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## GREAT WALL PAN ASIA HOLDINGS LIMITED

(長城環亞控股有限公司) \*

(Incorporated in Bermuda with limited liability)

(Stock code: 583)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

AND

### APPOINTMENT OF DEPUTY CHIEF EXECUTIVE OFFICER

#### ANNUAL RESULTS

The board of directors (the “**Board**” or “**Directors**”) of Great Wall Pan Asia Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2016, together with the comparative figures for the previous year, as follows:

#### CONSOLIDATED BALANCE SHEET

|  |              | 31 December<br>2016     | 31 December<br>2015     |
|--|--------------|-------------------------|-------------------------|
|  | <i>Notes</i> | <i>HK\$'000</i>         | <i>HK\$'000</i>         |
| <b>ASSETS</b>  |              |                         |                         |
| <b>Non-current assets</b>                            |              |                         |                         |
| Property, plant and equipment                        | 3            | 1,128                   | 96,954                  |
| Investment properties                                | 4            | 1,560,500               | 1,923,400               |
| Investment in associates                             |              | 3,011                   | 4,350                   |
| Available-for-sale financial assets                  |              | –                       | 114,738                 |
|  |              | <u>1,564,639</u>        | <u>2,139,442</u>        |
| <b>Current assets</b>                                |              |                         |                         |
| Accounts receivable                                  | 5            | 3,407                   | –                       |
| Prepayments, deposits and other receivables          |              | 9,700                   | 2,341                   |
| Available-for-sale financial assets                  |              | –                       | 24,522                  |
| Cash and bank balances                               |              | 88,387                  | 39,487                  |
|  |              | <u>101,494</u>          | <u>66,350</u>           |
| Assets of disposal group classified as held for sale |              | –                       | 1,526,228               |
|  |              | <u>101,494</u>          | <u>1,592,578</u>        |
| <b>Total assets</b>                                  |              | <u><u>1,666,133</u></u> | <u><u>3,732,020</u></u> |

## CONSOLIDATED BALANCE SHEET (continued)

|   |              | <b>31 December<br/>2016</b> | 31 December<br>2015 |
|---|--------------|-----------------------------|---------------------|
|   | <i>Notes</i> | <b><i>HK\$'000</i></b>      | <i>HK\$'000</i>     |
| <b>EQUITY</b>   |              |                             |                     |
| <b>Capital and reserves</b>                               |              |                             |                     |
| Share capital   | 6            | <b>156,775</b>              | 156,106             |
| Reserves  |              | <b>1,482,585</b>            | 3,161,849           |
|   |              | <hr/>                       | <hr/>               |
| Shareholders' funds                                       |              | <b>1,639,360</b>            | 3,317,955           |
| Non-controlling interests                                 |              | –                           | 56,534              |
|   |              | <hr/>                       | <hr/>               |
| <b>Total equity</b>                                       |              | <b>1,639,360</b>            | 3,374,489           |
|   |              | <hr/> <hr/>                 | <hr/> <hr/>         |
| <b>LIABILITIES</b>  |              |                             |                     |
| <b>Non-current liabilities</b>                            |              |                             |                     |
| Deferred income tax liabilities                           |              | <b>1,574</b>                | 17,959              |
|   |              | <hr/>                       | <hr/>               |
|   |              | <b>1,574</b>                | 17,959              |
|   |              | <hr/>                       | <hr/>               |
| <b>Current liabilities</b>                                |              |                             |                     |
| Accounts payable, other payables and accrued liabilities  | 7            | <b>20,998</b>               | 40,461              |
| Amounts due to associates                                 |              | <b>2,228</b>                | 2,290               |
| Current income tax liabilities                            |              | <b>1,973</b>                | 506                 |
|   |              | <hr/>                       | <hr/>               |
|   |              | <b>25,199</b>               | 43,257              |
| Liabilities of disposal group classified as held for sale |              | –                           | 296,315             |
|   |              | <hr/>                       | <hr/>               |
|   |              | <b>25,199</b>               | 339,572             |
|   |              | <hr/>                       | <hr/>               |
| <b>Total liabilities</b>                                  |              | <b>26,773</b>               | 357,531             |
|   |              | <hr/>                       | <hr/>               |
| <b>Total equity and liabilities</b>                       |              | <b>1,666,133</b>            | 3,732,020           |
|   |              | <hr/> <hr/>                 | <hr/> <hr/>         |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | <i>Notes</i> | Year ended 31 December  |                         |
|--|--------------|-------------------------|-------------------------|
|  |              | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
| <b>CONTINUING OPERATIONS</b>                               |              |                         |                         |
| <b>Revenue</b>   | 2            | <b>57,158</b>           | 52,833                  |
| Other income   |              | <b>68</b>               | 2,149                   |
| Cost of production   |              | <b>(5,030)</b>          | (4,946)                 |
| Rental and utilities                                       |              | <b>(3,112)</b>          | (4,141)                 |
| Depreciation and amortisation                              |              | <b>(1,552)</b>          | (5,205)                 |
| Other operating expenses                                   |              | <b>(32,345)</b>         | (3,903)                 |
| Fair value gain on investment properties                   |              | <b>118,100</b>          | 191,400                 |
|  |              | <hr/>                   | <hr/>                   |
| <b>Operating profit of continuing operations</b>           |              | <b>133,287</b>          | 228,187                 |
| Net finance income   |              | <b>978</b>              | 1,496                   |
| Share of losses of associates                              |              | <b>(1,339)</b>          | (4,919)                 |
| Gain on disposal of available-for-sale financial asset     |              | <b>27,062</b>           | –                       |
| Gain on disposal of asset held for sale                    |              | <b>30,089</b>           | –                       |
| Gain on disposal of a subsidiary                           |              | <b>104,218</b>          | –                       |
| Gain on partial disposal of interests in an associate      |              | <b>–</b>                | 65,158                  |
|  |              | <hr/>                   | <hr/>                   |
| <b>Profit before income tax from continuing operations</b> |              | <b>294,295</b>          | 289,922                 |
| Income tax credit/(expense)                                | 8            | <b>245</b>              | (4,820)                 |
|  |              | <hr/>                   | <hr/>                   |
| <b>Profit for the year from continuing operations</b>      |              | <b>294,540</b>          | 285,102                 |
| <b>DISCONTINUED OPERATIONS</b>                             |              |                         |                         |
| Profit for the year from discontinued operations           | 11           | <b>1,408,732</b>        | 50,438                  |
|  |              | <hr/>                   | <hr/>                   |
| <b>Profit for the year</b>                                 |              | <b>1,703,272</b>        | 335,540                 |
|  |              | <hr/> <hr/>             | <hr/> <hr/>             |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

**Year ended 31 December**  
**2016**                      **2015**  
**HK\$'000**                      **HK\$'000**

**Other comprehensive income/(loss)**

Items that will not be reclassified subsequently to profit or loss:

|   |                |                |
|---|----------------|----------------|
| Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties | <b>307,948</b> | –              |
| Remeasurement of defined benefit plan obligation  | –              | (4,835)        |
| Share of remeasurement of defined benefit plan obligation of an associate                               | –              | (721)          |
|   | <b>307,948</b> | <b>(5,556)</b> |

Items that may be/have been reclassified subsequently to profit or loss:

|  |                 |                 |
|--|-----------------|-----------------|
| Fair value gain/(loss) on available-for-sale financial assets  | <b>8,248</b>    | (45,419)        |
| Fair value loss on available-for-sale financial assets released upon disposal  | <b>(18,616)</b> | –               |
| Currency translation difference on consolidation   | <b>(152)</b>    | 304             |
| Currency translation difference released upon disposal of assets held for sale and partial interests in an associate | <b>10,170</b>   | 15,425          |
| Reserves released upon disposal of interests in subsidiaries   | <b>(4,337)</b>  | –               |
|  | <b>(4,687)</b>  | <b>(29,690)</b> |

**Other comprehensive income/(loss) for the year, net of tax**

**303,261**                      **(35,246)**

**Total comprehensive income for the year**

**2,006,533**                      **300,294**

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

|   | Year ended 31 December |                      |
|---|------------------------|----------------------|
|   | 2016                   | 2015                 |
|   | <i>HK\$'000</i>        | <i>HK\$'000</i>      |
| <b>Profit attributable to:</b>                      |                        |                      |
| Continuing operations                               | 294,540                | 285,102              |
| Discontinued operations                             | 1,407,641              | 31,130               |
| Shareholders of the Company                         | 1,702,181              | 316,232              |
| Non-controlling interests – discontinued operations | 1,091                  | 19,308               |
|   | <u>1,703,272</u>       | <u>335,540</u>       |
| <b>Total comprehensive income attributable to:</b>  |                        |                      |
| Continuing operations                               | 602,290                | 254,387              |
| Discontinued operations                             | 1,403,152              | 26,599               |
| Shareholders of the Company                         | 2,005,442              | 280,986              |
| Non-controlling interests – discontinued operations | 1,091                  | 19,308               |
|   | <u>2,006,533</u>       | <u>300,294</u>       |
| <b>Earnings per share</b>                           |                        |                      |
| Continuing operations                               | HK18.80 cents          | HK18.27 cents        |
| Discontinued operations                             | HK89.85 cents          | HK1.99 cents         |
| Basic   | <u>HK108.65 cents</u>  | <u>HK20.26 cents</u> |
| Continuing operations                               | HK18.80 cents          | HK18.25 cents        |
| Discontinued operations                             | HK89.83 cents          | HK1.99 cents         |
| Diluted   | <u>HK108.63 cents</u>  | <u>HK20.24 cents</u> |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

|  | Attributable to owners of the Company |               |                     |                |                    |                    |                 | Non-controlling interests | Total equity |
|--|---------------------------------------|---------------|---------------------|----------------|--------------------|--------------------|-----------------|---------------------------|--------------|
|  | Reserves                              |               |                     |                |                    | Total              |                 |                           |              |
|  | Share capital                         | Share premium | Contributed surplus | Other reserves | Retained profits   |                    |                 |                           |              |
| HK\$'000   | HK\$'000                              | HK\$'000      | HK\$'000            | HK\$'000       | HK\$'000           | HK\$'000           | HK\$'000        |                           |              |
| Balance at 1 January 2015                              | 156,106                               | 41,126        | 803,234             | 66,222         | 2,049,795          | 3,116,483          | 53,396          | 3,169,879                 |              |
| <b>Comprehensive income</b>                            |                                       |               |                     |                |                    |                    |                 |                           |              |
| Profit for the year                                    | -                                     | -             | -                   | -              | 316,232            | 316,232            | 19,308          | 335,540                   |              |
| Other comprehensive income                             | -                                     | -             | -                   | (29,690)       | (5,556)            | (35,246)           | -               | (35,246)                  |              |
| <b>Total comprehensive income</b>                      | -                                     | -             | -                   | (29,690)       | 310,676            | 280,986            | 19,308          | 300,294                   |              |
| <b>Transactions with shareholders</b>                  |                                       |               |                     |                |                    |                    |                 |                           |              |
| Employee share-based compensation benefits             | -                                     | -             | -                   | 100            | -                  | 100                | -               | 100                       |              |
| Dividends declared and paid                            | -                                     | -             | -                   | -              | (79,614)           | (79,614)           | (16,170)        | (95,784)                  |              |
| <b>Total transactions with shareholders</b>            | -                                     | -             | -                   | 100            | (79,614)           | (79,514)           | (16,170)        | (95,684)                  |              |
| <b>Balance at 31 December 2015</b>                     | <b>156,106</b>                        | <b>41,126</b> | <b>803,234</b>      | <b>36,632</b>  | <b>2,280,857</b>   | <b>3,317,955</b>   | <b>56,534</b>   | <b>3,374,489</b>          |              |
| Balance at 1 January 2016                              | 156,106                               | 41,126        | 803,234             | 36,632         | 2,280,857          | 3,317,955          | 56,534          | 3,374,489                 |              |
| <b>Comprehensive income</b>                            |                                       |               |                     |                |                    |                    |                 |                           |              |
| Profit for the year                                    | -                                     | -             | -                   | -              | 1,702,181          | 1,702,181          | 1,091           | 1,703,272                 |              |
| Other comprehensive income                             | -                                     | -             | -                   | 303,261        | -                  | 303,261            | -               | 303,261                   |              |
| <b>Total comprehensive income</b>                      | -                                     | -             | -                   | 303,261        | 1,702,181          | 2,005,442          | 1,091           | 2,006,533                 |              |
| <b>Transactions with shareholders</b>                  |                                       |               |                     |                |                    |                    |                 |                           |              |
| Employee share-based compensation benefits             | -                                     | -             | -                   | 2              | -                  | 2                  | -               | 2                         |              |
| Dividends declared and paid and cash payments (Note 9) | -                                     | -             | (492,393)           | -              | (3,201,571)        | (3,693,964)        | (21,920)        | (3,715,884)               |              |
| Share issued upon exercise of share options            | 669                                   | 9,256         | -                   | -              | -                  | 9,925              | -               | 9,925                     |              |
| Disposal of subsidiaries                               | -                                     | -             | -                   | -              | -                  | -                  | (35,705)        | (35,705)                  |              |
| Transfer   | -                                     | -             | -                   | (5,441)        | 5,441              | -                  | -               | -                         |              |
| <b>Total transactions with shareholders</b>            | <b>669</b>                            | <b>9,256</b>  | <b>(492,393)</b>    | <b>(5,439)</b> | <b>(3,196,130)</b> | <b>(3,684,037)</b> | <b>(57,625)</b> | <b>(3,741,662)</b>        |              |
| <b>Balance at 31 December 2016</b>                     | <b>156,775</b>                        | <b>50,382</b> | <b>310,841</b>      | <b>334,454</b> | <b>786,908</b>     | <b>1,639,360</b>   | <b>-</b>        | <b>1,639,360</b>          |              |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

#### (b) Changes in accounting policy and disclosures

##### (i) *New and amended standards adopted by the Group*

The following amendments to existing standards that is relevant to the Group are mandatory for the first time for the financial year beginning 1 January 2016.

Amendments from annual improvements to HKFRSs – 2012-2014 Cycle, on HKFRS 5, ‘Non-current assets held for sale and discontinued operations’, HKFRS 7, ‘Financial instrument: Disclosures’ and HKAS 19, ‘Employee benefits’ and HKAS 34, ‘Interim financial reporting’.

The above amendments are not material to the Group.

### 2. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Chief Executive Officer of the Group, who reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group had three reportable segments: newspaper, magazine and property. Newspaper segment was engaged in the publication of *South China Morning Post*, *Sunday Morning Post* and other related print and digital publications. It derived its revenue mainly from advertising and sales of newspapers. Magazine segment was engaged in the publication of various magazines in Chinese and English language and related print and digital publications. Its revenue was derived from advertising and sales of magazines. Both Newspaper and Magazine segments were classified as discontinued operations during the year ended 31 December 2015 (Note 11) while the disposal of both segments as part of sale of media business was completed on 5 April 2016. The revenue and results of operations of Newspaper and Magazine segments in 2016 only covered their results for the period from 1 January 2016 to 5 April 2016. Property segment holds various commercial and industrial properties in Hong Kong. It derives revenue through leasing out its properties.

The chief operating decision-maker assesses the performance of the operating segments based on a number of measures, including adjusted EBITDA (defined as earnings before interest, tax, depreciation and amortisation, other income and fair value gain on investment properties) and profit or loss after tax. The Group considers that the measurement principles for profit or loss after tax are consistent with those used in measuring the corresponding amounts in the Group’s financial statements. Hence, profit or loss after tax is used for reporting segment profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that interest in the profit or loss of an associate is accounted for on the basis of dividend received or receivable in segment profit or loss while such interest is accounted for under the equity method in the Group’s consolidated financial statements.

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies. Transactions between reportable segments are accounted for on arm’s length basis.

## 2. REVENUE AND SEGMENT INFORMATION (continued)

Revenue of continuing and discontinued operations consists of revenue from all of the Group's reportable segments, which comprise newspaper, magazine and property, as well as other segments whose contributions to the Group's revenue and profit or loss are below the quantitative threshold for separate disclosures. The revenue of continuing and discontinued operations for the year ended 31 December 2016 and 2015 were HK\$267,769,000 and HK\$1,121,652,000 respectively.

Revenue from newspapers, magazines and other publications included revenue of HK\$210,611,000 (2015: HK\$1,068,819,000) arising from exchanges of goods or services with third parties.

Substantially all the activities of the Group are based in Hong Kong and below is segment information by reportable segments:

### (a) Reportable segment profit or loss

#### For the year ended 31 December 2016

|   | Continuing operations |                    |                       | Discontinued operations |                      |                    | Sub-total<br>HK\$'000 | Total<br>HK\$'000 |
|---|-----------------------|--------------------|-----------------------|-------------------------|----------------------|--------------------|-----------------------|-------------------|
|   | Property<br>HK\$'000  | Others<br>HK\$'000 | Sub-total<br>HK\$'000 | Newspaper<br>HK\$'000   | Magazine<br>HK\$'000 | Others<br>HK\$'000 |                       |                   |
| Total segment revenue                           | 57,844                | -                  | 57,844                | 152,739                 | 58,254               | 1,762              | 212,755               | 270,599           |
| Inter-segment revenue                           | (686)                 | -                  | (686)                 | (21)                    | (2,064)              | (59)               | (2,144)               | (2,830)           |
| Revenue from external customers                 | <u>57,158</u>         | <u>-</u>           | <u>57,158</u>         | <u>152,718</u>          | <u>56,190</u>        | <u>1,703</u>       | <u>210,611</u>        | <u>267,769</u>    |
| Finance income                                  | -                     | 978                | 978                   | 507                     | -                    | -                  | 507                   | 1,485             |
| Depreciation and amortisation                   | (1,552)               | -                  | (1,552)               | -                       | -                    | -                  | -                     | (1,552)           |
| Income tax                                      | 245                   | -                  | 245                   | (1,343)                 | (930)                | -                  | (2,273)               | (2,028)           |
| Profit/(loss) for reportable and other segments | <u>258,318</u>        | <u>7,594</u>       | <u>265,912</u>        | <u>(18,149)</u>         | <u>5,342</u>         | <u>(313)</u>       | <u>(13,120)</u>       | <u>252,792</u>    |

#### For the year ended 31 December 2015

|   | Continuing operations |                    |                       | Discontinued operations |                      |                    | Sub-total<br>HK\$'000 | Total<br>HK\$'000 |
|---|-----------------------|--------------------|-----------------------|-------------------------|----------------------|--------------------|-----------------------|-------------------|
|   | Property<br>HK\$'000  | Others<br>HK\$'000 | Sub-total<br>HK\$'000 | Newspaper<br>HK\$'000   | Magazine<br>HK\$'000 | Others<br>HK\$'000 |                       |                   |
| Total segment revenue                           | 55,586                | -                  | 55,586                | 746,691                 | 297,271              | 33,264             | 1,077,226             | 1,132,812         |
| Inter-segment revenue                           | (2,753)               | -                  | (2,753)               | (1,698)                 | (6,699)              | (10)               | (8,407)               | (11,160)          |
| Revenue from external customers                 | <u>52,833</u>         | <u>-</u>           | <u>52,833</u>         | <u>744,993</u>          | <u>290,572</u>       | <u>33,254</u>      | <u>1,068,819</u>      | <u>1,121,652</u>  |
| Finance income                                  | -                     | 1,496              | 1,496                 | 3,395                   | -                    | -                  | 3,395                 | 4,891             |
| Depreciation and amortisation                   | (5,205)               | -                  | (5,205)               | (47,473)                | (8,480)              | (1,900)            | (57,853)              | (63,058)          |
| Income tax                                      | (5,124)               | 304                | (4,820)               | (5,250)                 | (12,907)             | (372)              | (18,529)              | (23,349)          |
| Profit/(loss) for reportable and other segments | <u>220,527</u>        | <u>3,597</u>       | <u>224,124</u>        | <u>7,944</u>            | <u>62,603</u>        | <u>(19,670)</u>    | <u>50,877</u>         | <u>275,001</u>    |



## 2. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Reportable segment information

For the year ended 31 December 2016

|                     | Continuing operations |                    |                       | Discontinued operations |                      |                    | Total<br>HK\$'000 |
|---------------------|-----------------------|--------------------|-----------------------|-------------------------|----------------------|--------------------|-------------------|
|                     | Property<br>HK\$'000  | Others<br>HK\$'000 | Sub-total<br>HK\$'000 | Newspaper<br>HK\$'000   | Magazine<br>HK\$'000 | Others<br>HK\$'000 |                   |
| Capital expenditure | <u>1,778</u>          | <u>-</u>           | <u>1,778</u>          | <u>7,352</u>            | <u>2,119</u>         | <u>-</u>           | <u>11,249</u>     |

For the year ended 31 December 2015

|                     |            |          |            |               |              |            |               |
|---------------------|------------|----------|------------|---------------|--------------|------------|---------------|
| Capital expenditure | <u>821</u> | <u>-</u> | <u>821</u> | <u>41,723</u> | <u>2,231</u> | <u>223</u> | <u>44,998</u> |
|---------------------|------------|----------|------------|---------------|--------------|------------|---------------|

### (c) Reconciliation of reportable segment profit or loss to profit for the year

|   | For the year ended 31 December       |  |                   |                                      |  |                   |
|---|--------------------------------------|--|-------------------|--------------------------------------|--|-------------------|
|   | 2016                                 |  |                   | 2015                                 |  |                   |
|   | Continuing<br>operations<br>HK\$'000 | Discontinued<br>operations<br>HK\$'000 | Total<br>HK\$'000 | Continuing<br>operations<br>HK\$'000 | Discontinued<br>operations<br>HK\$'000 | Total<br>HK\$'000 |
| Profit/(loss) for reportable segments                           | <u>258,318</u>                       | <u>(12,807)</u>                        | <u>245,511</u>    | 220,527                              | 70,547                                 | 291,074           |
| Profit/(loss) for other segments                                | <u>7,594</u>                         | <u>(313)</u>                           | <u>7,281</u>      | 3,597                                | (19,670)                               | (16,073)          |
|   | <u>265,912</u>                       | <u>(13,120)</u>                        | <u>252,792</u>    | 224,124                              | 50,877                                 | 275,001           |
| Reconciling items:  |                                      |  |                   |                                      |  |                   |
| Elimination of inter-segment transactions                       | (122)                                | 122                                    | -                 | 435                                  | (435)                                  | -                 |
| Share of losses of associates under equity method of accounting | (1,339)                              | (1)                                    | (1,340)           | (4,919)                              | (4)                                    | (4,923)           |
| Gain on disposal of asset held for sale                         | 30,089                               | -                                      | 30,089            | -                                    | -                                      | -                 |
| Gain on disposal of discontinued operations                     | -                                    | 1,421,731                              | 1,421,731         | -                                    | -                                      | -                 |
| Deferred tax on undistributed profit of an associate            | -                                    | -                                      | -                 | 304                                  | -                                      | 304               |
| Gain on partial disposal of interest in an associate            | -                                    | -                                      | -                 | 65,158                               | -                                      | 65,158            |
|   | <u>28,628</u>                        | <u>1,421,852</u>                       | <u>1,450,480</u>  | 60,978                               | (439)                                  | 60,539            |
| Profit for the year   | <u>294,540</u>                       | <u>1,408,732</u>                       | <u>1,703,272</u>  | 285,102                              | 50,438                                 | 335,540           |

### 3. PROPERTY, PLANT AND EQUIPMENT

|   | Leasehold<br>land and<br>buildings<br><i>HK\$'000</i> | Plant &<br>machinery<br><i>HK\$'000</i> | Other<br>fixed<br>assets<br><i>HK\$'000</i> | Assets in<br>progress<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|---|---|--|--------------------------|
| At 1 January 2016                                     |   |   |   |  |                          |
| Cost  | 115,827   | 106                                     | 17,118                                      | 662                                      | 133,713                  |
| Accumulated depreciation and<br>impairment losses     | (26,210)  | (68)                                    | (10,481)                                    | –  | (36,759)                 |
| <b>Net book value at 1 January 2016</b>               | <b>89,617</b>   | <b>38</b>                               | <b>6,637</b>                                | <b>662</b>                               | <b>96,954</b>            |
| Opening net book value                                | 89,617  | 38                                      | 6,637                                       | 662                                      | 96,954                   |
| Additions   | –   | –                                       | 483   | 1,295                                    | 1,778                    |
| Depreciation  | (923)   | (3)                                     | (626)                                       | –  | (1,552)                  |
| Revaluation upon transfer to<br>investment properties | 307,948   | –                                       | –   | –  | 307,948                  |
| Transfer to investment properties                     | (396,642)   | (35)                                    | (7,323)                                     | –  | (404,000)                |
| Reclassification                                      | –   | –                                       | 1,957                                       | (1,957)                                  | –                        |
| Closing net book value                                | –   | –                                       | 1,128                                       | –  | 1,128                    |
| At 31 December 2016                                   |   |   |   |  |                          |
| Cost  | –   | –                                       | 4,792                                       | –  | 4,792                    |
| Accumulated depreciation and<br>impairment losses     | –   | –                                       | (3,664)                                     | –  | (3,664)                  |
| <b>Net book value at 31 December 2016</b>             | <b>–</b>  | <b>–</b>                                | <b>1,128</b>                                | <b>–</b>                                 | <b>1,128</b>             |

### 4. INVESTMENT PROPERTIES

|   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| At 1 January                                | 1,923,400               | 1,732,000               |
| Transfer from property, plant and equipment | 404,000                 | –                       |
| Fair value gain                             | 118,100                 | 191,400                 |
| Disposal of a subsidiary ( <i>Note</i> )    | (885,000)               | –                       |
| At 31 December                              | <b>1,560,500</b>        | <b>1,923,400</b>        |

*Note: Armada Property Investment Limited, a wholly-owned subsidiary of the Group, entered into an agreement for the sale of the entire issued share capital of Coastline International Limited, which was the then wholly-owned subsidiary of the Group and held the vacant property at Clear Water Bay Road, to Paulton Global Limited, an independent third party on 2 September 2016 for cash consideration of HK\$990 million. The transaction was completed on 28 September 2016.*

## 5. ACCOUNTS RECEIVABLE

The Group allows an average credit period of 1 to 60 days to its customers and an ageing analysis of accounts receivable is as follows:

|  | 2016                |                 | 2015                |                 |
|--|---------------------|-----------------|---------------------|-----------------|
|  | Balance<br>HK\$'000 | Percentage<br>% | Balance<br>HK\$'000 | Percentage<br>% |
| Current  | 1,244               | 36.5            | 148,157             | 53.5            |
| Less than 30 days past due   | 1,006               | 29.5            | 24,194              | 8.7             |
| 31 to 60 days past due   | 1,157               | 34.0            | 50,863              | 18.4            |
| 61 to 90 days past due   | –                   | –               | 32,606              | 11.8            |
| Over 90 days past due  | –                   | –               | 21,175              | 7.6             |
| Total  | <b>3,407</b>        | <b>100.00</b>   | 276,995             | 100.0           |
| Less: Allowance for impairment                                       | –                   |                 | (3,768)             |                 |
|  | <b>3,407</b>        |                 | 273,227             |                 |
| Less: Assets of disposal group classified as held for sale (Note 11) | –                   |                 | (273,227)           |                 |
|  | <b>3,407</b>        |                 | –                   |                 |

## 6. SHARE CAPITAL

|  | 2016                 |                    | 2015             |                    |
|--|----------------------|--------------------|------------------|--------------------|
|  | Number of shares     | Amount<br>HK\$'000 | Number of shares | Amount<br>HK\$'000 |
| Authorised:                                    |                      |                    |                  |                    |
| Ordinary shares of HK\$0.10 each               | <b>5,000,000,000</b> | <b>500,000</b>     | 5,000,000,000    | 500,000            |
| Issued and fully paid:                         |                      |                    |                  |                    |
| Opening balance                                | 1,561,057,596        | 156,106            | 1,561,057,596    | 156,106            |
| Shares issued under share option scheme (Note) | 6,688,000            | 669                | –                | –                  |
| Ending balance                                 | <b>1,567,745,596</b> | <b>156,775</b>     | 1,561,057,596    | 156,106            |

*Note: Pursuant to the employee share option scheme of the Group, 6,688,000 options were exercised during the year ended 31 December 2016, resulting in the equal number of shares being issued with cash proceeds of HK\$9,924,992. There were no share option granted under share option scheme during the year ended 31 December 2016. Since the media business was sold to Alibaba Investment Limited on 5 April 2016, all remaining share options were lapsed on that day and there were no outstanding options under the scheme as at 31 December 2016.*

## 7. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED LIABILITIES

Included in accounts payable, other payables and accrued liabilities are the following accounts payable by invoice date:

|   | 2016                |                 | 2015                |                 |
|---|---------------------|-----------------|---------------------|-----------------|
|   | Balance<br>HK\$'000 | Percentage<br>% | Balance<br>HK\$'000 | Percentage<br>% |
| 0 to 30 days  | –                   | –               | 29,939              | 69.6            |
| 31 to 60 days   | –                   | –               | 9,217               | 21.4            |
| 61 to 90 days   | –                   | –               | 1,874               | 4.4             |
| Over 90 days  | –                   | –               | 1,961               | 4.6             |
| Total accounts payable  | –                   | –               | 42,991              | 100.0           |
| Other payables and accrued liabilities  | <b>20,998</b>       |                 | 188,011             |                 |
|   | <b>20,998</b>       |                 | 231,002             |                 |
| Less: Liabilities of disposal group classified<br>as held for sale ( <i>Note 11</i> ) | –                   |                 | (190,541)           |                 |
| Total accounts payable, other payables and<br>accrued liabilities                     | <b>20,998</b>       |                 | <b>40,461</b>       |                 |

## 8. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

|                                | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| Current income tax             |                  |                  |
| – Hong Kong profits tax        | <b>6,483</b>     | 6,120            |
| – Over provision in prior year | –                | (80)             |
| Deferred income tax            |                  |                  |
| – Deferred tax credits         | <b>(6,728)</b>   | (1,220)          |
|                                | <b>(245)</b>     | <b>4,820</b>     |

## 9. DIVIDENDS AND CASH PAYMENT

A final dividend for the year ended 31 December 2015 of HK1.5 cents per share, totaling HK\$23,516,000 was paid out of the Company's contributed surplus in June 2016.

A special cash payment totaling HK\$2,499,499,000 was paid out of the Company's retained profits and contributed surplus in April 2016.

Special cash dividends of HK\$975,922,000 and HK\$195,027,000 respectively were paid out of the Company's retained profits in October 2016.

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK\$1,702,181,000 (2015: HK\$316,232,000), the profit from continuing operations attributable to shareholders of HK\$294,540,000 (2015: HK\$285,102,000), the profit from discontinued operations attributable to shareholders of HK\$1,407,641,000 (2015: HK\$31,130,000), and the weighted average of 1,566,739,535 shares in issue (2015: 1,561,057,596 shares in issue) during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from exercise of all outstanding share options granted under the Company's share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined with reference to the latest available market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of diluted earnings per share is based on 1,566,739,535 (2015: 1,561,057,596 shares in issue) which is the weighted average number of shares in issue during the year plus the weighted average of 234,372 shares (2015: 1,206,841 shares) deemed to be issued if all outstanding share options granted under the Company's share option scheme has been exercised.

## 11. DISCONTINUED OPERATIONS

### Discontinued Operations of media business

On 14 December 2015, the Company announced that the Group and Alibaba Investment Limited (the "Media Purchaser") had entered into a sale and purchase agreement, pursuant to which the Company has agreed to sell and the Media Purchaser has agreed to purchase the media business of the Group for a cash consideration of HK\$2,060.6 million. On 14 December 2015, the assets and liabilities under the media business were classified as disposal group held for sale and their businesses were classified as discontinued operations. The disposal was completed on 5 April 2016.

The result of discontinued operations together with the related gain on disposal dealt with in the consolidated financial statements for the years ended 31 December 2016 and 2015 are summarized as follows:

#### (a) Analysis of the results of the discontinued operations is as follows:

|   | Notes | Year ended 31 December |                  |
|---|-------|------------------------|------------------|
|   |       | 2016<br>HK\$'000       | 2015<br>HK\$'000 |
| <b>Revenue</b>  | 2     | <b>210,611</b>         | 1,068,819        |
| Other income  |       | 353                    | 2,119            |
| Staff costs   |       | (137,731)              | (514,228)        |
| Cost of production materials  |       | (35,148)               | (186,510)        |
| Rental and utilities  |       | (6,405)                | (28,745)         |
| Depreciation and amortisation                                       |       | –                      | (57,853)         |
| Advertising and promotion   |       | (8,028)                | (33,162)         |
| Other operating expenses  |       | (34,884)               | (184,864)        |
| <b>Operating (loss)/profit of discontinued operations</b>           |       | <b>(11,232)</b>        | 65,576           |
| Net finance income  |       | 507                    | 3,395            |
| Share of losses of associates                                       |       | (1)                    | (4)              |
| <b>(Loss)/profit before income tax from discontinued operations</b> |       | <b>(10,726)</b>        | 68,967           |
| Income tax expense  |       | (2,273)                | (18,529)         |
|   |       | <b>(12,999)</b>        | 50,438           |
| Profit on disposal of subsidiaries                                  | 11(b) | <b>1,421,731</b>       | –                |
| <b>Profit for the year from discontinued operations</b>             |       | <b>1,408,732</b>       | 50,438           |

## 11. DISCONTINUED OPERATIONS (continued)

### Discontinued Operations of media business (continued)

#### (b) Disposal of subsidiaries

|   | <i>Note</i>  | <b>HK\$'000</b>         |
|---|--------------|-------------------------|
| <b>Net assets disposed of as at 5 April 2016:</b> |              |                         |
| Intangible assets                                 |              | 176,630                 |
| Property, plant and equipment                     |              | 406,024                 |
| Defined benefit plan's assets                     |              | 56,328                  |
| Interests in associates                           |              | 319                     |
| Available-for-sale financial assets               |              | 11                      |
| Deposit paid for property, plant and equipment    |              | 1,077                   |
| Inventories                                       |              | 14,849                  |
| Accounts receivable                               |              | 229,574                 |
| Prepayments, deposits and other receivables       |              | 24,349                  |
| Taxation recoverable                              |              | 1,800                   |
| Cash and bank balances                            |              | 92,252                  |
| Trade payables and accrued liabilities            |              | (157,447)               |
| Amount due to an associate                        |              | (955)                   |
| Subscription in advance                           |              | (30,780)                |
| Loan from a non-controlling shareholder           |              | (2,240)                 |
| Deferred income tax liabilities                   |              | (63,266)                |
| Non-controlling interests                         |              | (35,705)                |
|   |              | <hr/>                   |
|   |              | 712,820                 |
| Translation reserve                               |              | (4,341)                 |
| Investment revaluation reserve                    |              | 4                       |
|   |              | <hr/>                   |
|   |              | 708,483                 |
| Expenses incurred on disposal                     |              | 3,094                   |
|   |              | <hr/>                   |
|   |              | 711,577                 |
| Cash consideration                                |              | 2,133,308               |
|   |              | <hr/>                   |
| Profit on disposal of subsidiaries                | <i>11(a)</i> | <u><u>1,421,731</u></u> |

An analysis of net cash inflow in respect of the disposal of the subsidiaries is as follows:

|   | <b>HK\$'000</b>         |
|---|-------------------------|
| Cash consideration                                      | 2,133,308               |
| Cash and bank balances disposed of                      | (92,252)                |
| Expenses incurred on disposal during the current period | (3,094)                 |
|   | <hr/>                   |
| Net cash inflow in respect of disposal of subsidiaries  | <u><u>2,037,962</u></u> |

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING RESULTS OF THE GROUP

The Group's consolidated operating results for the years ended 31 December 2016 and 2015 were as follows:

| <i>(HK\$ millions, except percentages and per share amounts)</i> | <b>For the year ended 31 December</b> |               |                 |
|--|---------------------------------------|---------------|-----------------|
|  | <b>2016</b>                           | <b>2015</b>   | <b>% Change</b> |
| <b>Continuing operations</b>                                     |                                       |               |                 |
| <b>Revenue</b>   | <b>57.2</b>                           | 52.8          | 8               |
| Production costs   | (5.0)                                 | (4.9)         | 2               |
| Rental and utilities   | (3.1)                                 | (4.1)         | (24)            |
| Other operating expenses   | (32.3)                                | (3.9)         | *               |
|  | <u>(40.4)</u>                         | <u>(12.9)</u> | <u>*</u>        |
| Operating costs before depreciation and amortisation             | (40.4)                                | (12.9)        | *               |
| Depreciation and amortisation                                    | (1.6)                                 | (5.2)         | (69)            |
|  | <u>(1.6)</u>                          | <u>(5.2)</u>  | <u>(69)</u>     |
| <b>Adjusted operating profit<sup>^</sup></b>                     | <b>15.2</b>                           | 34.7          | (56)            |
| Other income   | 0.1                                   | 2.1           | (95)            |
| Fair value gain on investment properties                         | 118.1                                 | 191.4         | (38)            |
|  | <u>118.1</u>                          | <u>191.4</u>  | <u>(38)</u>     |
| <b>Operating profit</b>  | <b>133.4</b>                          | 228.2         | (42)            |
| Net interest income  | 1.0                                   | 1.5           | (33)            |
| Share of losses of associates                                    | (1.3)                                 | (4.9)         | (73)            |
| Gain on disposal of available-for-sale financial assets          | 27.1                                  | –             | *               |
| Gain on disposal of asset held for sale                          | 30.1                                  | –             | *               |
| Gain on disposal of a subsidiary                                 | 104.2                                 | –             | *               |
| Gain on partial disposal of interests in an associate            | –                                     | 65.1          | *               |
| Income tax credit/(expense)                                      | 0.2                                   | (4.8)         | *               |
|  | <u>0.2</u>                            | <u>(4.8)</u>  | <u>*</u>        |
| <b>Profit for the year from continuing operations</b>            | <b>294.7</b>                          | 285.1         | 3               |
|  | <u>294.7</u>                          | <u>285.1</u>  | <u>3</u>        |
| <b>Discontinued operations</b>                                   |                                       |               |                 |
| (Loss)/profit for the year from discontinued operations          | (13.0)                                | 50.4          | *               |
| Gain on disposal of discontinued operations                      | 1,421.7                               | –             | *               |
|  | <u>1,421.7</u>                        | <u>–</u>      | <u>*</u>        |
| <b>Profit for the year from discontinued operations</b>          | <b>1,408.7</b>                        | 50.4          | *               |
|  | <u>1,408.7</u>                        | <u>50.4</u>   | <u>*</u>        |
| <b>Profit for the year</b>                                       | <b>1,703.4</b>                        | 335.5         | *               |
| Non-controlling interests – discontinued operations              | (1.1)                                 | (19.3)        | (94)            |
|  | <u>(1.1)</u>                          | <u>(19.3)</u> | <u>(94)</u>     |
| <b>Profit attributable to shareholders</b>                       | <b>1,702.3</b>                        | 316.2         | *               |
|  | <u>1,702.3</u>                        | <u>316.2</u>  | <u>*</u>        |
| <b>Earnings per share (HK cents)</b>                             | <b>108.7</b>                          | 20.3          | *               |
|  | <u>108.7</u>                          | <u>20.3</u>   | <u>*</u>        |

<sup>^</sup> *Adjusted operating profit is defined as operating profit before other income and fair value gain on investment properties*

\* *Represents a change in excess of 100%*

Profit attributable to shareholders was HK\$1,702.3 million, which included HK\$1,421.7 million gain on disposal of media business, HK\$118.1 million fair value gain on investment properties, HK\$27.1 million gain on disposal of available-for-sale financial assets, HK\$30.1 million gain on disposal of asset held for sale and HK\$104.2 million gain on disposal of a subsidiary. Carving out these exceptional items, net profit attributable to shareholders was HK\$1.1 million, compared with HK\$59.7 million in 2015. The decrease in net profit was mainly due to transaction expenses incurred during the year on several disposal transactions and disposal of the Group's media business.

## Revenue

The consolidated revenue for the years ended 31 December 2016 and 2015 by business segment and for the Group were as follows:

| <i>(HK\$ millions, except percentages)</i> | <b>For the year ended 31 December</b> |             |          |
|--|---------------------------------------|-------------|----------|
|  | <b>2016</b>                           | 2015        | % Change |
| <b>Continuing operations</b>               |                                       |             |          |
| Property                                   | <b>57.8</b>                           | 55.6        | 4        |
| Inter-segment revenue                      | <b>(0.6)</b>                          | (2.8)       | (79)     |
| Total revenue                              | <b><u>57.2</u></b>                    | <u>52.8</u> | <u>8</u> |

## Operating Costs and Expenses

Operating costs and expenses for the years ended 31 December 2016 and 2015 were as follows:

| <i>(HK\$ millions, except percentages)</i> | <b>For the year ended 31 December</b> |             |          |
|--|---------------------------------------|-------------|----------|
|  | <b>2016</b>                           | 2015        | % Change |
| <b>Continuing operations</b>               |                                       |             |          |
| Production costs                           | <b>5.0</b>                            | 4.9         | 2        |
| Rental and utilities                       | <b>3.1</b>                            | 4.1         | (24)     |
| Other operating expenses                   | <b>32.3</b>                           | 3.9         | *        |
| Depreciation and amortisation              | <b>1.6</b>                            | 5.2         | (69)     |
| Total operating costs and expenses         | <b><u>42</u></b>                      | <u>18.1</u> | <u>*</u> |

\* Represents a change in excess of 100%



## Adjusted EBITDA and Operating Profit

Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation, other income, fair value gain on investment properties, gain on disposal of available-for-sale financial assets, gain on disposal of asset held for sale, gain on disposal of a subsidiary and gain on disposal of an associate. Adjusted EBITDA and adjusted operating profit for the years ended 31 December 2016 and 2015 by business segment and for the Group were as follows:

| <i>(HK\$ millions, except percentages)</i> | Adjusted EBITDA |      |          | Adjusted Operating Profit |      |          |
|--|-----------------|------|----------|---------------------------|------|----------|
|  | 2016            | 2015 | % Change | 2016                      | 2015 | % Change |
| <b>Continuing operations</b>               |                 |      |          |                           |      |          |
| Property                                   | <b>16.8</b>     | 39.9 | (58)     | <b>15.2</b>               | 34.7 | (56)     |

## FINANCIAL REVIEW BY BUSINESS

The Group completed the disposal of its media business to Alibaba Investment Limited on 5 April 2016. Consequently, this financial review will only cover the property business.

### Property

| <i>(HK\$ millions, except percentages)</i>           | For the year ended 31 December |       |          |
|--|--------------------------------|-------|----------|
|  | 2016                           | 2015  | % Change |
| Revenue (including inter-segment revenue)            | <b>57.8</b>                    | 55.6  | 4        |
| Adjusted EBITDA                                      | <b>16.8</b>                    | 39.9  | (58)     |
| Adjusted operating profit                            | <b>15.2</b>                    | 34.7  | (56)     |
| Net profit attributable to shareholders <sup>#</sup> | <b>133.3</b>                   | 220.0 | (39)     |

<sup>#</sup> Includes revaluation gain of HK\$118.1 million for 2016 and HK\$191.4 million for 2015

Rental income remained relatively flat as compared with last year with a modest increase of 4% to HK\$57.8 million due to the higher reversion upon lease renewal during the year.

The Group's investment property portfolio comprises certain floors of the Bank of America Tower, Yue King Building, Ko Fai Industrial Building and Seaview Estate. Yue King Building was reclassified as investment property upon completion of the disposal of media business.

On 28 September 2016, the Group has completed the disposal of the entire interest in Coastline International Limited (“**Coastline**”), a wholly-owned subsidiary of the Company, to an independent third party. Coastline is principally engaged in property investment. Its assets mainly comprise of the TV City Property (as defined in the circular dated 26 September 2016). The TV City Property was indirectly acquired by the Company in 1996 and has been held for long-term investment purposes. Following the completion of the disposal of Coastline, the results of Coastline are no longer consolidated into the consolidated financial statements of the Group, and the TV City Property is no longer the investment property of the Group.

Revaluation gain on investment properties for 2016 was HK\$118.1 million, compared with HK\$191.4 million for 2015. The revaluation gain was mainly due to contribution from Bank of America Tower for around HK\$77 million and Yue King Building for around HK\$31 million.

The Group's investment properties were revalued at 31 December 2016 by independent professionally qualified valuers, DTZ Cushman & Wakefield Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. The revaluation gains or losses are shown as "Fair value gain or loss on investment properties" in the income statement. Fair values of the office buildings and industrial properties are derived using the income capitalization approach. There were no changes to the valuation techniques during the year.

### Investment in associates

The Group had classified the remaining portion of the investment in The Post Publishing Public Company Limited, an associate of the Group, as asset held for sale as at 31 December 2015. During the year, the Group disposed the entire remaining investment and recognized a gain on disposal of HK\$30.1 million. As the investment is not a core business of the Group, such disposal allows the Group to focus on its property business. The terms and conditions of the disposal were determined after arms' length negotiations between the Group and the independent third party purchasers.

### LIQUIDITY AND CAPITAL RESOURCES

| <i>(HK\$ millions, except percentages)</i> | <b>For the year ended 31 December</b> |         |          |
|--|---------------------------------------|---------|----------|
|  | <b>2016</b>                           | 2015    | % Change |
| Cash and bank balances <sup>^</sup>        | <b>88.4</b>                           | 607.6   | (85)     |
| Shareholders' funds                        | <b>1,639.4</b>                        | 3,318.0 | (51)     |
| Current ratio                              | <b>4.0</b>                            | 4.7     | (15)     |

<sup>^</sup> The figures at 2015 included HK\$568.1 million cash and bank balances held by disposal group held for sale.

The Group's cash and bank balances are held predominantly in Hong Kong dollars. The Group has no significant exposure to foreign exchange fluctuations. There was no borrowing as at 31 December 2016.

The Group has maintained a strong cash position and expects its cash and cash equivalents, cash generated from operations to be adequate to meet its working capital requirements.

### Operating Activities

Net cash used in operating activities for the year ended 31 December 2016 was HK\$26.6 million, compared with net cash generated from operating activities of HK\$180.8 million for the previous year. The decrease in operating cash flows was due to lower revenue in the discontinued operations and incremental transaction expenses incurred during the year.

## **Investing Activities**

Net cash inflow from investing activities for the year was HK\$3,213 million, compared with the inflow of HK\$63.3 million in 2015. The increase resulted mainly from the cash flow of HK\$2,038 million in relation to the disposal of media business and HK\$975 million in relation to the disposal of Coastline, and sales proceeds of the Group's available-for-sale investments of HK\$156 million.

Capital expenditure for the year was HK\$11.0 million, compared with HK\$45.0 million last year. Substantially, all of the capital expenditure was incurred in the first three months of 2016 in connection with the disposal of media business.

## **Financing Activities**

Net cash used in financing activities was HK\$3,706 million. During the year, HK\$3,694 million dividends were paid to the shareholders of the Company and HK\$22 million was paid to a non-controlling shareholder of the Group's subsidiaries. The cash inflow of HK\$9.9 million was the proceeds from the exercise of share options.

## **Employees and Remuneration Policy**

The Group has disposed its media business during the year, which had hired a major portion of employees in the Group in prior year. The remaining business of the Group mainly consists of the property business which is not complicated and is comparatively less labour-intensive. Taking the cost and benefit into account, the Group has decided to streamline its labour resources for the time being by way of outsourcing the property management function to professional third parties whilst the Chief Executive Officer is appointed in November 2016 to oversee the whole operation of the Group without hiring additional full-time employee as at the year end.

Notwithstanding that the current number of full-time employees is limited, the Company's business continues to grow, its remuneration philosophy is designed to provide employees with the opportunity to excel and grow, while aligning with our business strategies and values. The Group's remuneration policy aims to recognize employees with outstanding performance, retain and attract key talents and ensure alignment with the interests of our businesses, and thereby enhancing shareholder value.

## **OUTLOOK**

At the end of October 2016, Great Wall Pan Asia International Investment Company Limited ("**Great Wall International**"), a wholly-owned subsidiary of China Great Wall Asset Management Co., Ltd. ("**GWAMC**"), which is one of the four largest financial asset management companies in the PRC, became the controlling shareholder of the Company, which enabled the Company to resume trading in the shares on 15 December 2016.

GWAMC is principally engaged in non-performing asset management, investment and asset management and integrated financial services. Great Wall International is licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) financial activities under the Securities and Futures Ordinance in Hong Kong.

Looking ahead, with the robust liquidity position of the Group and GWAMC's experience in investment and financial strength, the Board will continue to develop its existing businesses, so as to provide more opportunities for the Company to develop property projects in the Mainland China, Hong Kong and overseas. Currently, Great Wall International has no intention of selling the assets of the Company and the Board is formulating development plans and strategies for the future direction of the Company's businesses, and will enhance the Company's potential long-term growth by disposal or acquisition of assets, business restructuring and diversification that are suitable to the Company and subject to the provision of the Listing Rules, review the possibility of injecting certain assets or subsidiaries/financial business of GWAMC into the Group.

## **CORPORATE GOVERNANCE**

The Board and Management are committed to upholding the Group's obligations to shareholders. We regard the promotion and protection of shareholders' interests as one of our priorities and keys to success.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Board is of the view that, throughout the year ended 31 December 2016, the Company has complied with the principles and code provisions set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), save as deviations from code provisions A.2.1, A.2.7 and F.1.2 as explained below. The Company also adheres to the recommended best practices of the Corporate Governance Code insofar as they are relevant and practicable.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanations about how the provisions of the Corporate Governance Code have been applied will be included in the Company's 2016 Annual Report.

### **Code provision A.2.1**

Mr. Ou Peng, our executive Director, was appointed as the Chairman of the Board and Chief Executive Officer of the Company with effect from 9 November 2016. The roles of Chairman and Chief Executive Officer have been performed by Mr. Ou Peng since then. Although under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the combination of the roles of chairman and chief executive officer by Mr. Ou is considered to be in the best interests of the Company and its shareholders as a whole. The Company believes that the combined roles of Mr. Ou promotes better leadership for both the Board and management and allows more focus on developing business strategies and the implementation of objectives and policies. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high-calibre individuals. The Board will review the management structure regularly and consider separating the roles of chairman and chief executive officer, if and when appropriate.

### **Code provision A.2.7**

Code provision A.2.7 stipulates that the chairman should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present. Such meeting was not held during the year ended 31 December 2016. The non-executive Directors and the independent non-executive Directors may communicate with the Chairman directly at any time to voice their opinion and share their views on the Company's affairs. The Company considers that there are sufficient channels for discussion of the Company's affairs between the Chairman and the non-executive Directors (including the independent non-executive Directors).

Mr. Ou Peng, the Chairman of the Board since 9 November 2016, will hold a meeting with the non-executive Directors (including the independent non-executive Directors) without the other executive Director(s) present in the year ending 31 December 2017 pursuant to code provision A.2.7.

### **Code provision F.1.2**

Code provision F.1.2 stipulates that the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary of the Company was dealt with by way of passing a written resolution duly signed by all the Directors in October 2016. Prior to such appointment, all Directors were consulted with no dissenting opinion on the proposed matter. It was considered that a physical Board meeting is not necessary for approving the said appointment.

### **AUDIT COMMITTEE**

The Audit Committee was established with its defined written terms of reference in 1998. The Audit Committee currently comprises two independent non-executive Directors, namely Mr. Woo Chin Wan (Chairman of the Audit Committee) and Dr. Song Ming, and a non-executive Director Mr. Huang Hu. Two meetings were held by the Audit Committee during the year. A majority of the Audit Committee members are independent non-executive Directors, with Mr. Woo Chin Wan and Dr. Song Ming possessing the appropriate professional qualifications and accounting and related financial management expertise. The audited annual results of the Company for the year ended 31 December 2016 were reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

### **REMUNERATION COMMITTEE**

The Company established a Remuneration Committee in 2000 with defined written terms of reference. The Remuneration Committee currently comprises two independent non-executive Directors, namely Dr. Song Ming (Chairman of the Remuneration Committee) and Dr. Sun Mingchun, and an executive Director, Mr. Meng Xuefeng. One meeting was held by the Remuneration Committee during the year.

### **NOMINATION COMMITTEE**

The Company established a Nomination Committee in 2005 with defined written terms of reference. The Nomination Committee currently comprises an executive Director, Mr. Ou Peng (Chairman of the Nomination Committee) and two independent non-executive Directors, namely Dr. Song Ming and Dr. Sun Mingchun. One meeting was held by the Nomination Committee during the year.

## **STRATEGY COMMITTEE**

The Strategy Committee established in 2010 with defined written terms of reference had been disbanded effective from the conclusion of the annual general meeting of the Company held on 6 June 2016.

## **COMPLIANCE WITH THE MODEL CODE AND THE COMPANY'S GUIDELINES**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors of the Company. Having made specific enquiry with all Directors, all Directors have confirmed that the required standards of the Model Code have been complied with throughout the year ended 31 December 2016 and up to the date of this announcement.

The Company has adopted written guidelines (the “**Company's Guidelines**”), which are equally stringent as the Model Code, in respect of securities transactions by relevant employees of the Company who are likely to be in possession of unpublished inside information of the Company pursuant to code provision A.6.4 of the Corporate Governance Code. No incident of non-compliance against the Model Code or the Company's Guidelines by the Company's relevant employees has been noted after making reasonable enquiry.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **FINAL DIVIDEND**

The Board has resolved not to recommend any payment of final dividend for the year ended 31 December 2016 (2015: HK\$0.15 per share).

## **ANNUAL GENERAL MEETING FOR THE YEAR 2017 (THE “2017 AGM”)**

The 2017 AGM of the Company will be held on 23 June 2017. A circular containing, among other matters, further information relating to the 2017 AGM will be dispatched to the shareholders of the Company as soon as practicable.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the eligibility of shareholders to attend and vote at the 2017 AGM to be held on Friday, 23 June 2017, the Register of Members of the Company will be closed from Monday, 19 June 2017 to Friday, 23 June 2017, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the 2017 AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 June 2017.



## **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.gwpaholdings.com](http://www.gwpaholdings.com)). The Annual Report of the Company for the year ended 31 December 2016 containing the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders and published on the websites of the Stock Exchange and the Company in due course.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this annual results announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. PricewaterhouseCoopers on this annual results announcement.

## **APPOINTMENT OF DEPUTY CHIEF EXECUTIVE OFFICER**

The Board is pleased to announce that Mr. Meng Xuefeng, currently an executive Director, has been appointed as the Deputy Chief Executive Officer of the Company with effect from 22 March 2017.

Biographical information of Mr. Meng Xuefeng includes the following:

Mr. Meng Xuefeng, aged 46, has been an executive Director and a member of the remuneration committee of the Company since 5 November 2016. Mr. Meng holds a Master degree in economics from Jinan University. From 2000 to June 2006, Mr. Meng worked in the Guangzhou office of China Great Wall Asset Management Co., Ltd. ("**GW Guangzhou Office**"), and served as deputy director of the business development department of GW Guangzhou Office from May 2005 to June 2006. From June 2006 to July 2010, Mr. Meng served as director of Guangdong Zhongchangxin Investment Management Co., Ltd.\* (廣東中長信投資管理有限公司). From July 2010 to February 2012, Mr. Meng held the position of senior deputy manager and senior manager of the assets operation department of GW Guangzhou Office. From February 2012 to March 2015, Mr. Meng served as senior manager of the intermediary business department of GW Guangzhou Office, where he also once acted as senior manager of the second intermediary business department. Since March 2015, Mr. Meng has served as senior manager of Great Wall Pan Asia International Investment Co., Limited. Mr. Meng is currently also a director of the subsidiary companies of the Company.

Mr. Meng has entered into a letter of appointment with the Company pursuant to which he was appointed as an executive Director for an initial term commencing from 5 November 2016 (the date of his appointment as a Director) and continuing until the conclusion of the third annual general meeting following last re-election unless terminated in accordance with the said letter of appointment. He is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-Laws.

As at the date of this announcement, Mr. Meng does not have any interest or short positions in any shares or underlying shares in or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Mr. Meng receives director's fees/emoluments of HK\$200,000 per annum for services provided to the Company in his capacity as an executive Director, Deputy Chief Executive Officer and a member of the remuneration committee of the Company. The emoluments of Mr. Meng are determined by the Board with reference to his duties and responsibilities with the Company and the Company's remuneration policy and are subject to review by the remuneration committee from time to time. His emoluments are covered by the letter of appointment issued by the Company and any subsequent revision approved by the Board.

Save as disclosed above, as at the date of this announcement, Mr. Meng (i) has not held any directorship in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not currently hold any other position with the Company or its subsidiaries; (iii) does not have any relationship with any other Directors, senior management, or substantial or controlling shareholders of the Company; and (iv) does not have other major appointments and professional qualifications.

Save for the information disclosed above, there is no other information of Mr. Meng that is discloseable pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there any other matters that need to be brought to the attention of the shareholders of the Company.

By Order of the Board  
**Great Wall Pan Asia Holdings Limited**  
**Ou Peng**  
*Chairman*

Hong Kong, 22 March 2017

*As at the date of this announcement, the Board consists of Mr. Ou Peng and Mr. Meng Xuefeng as executive Directors of the Company, Mr. Huang Hu and Ms. Lv Jia as non-executive Directors of the Company, and Dr. Song Ming, Dr. Sun Mingchun and Mr. Woo Chin Wan as independent non-executive Directors of the Company.*

\* *For identification purpose only*