,064,891</u>
Reconciliation of reportable segments total to group total:		
Discontinued operations (assets associated with disposal group not classified as held-for-sale as at 31 December 2015)		
Intelligent Information Business	–	449,037
LED Business	–	2,881
	<u>–</u>	<u>451,918</u>
Assets associated with disposal group classified as held-for-sale and constituted discontinued operations (<i>Note 8</i>)		
– DTV Business	–	1,045,743
– Intelligent Information Business	387,075	–
	<u>4,234,788</u>	<u>3,562,552</u>
Unallocated assets:		
Bank balances and cash	1,085,447	2,844,905
Available-for-sale investments	155,000	847
Pledged bank deposits	27,890	3,220
Other unallocated assets	917,997	17,652
	<u>6,421,122</u>	<u>6,429,176</u>
Consolidated assets	<u><u>6,421,122</u></u>	<u><u>6,429,176</u></u>
Reportable segment liabilities		
Continuing operations		
Golf club and hotel business	536,224	572,255
Property investment business	44,875	–
	<u>581,099</u>	<u>572,255</u>
Reconciliation of reportable segments total to group total:		
Discontinued operations (liabilities associated with disposal group not classified as held-for-sale as at 31 December 2015)		
Intelligent Information Business	–	179,083
LED Business	–	6,748
	<u>–</u>	<u>185,831</u>
Liabilities associated with disposal group classified as held-for-sale and constituted discontinued operations (<i>Note 8</i>)		
– DTV Business	–	204,024
– Intelligent Information Business	396,961	–
	<u>978,060</u>	<u>962,110</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unallocated liabilities:		
Obligations under finance leases	2,271	1,257
Bank borrowings	1,285,584	719,682
Convertible bonds and related payables (including embedded derivative components)	380,588	199,832
Tax liabilities	13,704	17,429
Financial guarantee liabilities	–	6,255
Promissory note	–	543,773
Other unallocated liabilities	22,153	22,525
	<u>2,682,360</u>	<u>2,472,863</u>
Consolidated liabilities	<u>2,682,360</u>	<u>2,472,863</u>

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

- all assets are allocated to operating segments other than certain bank balances and cash, available-for-sale investments, pledged bank deposits and other unallocated assets; and
- all liabilities are allocated to operating segments other than obligations under finance leases, bank borrowings, convertible bonds and related payables (including embedded derivative components), tax liabilities, financial guarantee liabilities, promissory note and other unallocated liabilities.

4. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)
Continuing operations		
Interest on bank deposits	6,806	1,114
Imputed interest income in respect of other receivables	–	648
Interest income from advance to Guangzhou HNA Asset Management Company Limited (“ Guangzhou HNA Asset Management ”) (formerly known as “ Guangzhou HNA Real Estate Development Company Limited ”)	9,868	42,950
Imputed interest on interest-free amounts due from other related companies	1,573	7,914
Imputed interest on interest-free advance to Guangzhou HNA Asset Management	–	1,929
Others	3,175	7,910
	<u>21,422</u>	<u>62,465</u>

5. OTHER GAINS AND LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)
Continuing operations		
Gain on fair value change of the derivative components of convertible bonds	61,191	24,726
Gain on derecognition of the derivative components of convertible bonds	11,996	–
Gain in fair value change of the investment properties	6,610	–
Loss on disposal of property, plant and equipment	(717)	(120)
Net foreign exchange gain	63,241	79,146
Others	(97)	28
	<u>142,224</u>	<u>103,780</u>

6. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)
Continuing operations		
Interest on bank and other borrowings:		
Bank borrowings	45,388	40,630
Loan from a related company	–	1,226
Loan from a third party	–	376
Interest on promissory note	13,435	50,590
Interest on convertible bonds	54,179	40,678
Interest on obligations under finance leases	69	30
	<u>113,071</u>	<u>133,530</u>

7. INCOME TAX CREDIT

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations		
Current tax expenses:		
PRC Enterprise Income Tax	–	17
Deferred tax credit:		
Current year	<u>(2,003)</u>	<u>(1,322)</u>
	<u>(2,003)</u>	<u>(1,305)</u>

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 2016 and 2015. No specific deduction is entitled on the applicable tax rate for 2016 and 2015.

No provision for taxation in the UK has been made in the consolidated financial statements as the Group has incurred tax loss for the year ended 31 December 2016 for the operation in the UK.

8. DISCONTINUED OPERATIONS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE

The loss for the year from the discontinued operations is analysed as follows:

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000 (restated)
Loss of DTV Business and LED Business	(a)	(102,926)	(152,593)
Gain on disposal of DTV Business and LED Business		128,256	–
Loss of Intelligent Information Business	(b)	(66,225)	(53,436)
Loss for the year from discontinued operations		(40,895)	(206,029)
Loss for the year from discontinued operations attributable to:			
Owners of the Company		(13,580)	(184,522)
Non-controlling interests		(27,315)	(21,507)
		(40,895)	(206,029)

The assets and liabilities associated with discontinued operations are analysed as follows:

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Assets associated with disposal groups classified as held-for-sale			
DTV Business	(a)	–	1,045,743
Intelligent Information Business	(b)	387,075	–
		387,075	1,045,743
Liabilities associated with disposal groups classified as held-for-sale			
DTV Business	(a)	–	204,024
Intelligent Information Business	(b)	396,961	–
		396,961	204,024
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale			
DTV Business	(a)	–	30,079
Intelligent Information Business	(b)	42,240	–
		42,240	30,079

(a) **DTV Business and LED Business**

As disclosed in the Company's 2010 to 2015 annual reports, the Company had been advised by Southern Media Corporation, a state-owned enterprise in the PRC, about the reorganisation of the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company (the "**Reform**") which is led by the Steering Group on the Reform of Guangdong Cultural Structure (廣東省文化體制改革工作領導小組). Upon the completion of the Reform, the cable digital broadcasting networks of Guangdong Province would be ultimately owned and operated by Guangdong Broadcasting Network Co., Ltd. (廣東省廣播電視網絡股份有限公司), a state-owned enterprise in the PRC. As a result, the Group is no longer able to operate the DTV Business and was required to exit the DTV Business.

The Directors are committed to sell the DTV Business as the policy of the Reform remains unchanged. No formal sales agreement of the DTV Business concluded as at 31 December 2015 but the Directors consider that the disposal transaction remains highly probable and are of the view that it is appropriate to classify the DTV Business as held-for-sale in the consolidated statement of financial position as at 31 December 2015.

On 7 March 2016, the Company entered into a memorandum of understanding (the "**MOU**") with an independent third party in relation to the proposed disposal of the DTV Business, details of which are disclosed in the announcement of the Company dated 7 March 2016. As the parties to the MOU did not enter into a definitive agreement by 31 May 2016, being the long stop date of the MOU, the parties to the MOU have terminated all negotiations on the proposed disposal of the DTV Business.

On 17 August 2016, the Company and Leader Concept Investments Limited ("**Leader Concept**"), a company which is ultimately controlled by HNA Group, the ultimate parent of the Company, entered into an agreement (the "**Agreement**") in relation to the disposal of the entire issued capital of South China Digital TV Holdings Limited, a wholly owned subsidiary of the Company, and its subsidiaries by the Company to Leader Concept with a cash consideration of HK\$1 (the "**Disposal**"). Pursuant to the Agreement, immediately prior to the completion of the Disposal, restructuring would have been completed such that the Disposal would include subsidiaries of the Company which are principally engaged in DTV Business and LED Business (collectively referred to as "**DTV Disposal Group**"). After the completion of the Disposal, Leader Concept will procure the DTV Disposal Group to repay the shareholders' loan of HK\$950,000,000 due to the Group (the "**Repayment Obligations**"). Details of the Disposal and Repayment Obligations are set out in the Company's announcement dated 17 August 2016 and the Company's circular dated 15 September 2016. The Disposal was completed on 17 October 2016.

The loss for the period/year from the discontinued operations in respect of DTV Disposal Group is analysed as follows:

	Period from 1 January 2016 to 17 October 2016 (date of disposal) HK\$'000	Year ended 31 December 2015 HK\$'000 (restated)
Revenue	–	–
Cost of sales	<u>(90,399)</u>	<u>(119,069)</u>
Gross loss	(90,399)	(119,069)
Other income	242	502
Other gains and losses	(8,139)	(20,393)
Administrative expenses	(3,140)	(5,496)
Finance costs	<u>(1,490)</u>	<u>(8,137)</u>
Loss before tax	(102,926)	(152,593)
Income tax expense	<u>–</u>	<u>–</u>
Loss for the period/year from discontinued operation and attributable to owners of the Company	<u><u>(102,926)</u></u>	<u><u>(152,593)</u></u>

The assets and liabilities associated with DTV Business classified as held-for-sale as at 31 December 2015 in relation to DTV Business are analysed as follows:

	2015 HK\$'000
Property, plant and equipment	494,937
Investment properties	38,318
Goodwill	13,228
Intangible assets	305,969
Trade receivables (Note 8(a)(i))	167,794
Prepayments and other receivables	19,198
Restricted bank deposits	238
Bank balances and cash	<u>6,061</u>
Total assets associated with DTV Business classified as held-for-sale	<u><u>1,045,743</u></u>
Trade and bills payables (Note 8(a)(ii))	11,864
Other payables and accruals	23,676
Tax liabilities	89,700
Bank borrowings	78,784
Amounts due to group entities	<u>1,264,182</u>
Total liabilities associated with DTV Business classified as held-for-sale	1,468,206
Less: Amounts due to group entities	<u>(1,264,182)</u>
Liabilities associated with DTV Business classified as held-for-sale	<u><u>204,024</u></u>
Amounts recognised in other comprehensive income and accumulated in equity relating to DTV Business classified as held-for-sale	<u><u>30,079</u></u>

For presentation in the consolidated statement of financial position as at 31 December 2015 and segment information in Note 3, the amounts due to group entities amounting to HK\$1,264,182,000 had been excluded from the total liabilities associated with DTV Business classified as held-for-sale.

Loss for the period/year from discontinued operation in respect of DTV Disposal Group has been arrived at after charging (crediting):

	Period from 1 January 2016 to 17 October 2016 (date of disposal) HK\$'000	Year ended 31 December 2015 HK\$'000 (restated)
Staff costs, including Directors' remuneration		
– Salaries, wages and other benefits	120	27
– Retirement benefit scheme contributions	12	14
	<u>132</u>	<u>41</u>
Total staff costs		
	<u>132</u>	<u>41</u>
Depreciation of property, plant and equipment (included in cost of sales and administrative expenses)	75,682	101,518
Amortisation of intangible assets (included in cost of sales)	16,174	21,306
	<u>91,856</u>	<u>122,824</u>
Auditor's remuneration	1,016	1,016
(Increase) decrease in fair value change of investment properties	(1,576)	8,548
Interest income	(54)	(3)
Rental income from leasing of investment properties	(28)	(103)
Rental income from leasing of motor vehicles	–	(97)
Interest on bank borrowings	1,490	8,137
	<u>1,490</u>	<u>8,137</u>

(i) *Trade receivables*

An aged analysis of the trade receivables as at 31 December 2015, based on invoice date, and net of allowance for doubtful debts, was as follows:

	HK\$'000
Over 2 years	<u>167,794</u>

(ii) *Trade and bills payables*

An aged analysis of the trade and bills payables associated with DTV Business classified as held-for-sale as at 31 December 2015 based on the invoice date was as follows:

	HK\$'000
181 – 365 days	20
1 – 2 years	2,787
Over 2 years	<u>9,057</u>
	<u>11,864</u>

The trade and bills payables associated with DTV Business classified as held-for-sale were all denominated in functional currencies of respective entities in 2015.

(b) Intelligent Information Business

On 13 January 2016, the Company entered into a sale and purchase agreement with an independent third party in relation to the proposed disposal of the entire issued share capital of Made Connection Limited (“**Made Connection**”), a subsidiary of the Company, after restructuring as required (the “**Intelligent Information Business Disposal Group**”) at a cash consideration of RMB120,000,000 (the “**Intelligent Information Business Disposal**”). Pursuant to the sale and purchase agreement, immediately upon the completion of the sale and purchase agreement, all intercompany balances between the Intelligent Information Business Disposal Group and the remaining group entities should be irrevocably waived on a dollar-to-dollar basis. Details are set out in the announcement dated 13 January 2016. Made Connection and its subsidiaries are mainly engaged in Intelligent Information Business. The Intelligent Information Business Disposal was approved by the shareholder of the Company on 22 February 2016. As at the date of these consolidated financial statements were authorised for issuance, the disposal has not been completed due to certain unfulfilled conditions. A reportable and operating segment namely “Intelligent Information Business” was classified as a disposal group held-for-sale and included in a discontinued operation.

The loss for the year from the discontinued operation in respect of Intelligent Information Business is analysed as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)
Revenue	239,282	172,383
Cost of sales	(206,435)	(151,096)
Gross profit	32,847	21,287
Other income	121	176
Other expense	(1,597)	(592)
Other gains and losses	(73,319)	(39,914)
Selling and distribution costs	(3,603)	(3,949)
Administrative expenses	(12,838)	(19,629)
Finance costs	(7,836)	(10,815)
Loss before tax	(66,225)	(53,436)
Income tax expense	–	–
Loss for the year from discontinued operation	(66,225)	(53,436)
Loss for the year from discontinued operation attributable to:		
Owners of the Company	(38,910)	(31,929)
Non-controlling interests	(27,315)	(21,507)
	(66,225)	(53,436)

The assets and liabilities associated with Intelligent Information Business classified as held-for-sale as at 31 December 2016 are analysed as follows:

	<i>HK\$'000</i>
Property, plant and equipment	4,790
Available-for-sale investments	791
Intangible assets	2,335
Inventories	654
Trade and bills receivables (<i>Note 8(b)(i)</i>)	77,928
Prepayments, deposits and other receivables	187,290
Amounts due from customers for contract work	93,295
Tax recoverable	4,891
Pledged bank deposits	9,347
Bank balances and cash	5,754
Amounts due from group entities	127,888
	<hr/>
Total assets associated with Intelligent Information Business classified as held-for-sale	514,963
Less: Amounts due from group entities	(127,888)
	<hr/>
Assets associated with Intelligent Information Business classified as held-for-sale	387,075
	<hr/> <hr/>
Trade payables (<i>Note 8(b)(ii)</i>)	99,415
Other payables, receipt in advance and accruals	135,195
Financial guarantee liabilities	9,258
Tax liabilities	368
Bank borrowings	113,679
Amounts due to group entities	1,010,342
	<hr/>
Total liabilities associated with Intelligent Information Business classified as held-for-sale	1,368,257
Deposit received from purchaser relating to disposal of Intelligent Information Business	39,046
	<hr/>
Total liabilities associated with Intelligent Information Business classified as held-for-sale	1,407,303
Less: Amounts due to group entities	(1,010,342)
	<hr/>
Liabilities associated with Intelligent Information Business classified as held-for-sale	396,961
	<hr/> <hr/>
Amounts recognised in other comprehensive income and accumulated in equity relating to Intelligent Information Business classified as held-for-sale	42,240
	<hr/> <hr/>

For presentation in the consolidated statement of financial position as at 31 December 2016, the amounts due from group entities, amounts due to group entities amounting to HK\$127,888,000 and HK\$1,010,342,000 respectively have been excluded from the total assets and total liabilities associated with Intelligent Information Business classified as held-for-sale.

Loss for the year from discontinued operation in respect of Intelligent Information Business has been arrived at after charging (crediting):

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)
Staff costs, including Directors' remuneration		
– Salaries, wage and other benefits	2,129	4,828
– Retirement benefit scheme contributions	312	538
Amortisation of intangible assets (included in cost of sales)	268	696
Auditor's remuneration	1,196	1,199
Research and development expense (included in other expenses)	1,597	592
Depreciation of property, plant and equipment	1,251	1,618
Loss on disposal of property, plant and equipment	–	(9)
Loss on issuing financial guarantee contracts (included in other gains and losses)	12,061	3,933
Amortisation of financial guarantee contracts (included in other gains and losses)	(8,491)	(1,366)
Impairment loss recognised in respect of trade receivables (included in other gains and losses)	21,515	12,269
Impairment loss recognised in respect of other receivables (included in other gains and losses)	–	5,715
Impairment loss recognised in respect of amounts due from customers for contract work (included in other gains and losses)	48,077	18,815
Contract costs recognised as expenses	173,768	123,393
Cost of inventories recognised as expenses	28,511	22,213
Bank interest income	(121)	(177)
	<u><u> </u></u>	<u><u> </u></u>

(i) *Trade and bills receivables*

Trading terms with customers are on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable within 90 days upon issuance. Each customer has a designated credit limit.

An aged analysis of the trade and bills receivables associated with the Intelligent Information Business Disposal Group classified as held-for-sale as at 31 December 2016, based on invoice date, and net of allowance for doubtful debts, is as follows:

	<i>HK\$'000</i>
0 – 90 days	45,916
91 – 180 days	1,409
181 – 365 days	10,665
1 – 2 years	19,938
	<u> </u>
	<u><u>77,928</u></u>

(ii) *Trade payables*

An aged analysis of the trade payables associated with the Intelligent Information Business Disposal Group classified as held-for-sale as at 31 December 2016 based on the invoice date is as follows:

	<i>HK\$'000</i>
0 – 90 days	63,646
91 – 180 days	21,451
181 – 365 days	74
1 – 2 years	4,320
Over 2 years	9,924
	<hr/>
	99,415
	<hr/> <hr/>

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging (crediting):

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)
Continuing operations		
Staff costs, including Directors' remuneration		
– Salaries, wages and other benefits	87,520	78,367
– Retirement benefit scheme contributions	4,516	4,548
	<hr/>	<hr/>
Total staff costs	92,036	82,915
Depreciation of property, plant and equipment	17,440	14,873
Amortisation of land use rights (included in cost of sales)	43,466	60,452
	<hr/>	<hr/>
Total depreciation and amortisation	60,906	75,325
Auditor's remuneration	1,744	1,800
Cost of inventories recognised as expenses	29,309	34,964
Gross rental income from investment properties	(33,807)	–
Direct operating expenses incurred for investment properties that generated rental income	156	–
	<hr/> <hr/>	<hr/> <hr/>

10. LOSS PER SHARE

From continuing operations

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)
Loss figures are calculated as follows:		
Loss for the year attributable to owners of the Company	(21,902)	(213,810)
Less: Loss for the year from discontinued operations	13,580	184,522
Loss for the purpose of basic loss per share from continuing operations	(8,322)	(29,288)
Effect of dilutive potential ordinary shares:		
Interests on 2016 Convertible Bonds	36,179	–
Gain on fair value change of the derivative components of 2016 Convertible Bonds	(61,191)	–
Loss for the purpose of diluted loss per share from continuing operations	(33,334)	(29,288)
	2016 <i>'000</i>	2015 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	11,399,996	5,000,358
Effect of dilutive potential ordinary shares:		
2016 Convertible Bonds	459,979	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	11,859,975	5,000,358

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the year of 2015 have been adjusted to reflect the impact of the rights issue affected during the year ended 31 December 2015.

The computation of diluted loss per share for the year ended 31 December 2016 does not assume exercise of (1) conversion of New Convertible Bond I (*Note 2*) because the assumed exercise of conversion of New Convertible Bond I would result in decrease in loss per share from continuing operations and (2) share options because the exercise price of those options was higher than the average market price for shares.

The computation of diluted loss per share for the year ended 31 December 2015 does not assume exercise of share options and conversion of New Convertible Bond I because the assumed exercise of share options and conversion of New Convertible Bond I would result in decrease in loss per share from continuing operations.

Notes:

1. *It refers to convertible bonds issued on 19 July 2016.*
2. *It refers to convertible bonds issued on 5 June 2009.*

From continuing and discontinued operations

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	(21,902)	(213,810)
Effect of dilutive potential ordinary shares:		
Interests on 2016 Convertible Bonds (<i>Note 1</i>)	36,179	–
Gain on fair value change of the derivative components of 2016 Convertible Bonds	(61,191)	–
Loss for the purpose of diluted loss per share from continuing and discontinued operations	<u>(46,914)</u>	<u>(213,810)</u>

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

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.12 cents per share (2015: Basic and diluted loss of HK3.69 cents per share).

The calculation of basic and diluted loss per share from discontinued operations attributable to owners of the Company are based on the following data:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (restated)
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	<u>(13,580)</u>	<u>(184,522)</u>

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

11. TRADE RECEIVABLES

Trading terms with customers are on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable upon issuance or within 90 days upon issuance. Each customer has a designated credit limit.

The following is an aged analysis of the trade receivables as at the end of the reporting period, based on invoice date, and net of allowance for doubtful debts:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 90 days	20,171	79,677
91 – 180 days	543	7,266
181 – 365 days	6,326	10,995
1 – 2 years	–	6,637
	<hr/> 27,040 <hr/>	<hr/> 104,575 <hr/>

12. TRADE AND BILLS PAYABLES

The following is an aged analysis of the trade and bills payables based on the invoice date as at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 90 days	1,451	10,627
91 – 180 days	3,908	4,214
181 – 365 days	302	20,316
1 – 2 years	–	875
Over 2 years	1,360	17,518
	<hr/> 7,021 <hr/>	<hr/> 53,550 <hr/>

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2016 was a remarkable milestone for the Group in respect of its business development. On one hand, the Group was continuing to spin off its two loss-making businesses; on the other hand, the Group had successfully acquired two new investments, one office building in Canary Wharf of UK and a portfolio of 8 golf courses in the West Coast of US; both were in line with the Group's strategy of strengthening and expanding its core businesses, and at the same time exploring opportunities and diversifying the Group's businesses with a view to further enhancing the growth of the Group and creating value for its shareholders.

Disposals

After the Group's endeavor to dispose the digital television technical solution and related business in more than four-year time, the Group successfully completed the disposal on 17 October 2016 for a consideration of HK\$1. Pursuant to the sale and purchase agreement, the buyer will procure the DTV Disposal Group to repay the shareholders' loan of HK\$950 million. Separately, a formal sale and purchase agreement to dispose the Intelligent Information Business was signed on 13 January 2016, which is expected to be completed in 2017. The proceeds from both disposals may further strengthen the Group's financial position and support its future investments.

Acquisitions

In July 2016, the Group successfully acquired a Grade A commercial building, known as "17 Columbus Courtyard", situated in Canary Wharf, London. The property was built in 1999 with a total gross floor area of 195,443 sq.ft. and is let to an international reputable investment bank till November 2024 with a tenant option to renew for another 15 years. It is expected that this property investment will provide the Group with steady rental income. Furthermore, in December 2016 the Group acquired a portfolio of 8 golf courses in Seattle, Washington State, US with a total land area of approximately 1,887.32 acres. The properties consist of a total of 180 golf holes with clubhouses and various amenities. The Directors are of the view that these golf courses acquisition would enhance and create synergy with its existing golf course business by ways of reciprocal club memberships, golf tournaments and golf related tourism products.

FINANCIAL REVIEW

For the year ended 31 December 2016, loss attributable to the owners amounted to HK\$21.9 million with a significant decrease of 89.8% compared with HK\$213.8 million of last year. The Group recorded total revenue from continuing operations of HK\$182.5 million in 2016, representing an increase of HK\$20.5 million (12.7%) compared with HK\$162.0 million (as restated) in 2015. Loss per share was 0.19 HK cents (2015: 4.28 HK cents).

Continuing operations

The analysis of revenue

The Group's revenue from continuing operations is as follows:

	2016 HK\$'000	2015 HK\$'000 (restated)
Golf club and hotel business – Dongguan Hillview	148,739	162,006
Property investment business – UK office building	31,548	–
Property investment business – US golf courses	2,259	–
	182,546	162,006

Revenue from golf club and hotel business of Dongguan Hillview amounted to HK\$148.7 million for the year 2016 (2015: HK\$162.0 million, as restated). The decrease in revenue is because of keen competition, change of government policy toward golf and persistent influence of bad weather. The golf course was closed down due to bad weather for 426.5 hours for the year 2016 (2015: 91 hours), representing a dramatic increase of 368.7% compared with last year.

Rental income and operating profit generated from UK office building and US golf courses for the year ended 31 December 2016 were HK\$33.8 million in total (2015: Nil) and HK\$21.3 million (2015: Nil), respectively.

The UK office building was acquired on 12 July 2016 and generated rental income of HK\$31.5 million to the Group in 2016. The current annual rental income of the property is approximately GBP6.4 million (equivalent to approximately HK\$66.7 million).

The US golf courses was acquired on 17 December 2016 and thus only added HK\$2.3 million to the revenue of the Group in 2016. The investment will contribute annual rental income of USD7.1 million (equivalent to approximately HK\$55.4 million) to the Group until 2021.

Cost of sales

Cost of sales of the Group was HK\$123.0 million (2015: HK\$131.2 million, as restated), representing a decrease of 6.3%. The decrease was in line with the drop in revenue.

Gross profit

The gross profit of the Group amounted to HK\$59.5 million (2015: HK\$30.8 million, as restated) with an increase of 93.2%.

Other income

Other income of the Group was HK\$21.4 million (2015: HK\$62.5 million, as restated), which mainly comprises of bank interest income, rental income and other interest income. The decrease was mainly due to the restructuring of loan due to/from related companies.

Other gains and losses

Other gains and losses of the Group was HK\$142.2 million (2015: HK\$103.8 million, as restated). The increase was mainly due to fair value gain on convertible bonds and investment properties.

Selling and distribution costs

During the year 2016, selling and distribution costs were approximately HK\$6.2 million, representing a decrease of approximately HK\$0.7 million or 10.1% as compared with approximately HK\$6.9 million (as restated) in 2015. The decrease was resulted from the effectiveness of cost control associated with the golf club and hotel business of Dongguan Hillview.

Administrative expenses

Administrative expenses were HK\$124.8 million, compared with HK\$72.9 million in 2015, representing an increase of approximately 71.2%. The increase was mainly resulted from the office rent and rates, additional staff costs, legal and professional fees and the bank financing charge.

Finance costs

Finance costs of the Group were HK\$113.1 million (2015: HK\$133.5 million, as restated). The decrease was mainly due to restructuring of loan between amounts due from/to related companies and promissory note.

Discontinued operations

DTV Business and LED Business were disposed on 17 October 2016 at a consideration of HK\$1 and the buyer will procure the DTV Disposal Group to repay the shareholders' loan of HK\$950 million. The disposal gain was recorded as approximately HK\$128.3 million. During 2016, these two businesses incurred a total loss of HK\$102.9 million (2015: HK\$152.6 million, as restated) representing primarily the depreciation of fixed assets.

The sale and purchase agreement to dispose Intelligent Information Business was entered on 13 January 2016. It is expected that the disposal will be completed in 2017. The Intelligent Information Business has been classified as held-for-sale business in the consolidated financial statements. The total turnover of this segment amounted to HK\$239.3 million (2015: HK\$172.4 million, as restated) with operating loss of HK\$66.2 million (2015: HK\$53.4 million, as restated). The business has been experiencing losses since 2012.

Loss for the year from discontinued operations was approximately HK\$40.9 million compared with loss of HK\$206.0 million (as restated) in 2015, significantly decreased by approximately HK\$165.1 million.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

As at 31 December 2016, the Group had cash and cash equivalents of HK\$1,085.4 million. Correspondingly, the Group had bank borrowings of HK\$1,285.6 million, of which HK\$54.6 million were repayable within one year and HK\$1,231.0 million were repayable more than one year. Amongst the borrowings, 98.1% is pledged with land use rights and buildings.

As at 31 December 2016, the consolidated net debt of the Group comprising of total debt minus pledged bank deposits, bank balances and cash amounted to HK\$555.1 million and the total capital (measured as total debt plus equity attributable to owners of the Company) amounted to HK\$5.0 billion. The Group's gearing ratio (net debt to total capital) as at 31 December 2016 was 11.0% (31 December 2015: nil).

With sufficient cash on hand as well as available banking facilities, the Group's liquidity position remains strong to satisfy its capital commitments and working capital requirements.

The Group entered into a subscription agreement on 30 May 2016 with Haitong International Investment Fund SPC ("**HTI Fund**") and China Everbright Securities International Structured Finance Company Limited ("**China Everbright Securities**"), pursuant to which HTI Fund and China Everbright Securities agreed to subscribe the convertible bonds in principal amount of USD52 million bearing an interest rate of 8% per annum. The issuance of the convertible bonds was completed on 19 July 2016.

CAPITAL STRUCTURE

There was no change in the total number of issued shares of the Company during the year 2016. The total number of issued shares of the Company remained at 11,399,996,101 shares as at 31 December 2016.

CHARGE ON ASSETS

As at 31 December 2016, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

- (a) The land use right, hotel and buildings and motor vehicles with an aggregate net book value of HK\$1,338.0 million.
- (b) The investment property in UK of HK\$1,340.7 million.
- (c) Bank deposits of approximately HK\$37.2 million and trade receivables of approximately HK\$95.8 million in Mainland China.

FOREIGN CURRENCY EXPOSURE

The existing operations and investments of the Group are mainly in Hong Kong, the United Kingdom, the United States and Mainland China, with revenue and expenditure denominated in Hong Kong dollars, Pounds sterling, United States dollars and Renminbi. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. The Group will regularly review its foreign exchange exposure and may consider using financial instruments to hedge against such exposure when appropriate. As at 31 December 2016, there was no derivative financial instruments employed by the Group.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group's subsidiaries in relation to Intelligent Information Business (classified as discontinued operation in 2016) provided guarantees of HK\$104.9 million (31 December 2015: HK\$99.7 million) to third parties in respect of bank and other borrowing facilities, and the amount drawn down was HK\$90.1 million (31 December 2015: HK\$79.6 million).

MATERIAL ACQUISITIONS, DISPOSALS, SIGNIFICANT INVESTMENT AND FUTURE PLANS OF MATERIAL INVESTMENT

The Group entered into a sale and purchase agreement with an independent third party to dispose of the Intelligent Information Business on 13 January 2016. The disposal was approved by the shareholder of the Company on 22 February 2016, pending completion.

The Group has entered into a sale and purchase agreement with an independent third party to acquire interests in a property in London on 18 April 2016. The acquisition has been approved by shareholders of the Company at the general meeting held on 5 July 2016. The acquisition was completed on 12 July 2016.

The Group has entered into a subscription agreement and a management agreement on 15 August 2016 to participate in a partnership with the associates of a substantial shareholder of the Company. Such partnership is currently exploring a property development opportunity in the United States.

The Group has entered into a sale and purchase agreement on 17 August 2016 with a company controlled by a substantial shareholder of the Company to dispose the DTV Business and LED Business. The disposal was approved by shareholders of the Company on 3 October 2016. The disposal was completed on 17 October 2016.

The Group has entered into a sale and purchase agreement with an independent third party to acquire interests in 8 golf courses in the State of Washington of the US on 7 October 2016. The acquisition was approved by the shareholder of the Company on 25 October 2016. The acquisition was completed on 17 December 2016.

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments or future plans of material investment during the year ended 31 December 2016.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 912 employees as at 31 December 2016.

The Group's remuneration policies are to ensure the remuneration package as a whole is fair and competitive, motivate and retain current employees and attract potential talent. These remuneration packages have already carefully taken into account, amongst other aspects, the Group's businesses in different local geographic locations. The employees' remuneration packages are comprised of salaries and discretionary bonuses, along with retirement schemes, medical insurance and share options which form a part of welfare benefits.

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are members of a state-managed retirement benefit scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 13% to 20% (2015: 8% to 20%) of its payroll costs to the retirement benefit scheme. The obligation of the Group with respect to the retirement benefit scheme is to make the specific contribution.

BUSINESS PROSPECTS

We are of the opinion that the 2017 US economy is likely to experience continuous improvement. Despite the lower risk of economic deterioration in Europe and Japan, a fundamental turnaround is unlikely in the short term, especially with risks of exiting the European Union among some member countries following the Brexit. On the other hand, emerging markets saw the co-existence of risks and opportunities. In particular, the Chinese economy will continue to push forward with the supply-side structural reform along with the implementation of proactive fiscal policy. Notwithstanding that stronger headwinds may weigh on the overall growth pace, there are still plenty of structural opportunities. Meanwhile, in view of China's "One Belt, One Road" initiative and the improving bilateral relationships with major Southeast Asian countries, there is ample room for economic and trade development in the region. In general, the global economy is facing challenges from the "anti-globalization" movement and the rise of protectionism.

We have put the above into perspective in setting up our development strategy for 2017. The Group will continue to implement its strategy to strengthen its existing principal businesses and step up its efforts to develop new business simultaneously, by sticking to a prudent and justifiable investment principle and focusing on merger and acquisition opportunities in developed economies. Especially, we aim to seek merger and acquisition targets in sectors including logistics real estate, logistic warehousing, bulk commodity trading, logistics finance and logistics transport facilities etc, while closely monitor the economic and trade development situation in “One Belt, One Road” initiative, Southeast Asia and other regions. Meanwhile, the Group will actively explore relevant businesses that can create synergy effect between us and HNA Group Co., Ltd.* (海航集團有限公司). The above strategies are expected to fuel the continuous development of the Group. Our goal is to build a business portfolio which has a distinct core business, delivers stable cash flow and offers great growth prospects and is able to strike a balance between risks and revenue.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group’s results for the year 2016 as set out in this preliminary results announcement have been agreed by the Group’s independent auditors, Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong (“**Deloitte**”), to the amounts set out in the consolidated financial statements. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Deloitte on this preliminary results announcement.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

The auditor expressed a qualified opinion in the auditor’s report. The basis for the opinion is extracted from the auditor’s report.

Basis for Qualified Opinion

As described in Note 12 to the consolidated financial statements, the sales agreement entered into between the Group and Hong Kong Guang Hua Resources Investments Company Limited, an independent third party, in relation to the disposal of certain subsidiaries of the Group (collectively referred to as the “**DTV Disposal Group**”) lapsed on 30 June 2013. As at 31 December 2015, the directors of the Company were still seeking for a potential buyer for the disposal of the DTV Disposal Group and considered the disposal transaction remained highly probable, however, no formal sales agreement had been concluded as at 31 December 2015. The directors of the Company were of the view that the carrying amounts of the assets included in the DTV Disposal Group were measured in accordance with applicable HKFRSs taking into account of the potential disposal. During the year ended 31 December 2016, the Company entered into an agreement in relation to the disposal of the DTV Disposal Group with Leader Concept Investments Limited, a company which is ultimately controlled by HNA Group Co., Ltd, the ultimate parent of the Company. The disposal was completed during the year ended 31 December 2016.

In the absence of a formal sales agreement and an appropriate valuation as at 1 January 2015 and 31 December 2015, we were unable to obtain sufficient information to assess, as at 1 January 2015 and 31 December 2015, (i) whether the disposal of the DTV Disposal Group was highly probable and the classification of the DTV Disposal Group as held-for-sale in the consolidated financial statements was appropriate; and (ii) whether certain assets included in the DTV Disposal Group were measured in accordance with applicable HKFRSs. We were also unable to obtain sufficient information to assess whether the DTV Disposal Group in its entirety as at 1 January 2015 was measured at the lower of its net assets value and fair value less costs of disposal in accordance with HKFRS 5 “Non-current Assets Held-for-sale and Discontinued Operations” issued by the HKICPA as this could have an impact on the comparative figures reflected in the Group’s consolidated statement of profit or loss and other comprehensive income. There were no other satisfactory procedures that we could adopt to satisfy ourselves as to the recoverable amounts of certain assets included in the DTV Disposal Group as at 1 January 2015 and 31 December 2015, and whether the DTV Disposal Group in its entirety as at 1 January 2015 was measured at the lower of its net assets value and fair value less costs of disposal in accordance with HKFRS 5. Any adjustment to the carrying amounts may have a consequential significant effect on the net assets as at 1 January 2015 and 31 December 2015 and the consolidated financial performance of the Group for the years ended 31 December 2015 and 2016.

The above matters caused us to issue a qualified opinion in respect of the consolidated financial statements for the year ended 31 December 2015.

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 qualified opinion.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, 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 issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities (whether on the Stock Exchange or otherwise) during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules during the financial year ended 31 December 2016, except the following deviation:

Pursuant to the code provision of E.1.3 of the CG Code, the issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting. On 27 April 2016, a notice convening the annual general meeting on 17 June 2016 was announced and despatched to the shareholders of the Company. Given that a further special resolution in relation to the proposed change of company name was added for the shareholder’s consideration at the annual general meeting, a revised notice was further announced and despatched to the shareholders of the Company on 25 May 2016 for the annual general meeting on 17 June 2016. But such revised notice was given less than 20 clear business days before the annual general meeting. The Company considered that the arrangement of voting on the critical resolutions in one general meeting would facilitate its shareholders’ schedule to attend. Nevertheless, the revised notice has fulfilled the requirements for giving at least 21 days’ notice in accordance with the Companies Ordinance (Chapter 622, the laws of Hong Kong).

Details of the Company’s compliance with the provisions of the CG Code during the year will be set out in the corporate governance report in the Company’s 2016 annual report.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By order of the Board
HNA Holding Group Co. Limited
Xu Haohao
Executive Director

Hong Kong, 20 March 2017

As at the date of this announcement, the Board comprises Mr. Zhao Quan (Executive Director and Co-Chairman), Mr. Wang Shuang (Executive Director and Co-Chairman), Mr. Xu Haohao (Executive Director and Executive President), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Wang Hao (Non-executive Director), Mr. Leung Kai Cheung (Independent Non-executive Director), Mr. Liem Chi Kit, Kevin (Independent Non-executive Director) and Mr. Lam Kin Fung, Jeffrey (Independent Non-executive Director).