



Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 115)

Annual Report 2016



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Ma Xuemian (*Chairman*)
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Anne
Ms. Kwok Siu Wa Alison

NON-EXECUTIVE DIRECTOR

Ms. Tsang Tsz Tung Debbie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Ms. Chui Wai Hung

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva

AUDIT COMMITTEE

Ms. Chui Wai Hung (*Chairman*)
Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong

REMUNERATION COMMITTEE

Mr. Hui Pui Wai Kimber (*Chairman*)
Mr. Liu Chaodong
Mr. Ma Xuemian
Ms. Chui Wai Hung

NOMINATION COMMITTEE

Mr. Liu Chaodong (*Chairman*)
Mr. Ma Xuemian
Ms. Chui Wai Hung

CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Xuemian (*Chairman*)
Mr. Liu Chaodong
Ms. Chui Wai Hung

AUTHORIZED REPRESENTATIVES

Ms. Chow Kwai Wa Anne
Ms. Kwok Siu Wa Alison

REGISTERED OFFICE IN BERMUDA

Codan Services Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Kowloon, Hong Kong

LEGAL ADVISER ON BERMUDA LAW

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Hong Kong

LEGAL ADVISER ON HONG KONG LAW

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PROPERTY VALUER

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Wan Chai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

PRINCIPAL BANKER

The Bank of East Asia, Limited

WEBSITE

<http://www.gfghl.com>

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Grand Field Group Holdings Limited (the "Company"), I am pleased to present the annual report of the Company (the "Annual Report") on the activities of the Company for the year ended 31 December 2016.

Last year was extraordinary for the Company. We proactively adjusted our approach and strategy for the development of the Buji project and continued to focus on engineering efficiency and cost capital management. We managed to work under the macro control environment and have continued to deliver. We established a better way to serve our communities in the Shenzhen Buji area by connecting with different business associations and various stakeholder groups to drive large-scale business initiatives, including corporate social responsibility.

The Company will continue to strive for excellence and benchmark against the first-class peers in terms of business performance and management criteria to improve the profitability and management operations. We closely monitor and strictly control the decision-making and execution process of the Group's investment in other projects. We are also in the process of adopting different measures to further strengthen risk management on our various investment operations. We will maintain our prudent financial policies and closely monitor our cash-flow situation so as to maintain a healthy financial condition.

As the Chairman, I feel enormously blessed to work for this Company with the current Board members and executives. Our management team and employees have built an exceptional organization with a strong culture in corporate governance. It has been their dedication, fortitude and perseverance that made this possible. And it fills me with tremendous pride.

Ma Xuemian

Chairman

Hong Kong, 28 March 2017

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2016, the revenue of the Company and its subsidiaries (the "Group") increased by 63% to approximately HK\$6,257,000 (2015: HK\$3,843,000).

During the year, the Group reported a net profit of approximately HK\$71,172,000, representing a decrease of HK\$851,364,000 from approximately HK\$922,536,000 last year. It was mainly attributed to substantial fair value gains from certain investment properties last year and lesser fair value gains on investment properties during the year under review.

Due to the aforesaid reason, the net profit attributable to Owners of the Company was reduced from approximately HK\$457,920,000 in 2015 to approximately HK\$19,166,000 in 2016.

BUSINESS REVIEW AND PROSPECT

Shenzhen's property market continued to gain momentum in 2016 with average prices for new and second-hand homes hitting historical high. For the Group, this means further opportunities in presales with a potential of higher sales volume. Having the Shenzhen Buji ZongKe YunDuan project obtained all the required development licenses in April 2016, the construction work is now in full swing, of which 70% of the works of excavation works and 90% of the foundation works have been completed, with the project itself expected to be officially introduced to the market in less than two years after. As more new residential projects are expected to be launched in the near future, we are hoping this will push up market sentiment and bring a positive effect to the housing market by increasing the number of transactions. With home prices still expected to soar in most Chinese cities, the completion of the Buji project will greatly enhance the Group's cash flow and profitability.

While part of our project is planned to be sold for some quick cash turnover, we also plan to build and hold on some commercial space for long-term leasing income and also as an investment to our own work, and therefore bringing value to our shareholders. At present, since our land reserve is limited to the Shenzhen Buji project, the Group is actively seeking to expand the business to different provinces and other second-tier cities in China for better bargains on land and other real estate assets. We believe an expected income growth in 2017 and an overall low gearing ratio will continue to benefit the Company.

In addition, the Company has been involved in trading business including milk-related products, frozen meats, etc. under G & H, a joint-venture company of the Company ("JV"). The turnover in 2016 was over RMB3 million. JV has also opened its branches in China and New Zealand to strengthen its sales network.

The Company has also disposed of certain properties in China for more than RMB1 million in 2016.

Management Discussion and Analysis

Furthermore, one of the company's wholly owned subsidiary has on 16th December 2016 contracted with an independent third party to sell 90% of the Group's interest in a property project in China, namely 東莞市樟木頭鎮莞樟西路 for a sum of RMB51,750,000 ("the sale of Property Project").

Besides, we are continuing our effort to mergers and acquisition deals as a way to expand into new markets and gain additional revenue streams apart from the real estate development. At the time when we witness a slowdown in the macro market, successful M&A deals offer companies the opportunities to sustainable growth. By bringing in additional product lines and expanding into new markets, these possible deals would allow our company to grow without having to build out the entire new portion of the business on our own. Business integration is a top of mind concern for us in the years to come.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's cash and cash equivalents were approximately HK\$13,439,000 (2015: HK\$11,625,000) of which most were denominated in Hong Kong Dollar ("HK\$") and Renminbi ("RMB").

The Group had total current assets of approximately HK\$174,372,000 (2015: HK\$184,401,000), and total current liabilities of approximately HK\$67,420,000 (2015: HK\$44,036,000). The Group recorded total assets of approximately HK\$1,680,830,000 (2015: HK\$1,626,671,000). At 31 December 2016, the Group's total interest-bearing borrowings amounted to approximately HK\$10,913,000 (2015: HK\$5,443,000), of which HK\$10,913,000 was repayable within 1 year (2015: HK\$5,443,000).

At 31 December 2016, all interest-bearing borrowings of the Group are denominated in RMB with principal amount of RMB9,820,000 (equivalent to approximately HK\$10,913,000) (2015: HK\$5,443,000) and such borrowings carried interest at fixed rates of from 1.5% to 2.5% per month and 10% per annum (2015: 1.5% per month).

The gearing ratio for 31 December 2016, which was defined to be current liabilities over shareholders' equity, was 10% (2015: 7%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major operations are located in the PRC and the main operational currencies are HK\$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31 December 2016, the Company's issued share capital is approximately HK\$103,285,000 and the number of its issued ordinary shares is 1,032,849,097 shares of HK\$0.10 each in issue.

Details of the movements in share capital of the Company are set out in Note 30.

CHARGE ON GROUP ASSETS

At 31 December 2016, the Group has pledged certain properties held for sale with the carrying amounts of approximately HK\$4,335,000 of its wholly-owned subsidiary for a loan with principal amount of RMB4,170,000 (equivalent to approximately HK\$4,634,000 from an independent third party, details are set out in note 21 and 26 to the consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any other material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the year ended 31 December 2016.

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in note 34 to the consolidated financial statements.

SEGMENT INFORMATION

The details of the segment information of the Group are set out in note 13 to the consolidated financial statements.

EMPLOYEES

As of the end of 2016, the Group employed 45 employees (2015: 51) and had 8 Directors (2015: 8). The total staff costs (including directors' remuneration) for the year amounted to approximately HK\$25,825,000 (2015: HK\$6,685,000). The current year's staff cost included cost for equity-settled share option arrangement of approximately HK\$19,070,000. The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered bonus based on the results of the Group and their individual performance.

Profile of Directors

Executive Directors

Mr. Ma Xuemian (“Mr. Ma”), aged 52, was elected as an executive Director and the chairman (the “Chairman”) of the Company on 2 December 2008 and 19 October 2009 respectively. He is also a member of the remuneration committee of the Company (the “Remuneration Committee”), nomination committee of the Company (the “Nomination Committee”) and the chairman of corporate governance committee of the Company (the “Corporate Governance Committee”). Mr. Ma has joined the Company since 1999 and has been responsible for the Company’s property sales and management in China since then. Mr. Ma has more than 20 years of management experiences in property management and marketing. From 1988 to 1992, he worked as a supervisor of the construction team in The Guangzhou Construction Company Limited, a subsidiary of the 3rd Guangdong Water and Electricity Bureau. He joined Ka Fong Industrial Company, Limited in 1992, which later became a subsidiary of the Company. Since then, he has served management role in various capacities including applying for government approval for development plan and construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, he served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the title deed application and property management in various projects in China. Since 2001, he is the general manager of the Company’s operation in Dongguan, the PRC. Mr. Ma is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Grand Field Group Limited, Ka Fong Industrial Company, Limited, Shing Fat Hong Limited, China Hantong Wine Group Holdings Limited and Qing Tian Hotel Management (Shenzhen) Limited, all being subsidiaries of the Company and the legal representative, general manager and chairman of Shenzhen Zongke Real Estate Co., Ltd. (a subsidiary of the Company). The letter of appointment of Mr. Ma Xuemian, the Chairman and executive Director, entered into a term of three years commencing on 1 April 2016. Mr. Ma is entitled to a Director’s fee of HK\$53,000 per month as at the date of the publication of this report.

Mr. Kwok Siu Bun (“Mr. Kwok”), aged 41, was appointed as a non-executive Director on 5 February 2010 and re-designated as an executive Director of the Company on 15 August 2011. Mr. Kwok graduated from Leonard Stern School of Business of New York University with a double major in Finance and Information Systems. He had previously worked for Deutsche Bank (New York) where he was a senior systems analyst of the Private Banking Department. In 2003, Mr. Kwok was the project manager of Visionsky Informance Science and Technology Limited, a subsidiary of Bank of China (Guangzhou). Mr. Kwok successfully implemented several data warehouse projects for the Credit Card Centre of Bank of China (Hong Kong). He had also worked in Crushpad Winery in San Francisco. Recently, he has established Tao of Wines, a wine company dedicated to introducing a wide range of wines to the Hong Kong food and beverages market. Mr. Kwok has more than 10 years of professional experience in various industries including banking, information technology and wine business. He was also appointed as a director of Grand Field Group Limited, Ka Fong Industrial Company Limited and Qing Tian Hotel Management (Shenzhen) Limited (subsidiaries of the Company) and the legal representative of Qing Tian Hotel Management (Shenzhen) Limited. Mr. Kwok’s scope of work includes: developing business and proactively looking for

Profile of Directors

investment projects and focusing on potential projects with stable efficiency and liaising with the project parties on investment cooperation at different aspects; managing investment and researching work, including setting up investment strategy and establishing investment procedures; establishing investment research team and organizing and writing investment strategy report; building good business relationship and financing channel with banks, non-banking financial institutions, securities institutions and investment funds. Mr. Kwok holds the qualifications of the Professional Diploma in the Corporate Governance and Directors by the Hong Kong Institute of Directors.

Mr. Kwok is the uncle of Mr. Tsang Yee, who is the sole shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. He is also the sibling of Ms. Kwok Siu Wa Alison, an executive Director, and the uncle of Ms. Tsang Tsz Tung, Debbie, a non-executive Director of the Company. The letter of appointment of Mr. Kwok Siu Bun, the executive Director, entered into a term of three years commencing on 1 April 2016. Mr. Kwok is entitled to a Director's fee of HK\$38,000 per month as at the date of the publication of this report.

Ms. Chow Kwai Wa Anne ("Ms. Chow"), aged 51, holds a bachelor's degree in Business Administration from Shepherd University, USA. She was the operations manager of Air Global Holdings Limited and the business director of AGE International Limited, the subsidiary of Air Global. Previously, Ms. Chow set up a branch office for Amkey Inc., USA in Singapore and served as the operations manager of the Singapore branch. Ms. Chow had also worked as the administrative cum sales director for a number of Chinese property projects and was the assistant to several senior executives of Star TV, a subsidiary of News Corporation. Ms. Chow has extensive experience in business management, sales strategic planning and overseas marketing. Ms. Chow joined the Company in November 2009 and was appointed as an executive Director in February 2010. She was the general manager of the sales and administration department of the Company, and is currently responsible for the operation management of the Company. Ms. Chow is also the director of Grand Field Property Development (Shenzhen) Company Limited, China Hantong Wine Group Holdings Limited and G & H International Holding Limited (subsidiaries of the Company), G&H INTERNATIONAL NZ LIMITED and the legal person, director and chairman of the board of directors of G & H International Supply Chain (Shenzhen) Limited* (濠康國際供應鏈(深圳)有限公司) (a subsidiary of the Company). The letter of appointment of Ms. Chow Kwai Wa Anne, the executive Director, entered into a term of three years commencing on 1 April 2016. Ms. Chow is entitled to a Director's fee of HK\$38,000 per month as at the date of the publication of this report.

* for identification purposes only

Profile of Directors

Ms. Kwok Siu Wa Alison (“Ms. Kwok”), aged 42, was appointed as an executive Director of the Company on 5 February 2010. Ms. Kwok holds a bachelor’s degree in International Business Management from Oxford Brookes University and a master’s degree in Professional Accounting from Hong Kong Polytechnic University. Ms. Kwok joined the Group in 2000 and is responsible for financial management of the Group. She has more than 10 years of experience in accounting and administrative management. Ms. Kwok was re-designated from the vice president (business development) of the Company to the finance, vice president of the Company with effect from 28 March 2014. She is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Grand Field Group Limited, Ka Fong Industrial Company, Limited, Shing Fat Hong Limited, G&H International Holding Limited, Shenzhen Zongke Real Estate Co., Ltd, Grand Field Property Development (Shenzhen) Company Limited and Qing Tian Hotel Management (Shenzhen) Limited, all of which are subsidiaries of the Company.

Ms. Kwok is the aunt of Mr. Tsang Yee, who is the sole shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. She is also the sister of Mr. Kwok Siu Bun, an executive Director, and the aunt of Ms. Tsang Tsz Tung, Debbie, a non-executive Director of the Company. The letter of appointment of Ms. Kwok Siu Wa, the executive Director, entered into a term of three years commencing on 1 April 2016. Ms. Kwok is entitled to a Director’s fee of HK\$38,000 per month as at the date of the publication of this report.

Non-executive Director

Ms. Tsang Tsz Tung Debbie (“Ms. Tsang”), aged 27, was appointed as a non-executive Director on 30 April 2014. She holds a Bachelor of Arts in English with minor in Management from The Chinese University of Hong Kong. She previously worked as a communications coordinator in the Asia Pacific Regional Office of Deloitte Touche Tohmatsu Limited, and is currently the business development and marketing director of Aspire Group International Limited. Ms. Tsang is the sister of Mr. Tsang Yee, the owners of Rhenfield Development Corp., which is a substantial shareholder of the Company. Ms. Tsang is also the niece of Ms. Kwok Siu Wa Alison and Mr. Kwok Siu Bun, executive Directors. The letter of appointment of Ms. Tsang Tsz Tung Debbie, the non-executive Director, has been renewed for a further term of one year commencing on 1 April 2017. Ms. Tsang is entitled to a Director’s fee of HK\$20,000 per month as at the date of the publication of this report.

Profile of Directors

Independent Non-executive Directors

Mr. Hui Pui Wai Kimber (“Mr. Hui”), aged 46, was appointed as an independent non-executive Director on 15 April 2014, and is also a member of the audit committee of the Company (the “Audit Committee”) and the chairman of the Remuneration Committee. Mr. Hui holds a Bachelor of Arts Degree majoring in Economics and Political Science from The University of New South Wales in Australia. He has over 20 years’ experience in the marketing industry. Mr. Hui was the independent non-executive Director of the Company from 1999 to 2008. The letter of appointment of Mr. Hui Pui Wai Kimber, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2017. Mr. Hui is entitled to a Director’s fee of HK\$10,000 per month as at the date of the publication of this report.

Mr. Liu Chaodong (“Mr. Liu”), aged 48, was appointed as an independent non-executive Director on 25 August 2009, and is also a member of the Audit Committee, Remuneration Committee and Corporate Governance Committee and the chairman of the Nomination Committee. Mr. Liu has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from Anhui Jianghuai Vocational University, the PRC, majoring in financial accounting. In 2006, he graduated from Huazhong University of Science and Technology, the PRC, majoring in legal studies. Mr. Liu served as the chief accountant in Blue Star New Chemical Materials Co., Ltd. from 1991 to 1994 and a department manager in Zhonglei Certified Public Accountants Co., Ltd. from 1994 to 1997. Mr. Liu is currently the deputy general manager of Foshan Branch of Ruihua Certified Public Accountants (LLP). The letter of appointment of Mr. Liu Chaodong, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2017. Mr. Liu is entitled to a Director’s fee of HK\$10,000 per month as at the date of the publication of this report.

Ms. Chui Wai Hung (“Ms. Chui”), aged 49, was appointed as an independent non-executive Director on 21 September 2010, and is also a member of the Remuneration Committee, Nomination Committee and Corporate Governance Committee and the chairman of the Audit Committee. Ms. Chui is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. She holds a bachelor’s degree in business administration from the Chinese University of Hong Kong. From 1996 to 2002, Ms. Chui joined Wing Lee Holding Limited (a company listed on the Stock Exchange) as group financial controller, and was then promoted to finance director and company secretary. She once worked as a financial controller in a telecommunications equipment company, a company listed on the Stock Exchange. Ms. Chui is the directors of several companies of a private group which is principally engaged in investment holding and providing financial advisory services. Ms. Chui has over 20 years of experience in accounting, auditing and financial management. The letter of appointment of Ms. Chui Wai Hung, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2017. Ms. Chui is entitled to a Director’s fee of HK\$10,000 per month as at the date of the publication of this report.

Corporate Governance Report

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "CG Code") during the year ended 31 December 2016 except for the following deviations:

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

During the year ended 31 December 2016, the role of the Chairman is performed by Mr. Ma Xuemian but the office of the chief executive is vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2016.

Corporate Governance Report

BOARD OF DIRECTORS

As at the date of the publication of this annual report, the Board comprises a total of eight Directors, of whom four are executive Directors, one is non-executive Director and three are independent non-executive Directors, and at least one of the independent non-executive Directors have appropriate professional qualifications to comply with Rules 3.10(1) and (2) of the Listing Rules. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders of the Company (the "Shareholders").

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

Save as disclosed in the section of "Profile of Directors", there is no financial, business, family or other material/relevant relationship among the members of the Board.

During the year ended 31 December 2016, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

Corporate Governance Report

During the year ended 31 December 2016, 6 Board meetings and 1 general meeting were held. The attendance records of each Director at such meetings are set out below:

Directors	Attendance/ Number of General Meetings entitled to attend	Attendance/ Number of Board Meetings entitled to attend
Executive Directors:		
Mr. Ma Xuemian (<i>Chairman</i>)	1/1	6/6
Mr. Kwok Siu Bun	1/1	5/6
Ms. Chow Kwai Wa Anne	1/1	6/6
Ms. Kwok Siu Wa Alison	1/1	6/6
Non-executive Director:		
Ms. Tsang Tsz Tung Debbie	0/1	6/6
Independent non-executive Directors:		
Mr. Hui Pui Wai Kimber	0/1	5/6
Mr. Liu Chaodong	0/1	5/6
Ms. Chui Wai Hung	1/1	6/6

Minutes of the meetings of Board/committee members would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the chairman of the meetings. Minutes of the Board meetings are kept by the company secretary of the Company and shall be open for inspection by Directors. Minutes of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee are kept by the secretary of these four committees. Where Directors have a material or conflict of interests in any transaction the matter would not be dealt with by way of written resolutions and a Board meeting would be held. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

Corporate Governance Report

CONTINUING PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31 December 2016, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Topics on training covered

Directors

(Note)

Executive Directors:

Mr. Ma Xuemian (<i>Chairman</i>)	(b)
Mr. Kwok Siu Bun	(b)
Ms. Chow Kwai Wa Anne	(a)
Ms. Kwok Siu Wa Alison	(a)

Non-executive Director:

Ms. Tsang Tsz Tung Debbie	(b) (c)
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Independent non-executive Directors:

Mr. Hui Pui Wai Kimber	(b) (c)
Mr. Liu Chaodong	(c)
Ms. Chui Wai Hung	(a) (c)

Note:

- (a) corporate governance
- (b) regulatory
- (c) finance

Corporate Governance Report

CHAIRMAN AND THE CHIEF EXECUTIVE

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

During the year ended 31 December 2016, the role of the Chairman was performed by Mr. Ma Xuemian but the office of the CEO was vacated upon the resignation of Mr. Chen Mudong as the CEO on 15 April 2011. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term.

The non-executive Director, namely Ms. Tsang Tsz Tung Debbie and each of independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2016 to 31 March 2017.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Company complied the code provision A.2.7 of the CG Code that the Chairman met the non-executive Director and the independent non-executive Directors without the present of the executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 26 September 2005 with the latest written terms of reference adopted on 28 March 2012 in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Remuneration Committee is available on the Stock Exchange and the Company's websites.

Corporate Governance Report

As at 31 December 2016, the Remuneration Committee comprised one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber (chairman of the Remuneration Committee), Mr. Liu Chaodong and Ms. Chui Wai Hung.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his associates is involved in deciding his own remuneration and advising the Shareholders on how to vote with respect to any service contracts of the Directors that requires the Shareholders' approval.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

The Remuneration Committee held one meeting during the year ended 31 December 2016 to review the remuneration of the Directors and senior management. The attendance record of the meeting is as follows:

Members	Attendance
REMUNERATION COMMITTEE	
Mr. Hui Pui Wai Kimber (<i>Chairman</i>)	1/1
Mr. Liu Chaodong	1/1
Mr. Ma Xuemian	1/1
Ms. Chui Wai Hung	1/1

AUDIT COMMITTEE

The Audit Committee was established on 4 August 1999 with written terms of reference with the requirement stipulated in the CG Code. The latest terms of reference of the Audit Committee were adopted on 31 December 2015 and are available on the Stock Exchange and the Company's websites.

Corporate Governance Report

As at 31 December 2016, the Audit Committee comprised three independent non-executive Directors, namely Ms. Chui Wai Hung (chairman of the Audit Committee), Mr. Hui Pui Wai Kimber and Mr. Liu Chaodong.

Its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, the internal audit function, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement.

The Audit Committee held two meetings during the year ended 31 December 2016 to consider the audited consolidated financial statements for the year ended 31 December 2015 and the unaudited consolidated financial statements for the six months ended 30 June 2016, to review with the management of the Company, the accounting principles and practices adopted by the Group, to review the effectiveness of the internal audit function, internal control and risk management system of the Company. The attendance records of the meetings are as follow:

Members	Attendance
AUDIT COMMITTEE	
Ms. Chui Wai Hung (<i>Chairman</i>)	2/2
Mr. Hui Pui Wai Kimber	2/2
Mr. Liu Chaodong	1/2

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2016, with external auditor. There were no disagreements from the auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

NOMINATION OF DIRECTORS

In accordance with the bye-laws of the Company (the "Bye-laws"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Apart from that, nomination of Directors is determined by the Board with approvals by the Shareholders in general meeting. In addition, a resolution was passed by the then sole Shareholder on 20 May 1999, which resolved to set the maximum number of Directors at 15.

Corporate Governance Report

Notwithstanding the above, in the High Court judgment (the “Judgment”) handed down on 12 August 2009, paragraph 39 states that Bye-law 113 of the Bye-laws empowers the Company in general meeting to increase the number of Directors beyond the 1999 maximum simply by voting on specified candidates as additional Directors. Paragraph 41 of the Judgment further states that in contrast the Board’s ability to vote on additional Directors is explicitly limited by any prevailing maximum which the Company in general meeting has expressly or impliedly determined.

NOMINATION COMMITTEE

The Nomination Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Nomination Committee was revised on 1 September 2013 and is available on the Stock Exchange and the Company’s websites.

As at 31 December 2016, the Nomination Committee comprised one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Nomination Committee) and Ms. Chui Wai Hung.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the board diversity policy of the Company (the “Board Diversity Policy”). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Corporate Governance Report

In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- (A) at least one-third of the members of the Board shall be independent non-executive directors;
- (B) at least one of the members of the Board shall have obtained accounting or other professional qualifications;
- (C) the members of the Board shall comprise professionals from both mainland China and Hong Kong.

The Board has achieved the measurable objectives under Board Diversity Policy for the year ended 31 December 2016.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

The Nomination Committee held one meeting during the year ended 31 December 2016 to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and assess the Board Diversity Policy. The attendance record of the meeting is as follows:

Members	Attendance
NOMINATION COMMITTEE	
Mr. Liu Chaodong (<i>Chairman</i>)	1/1
Mr. Ma Xuemian	1/1
Ms. Chui Wai Hung	1/1

Corporate Governance Report

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established on 28 March 2012 with the latest written terms of reference adopted on 28 March 2012 in compliance with the requirement stipulated in the CG Code.

As at 31 December 2016, the Corporate Governance Committee comprised one executive Director, namely Mr. Ma Xuemian (chairman of the Corporate Governance Committee) and two independent non-executive Directors, namely Mr. Liu Chaodong and Ms. Chui Wai Hung.

The principal responsibilities of the Corporate Governance Committee include developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The Corporate Governance Committee held one meeting during the year ended 31 December 2016 to review policies and practices of the Group relating to the CG Code. The attendance record of the meeting is as follows:

Members	Attendance
CORPORATE GOVERNANCE COMMITTEE	
Mr. Ma Xuemian (<i>Chairman</i>)	1/1
Mr. Liu Chaodong	1/1
Ms. Chui Wai Hung	1/1

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the interests of the Company and the Shareholders as a whole. However, the Group's risk management and internal control systems were formulated to manage instead of eliminating all the risk exposure of the Group, it can only provide reasonable, but not absolute, assurance against material misstatements or losses.

The Group established an Enterprise Risk Management (the "ERM") framework to implement effective risk management. The ERM framework mainly comprises of two parts: (1) risk management structure and (2) risk management process.

Risk Management Structure

Board of Directors

The Board plays an important role in the Group's risk management and internal control systems. The Board is responsible for establishing the ERM framework and risk management policies, which aims at assessing and evaluating the Group's business strategies and defining risk tolerance. The Board, with assistance from the Audit Committee, continuously monitors and reviews the effectiveness of the risk management and internal control systems at least once a year.

Audit Committee

The Audit Committee stands at the highest level of the risk management and internal control systems below the Board, responsible for providing suggestion and support in respect of all risk matters to the Board, including monitoring the implementation of the risk management processes, reviewing the Group's risk register, reviewing and approving the internal control review plans and results.

Corporate Governance Committee

The Corporate Governance Committee assists Audit Committee in discharge of its oversight responsibility over the risk management and internal control systems of the Group. It is accountable to the Audit Committee on all the matters relating to risk management and internal control. Its duties include developing risk management and internal control policies for Audit Committee's review; assisting Audit Committee to review the effectiveness of the Group's risk management and internal control systems regularly; reporting to the Audit Committee the identified risks; evaluating risks and internal control measure to mitigate the risks; reporting to the Audit Committee the significant internal control deficiencies; and providing guidance to the management in setting risk management and internal control objectives and formulating internal control policies and procedures.

Corporate Governance Report

Management

The management of the Group (the “Management”) is responsible for identifying and continuously monitoring the strategy, operation and finance, reporting and compliance risks in daily operation, and reporting the risks and their changes to the Board and the Audit Committee. The Management also formulates various internal control measures to mitigate the risks and rectify internal control deficiencies they identified in a timely manner.

The Group has in place policies and guidelines which are zealously implemented by the management of the Group so as to ensure that the Group has the ability to:

- (i) carry on its business in an orderly and efficient manner;
- (ii) safeguard the Group’s and the clients’ assets;
- (iii) maintain proper records and the reliability of financial and other information used within and published by the Group;
- (iv) prevent and detect potential fraud; and
- (v) comply with all applicable laws and regulatory requirements.

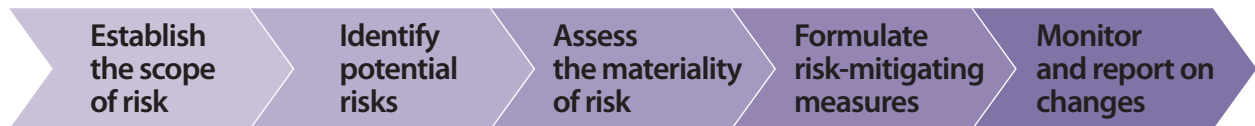
Third-party Professional Internal Control Advisor

To ensure the independence of internal control review, the Group has outsourced the internal audit function to an independent internal control advisor (the “Internal Control Adviser”). The scope of work includes reviewing the Group’s risk management procedures and the effectiveness of the Group’s internal control system. The Internal Control Advisor formulates the internal control review plan based on risk assessment and approval from the Audit Committee, and will report the review result to the Audit Committee directly.

Corporate Governance Report

Risk Management Process

The ERM framework defines the Group's procedures of identifying, assessing, responding and monitoring the risk and their changes. The Group regularly discuss with each operating functions in order to promote risk management to each department, such that all staff could understand and report risks timely, thus strengthening the Group's capability of risk management.



In the course of risk identification, the management liaises with each operating function to collect significant risk factors, which are material to the Group in various aspects such as strategy, operation and finance, reporting and compliance in a bottom up approach. After identifying all relevant risks for the basis of risk assessment, the management determines the materiality of risk based on its potential impact and possibility, formulates internal control measures for each material risk, and continuously monitors and reports on changes of the risk.

Main Features of the Risk Management and Internal Control Systems

Maintaining an effective internal control system (management level)

- Clear internal control policies and procedures are in place, with definite the responsibility, authority and accountability for each department and function;
- Code of conduct for employees has been established to convey to the employees the Group's requirement on integrity and ethic;
- A whistle-blowing system is available to encourage employees to report suspected events of misconduct or fraud;
- Appropriate access to the information system has been assigned to avoid leaking price-sensitive information; and
- Establish insider information disclosure policy, including reporting channel and responsible person of disclosure, unified response to external enquiries and obtain advice from professional financial advisors or the Stock Exchange, if necessary.

Corporate Governance Report

During the current financial year, the Board reviewed the effectiveness of its internal control policies and processes, including those for financial reporting and in compliance with the requirements of the Listing Rules. During the evaluation of the effectiveness of risk management and internal control systems, the Board considered the adequacy of resources, staff qualifications and experience, training programmes for employees and relevant budget of its accounting, internal audit and financial reporting functions.

Ongoing monitor of risks (risk management level)

Based on the ERM framework and risk management policies set up by the Board, the management liaises with each operating function to collect significant risk factors which is material to the Group in a bottom-up approach and continues to monitor the change in risks. The Group has put in place a risk register to record identified risks and evaluates the potential impact and possibility of each major risk on the Group to set up relevant internal control measures.

During the current financial year, the management has conducted evaluation on the risk management structure and processes and submitted a risk assessment report with an 3-years internal control review plan to the Board and the Audit Committee. It enabled the Board and the Audit Committee to monitor the major risks of the Group effectively and understand how the management respond to and mitigate those risks.

Independent review

The Group has appointed the Internal Control Advisor to conduct an internal control review¹ for the year, the scope has covered the period from 1 January 2016 to 31 December 2016. An internal control review report has been provided to Audit Committee.

The Management has established remediation and improvement plan for internal control weakness identified. The Internal Control Advisor has also reported the outcome of the internal control review to the Audit Committee. Nothing has come to the Audit Committee's or the Board's attention to believe that the risk management and internal control systems of the Group are inadequate or ineffective.

¹ The internal control review performed by the Internal Control Adviser does not constitute an assurance engagement made in accordance with Hong Kong Standards or Auditing Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

Major Risks of the Group and Their Changes

The major risks of the Group and their changes are set out below:

Risk	Description	Internal control measures	Change
Delay in project progress	Failure by the Group to complete any project on schedule may incur extra costs to us and may delay the collection of receivables. It may increase the funding pressure, finance cost and uncertainties in funding of the Group.	Adequate communication with contractors to keep abreast of the progress of relevant projects to identify and address any potential issues as soon as possible. Regular site visits by engineers of the Group to update themselves on the progress of the projects.	Decreasing
Funding	Failure by the Group to obtain required funding on reasonable terms or at all may have adverse effect on the progress or profitability of our projects.	Payment methods with greater flexibility being agreed with suppliers/contractors. To add and to diversify our sources of financing to minimize our cost of funding.	Decreasing
Subcontracting	the Group relies on third party contractors for the provision of quality services. Failure by contractors to proceed projects to their completion on time and on budget may incur extra cost to the Group.	Conduct strict assessment and follow due tender procedures in selecting contractors. Our project manager and legal staff would review the terms of a subcontracting agreement to ensure the duty and responsibility of each party therein are clearly defined and stated. To evaluate and update performance by contractors on regular basis to ensure their service standards meets the Group's requirements.	Decreasing

Corporate Governance Report



Risk	Description	Internal control measures	Change
Natural disasters	<p>Mishandling by the Group in any emergency situations triggered by natural disasters (e.g. fire, electric shock, traffic accident etc.) or epidemic outbreaks may lead to substantial/numerous claims and liabilities against the Group and damage to our reputation, in addition to human casualties and direct losses on assets.</p>	<p>Put in place various contingency plans and strategies and with designated persons-in-charge to deal with specific risks, and conduct of regular disaster drills.</p> <p>Periodic checks on equipment for emergency and regular inspections would be conducted so that any source of severe hazards could be identified as early as possible.</p> <p>Maintain third party liability insurance to diversify our risk exposure and review the scope and amount insured regularly.</p>	No change
Occupational health and safety	<p>Failure by the Group to put in place appropriate emergency equipment, formulate and oversee the implementation of various safety procedures that result in injuries of our employees in work may incur liability to the Group against any compensation, give adverse effect to our reputation and cause an outflow of talents.</p>	<p>Put in place various work safety procedures, strictly observe and implement precautionary measures for all duties and procedures that are hazardous in nature. Designated persons would be appointed to oversee the implementation of such measures.</p> <p>Provide training on safety and raise the awareness of our employees (and on-site workers of contractors) on occupational safety.</p> <p>Conduct regular inspection on safety equipment to ensure they are in good working conditions.</p>	No change

Corporate Governance Report

Risk	Description	Internal control measures	Change
Relevant politics, policies and regulations on real estate	Changes of relevant politics, policies and regulations on real estate may affect market demand. Meanwhile, in the event of non-compliance of the Group with relevant regulatory and governing requirements, such as those on environmental matters, licensing, etc., the Group may incur losses due to penalty, suspension or interruption of operation	Actively monitor changes of laws and regulations associated with the business of the Group. Consult legal staff or legal advisors to ensure the Group's compliance with policy, regulatory and governing requirements.	No change

ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2016, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;
- selected and applied consistently appropriate accounting policies;
- made judgments and estimates that are prudent and reasonable; and
- prepared the accounts on a going concern basis. The Directors, having made appropriate enquiries, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board is accountable to the Shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Corporate Governance Report

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2016.

EXTERNAL AUDITOR

ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was appointed as the auditor of the Company to fill the casual vacancy following the resignation of ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI") with effect from 24 January 2014, and to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by ZHONGHUI.

The auditor's responsibility is to form an independent opinion based on their audit results on the Company's consolidated financial statements and to report their opinion to the Company, as a body, and for no other purposes. The auditor of the Company do not assume responsibilities towards or accept liability to any other person for the contents of the report of auditor.

The auditor's remuneration for the provision of annual audit services of approximately HK\$350,000 was charged to the Group's consolidated income statement for the year ended 31 December 2016 (2015: HK\$740,000), and the auditor's remuneration for the provision of non-audit services of approximately HK\$160,000 was charged to the Group's consolidated income statement for the year ended 31 December 2016 (2015: HK\$170,000).

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to the Shareholders and investors for the performance of the Company. Enquiries and suggestions from the Shareholders or investors are welcomed, and enquires from the Shareholders may be put to the Board through the following channels to the Company:

1. By mail to the Company's principal place of business at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong;
2. By telephone at telephone number (852) 2380 1330;
3. By fax at fax number (852) 2380 1996; or
4. By email at gfgadmin@gf115.net.

Corporate Governance Report

The Company uses a number of formal communication channels to account to the Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for the Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed and on a regular basis information of the Group to the Shareholders through the publication of interim and annual reports and/or dispatching circular, notices, and other announcements.

The Company strives to take into consideration the Shareholders' views and inputs, and address the Shareholders' concerns. The Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairman as well as chairmen of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, or in their absence, the Directors are available to answer the Shareholders' questions on the Group's businesses at the meeting.

All Shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by the Shareholders. According to Bye-Law 65 of the Bye-laws and the Companies Act 1981 of Bermuda, the directors of a company, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

Corporate Governance Report

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, the Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

The Board has established a shareholder communication policy on 28 March 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (<http://www.gfghl.com>) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY

The company secretary of the Company, Ms. Lam Yuen Ling Eva, is delegated by an external service provider. The external service provider's primary contact person at the Company is Ms. Chow Kwai Wa Anne, the executive Director.

On behalf of the Board

Ma Xuemian

Chairman

Hong Kong, 28 March 2017

Directors' Report

The Directors submit herewith their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 20 to the consolidated financial statements. There have been no significant changes in the nature of the Group's principal activities during the year.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue made from the five largest customers of the Group was approximately 59% (2015: approximately 62%) of the Group's turnover, before deducting sales return of properties, for the year ended 31 December 2016.

Revenue made to the Group's largest customers accounted for approximately 25% (2015: approximately 21%) of the Group's total turnover for the year ended 31 December 2016.

Purchases made from the five largest suppliers of the Group was approximately 88% of the Group's total purchases for the current year and purchases from the Group's largest supplier accounted for approximately 44% of the Group's total purchases for the year.

At no time during the year under review, the Directors, their associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the five major customers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2016 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 62 to 139.

TRANSFER TO RESERVES

The profit attributable to the Shareholders of approximately HK\$19,166,000 (2015: HK\$457,920,000) has been transferred to reserves. Other movements in reserve are set out in page 66 of this annual report.

Directors' Report

DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2016 (2015: nil). No interim dividend was declared for the six months ended 30 June 2016 (2015: nil).

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a profit of approximately HK\$150,371,000 (2015: HK\$1,259,950,000), which has been credited directly to the consolidated income statement. The deferred tax arising from the revaluation amounted is approximately HK\$37,592,000 in 2016 (2015: HK\$311,672,000). Details of the revaluation are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 15 and 16 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The emolument policy of the employees of the Group is determined on the basis of their merits, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually.

The Company has adopted a share option scheme on 21 June 2016 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2016 and up to the date of this report are:

Executive Directors:

Mr. Ma Xuemian (*Chairman*)

Mr. Kwok Siu Bun

Ms. Chow Kwai Wa Anne

Ms. Kwok Siu Wa Alison

Non-executive Director:

Ms. Tsang Tsz Tung Debbie

Independent non-executive Directors:

Mr. Hui Pui Wai Kimber

Mr. Liu Chaodong

Ms. Chui Wai Hung

Pursuant to Bye-law 111(A), Ms. Chow Kwai Wa Anne, Ms. Tsang Tsz Tung Debbie and Mr. Hui Pui Wai Kimber will retire at the forthcoming annual general meeting (the "AGM"). The said Directors, being eligible for re-election, will offer themselves for re-election at the AGM.

The Board has received annual confirmations of independence from each of the three independent non-executive Directors, and as at the date of this report still considers them independent.

Biographical details of the Directors are set out on pages 7 to 10 of this annual report.

Directors' Report

DIRECTORS' APPOINTMENT LETTERS

Each of the executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Anne and Ms. Kwok Siu Wa Alison have entered into an appointment letter with the Company for a term of three years from 1 April 2016 to 31 March 2019. The non-executive Director, namely Ms. Tsang Tsz Tung Debbie; and each of the independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2017 to 31 March 2018.

None of the Directors proposed for re-election at the AGM has an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Share options in the Company

The Company has conditionally adopted the Share Option Scheme on 21 June 2016 under which the eligible persons may be granted options to subscribe for the Company's shares. The purpose of the Share Option Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

Eligible person under the Share Option Scheme include (collectively "Eligible Persons"):

- (i) any directors (whether executive or non-executive and whether independent or not) and any employees (whether full time or part time) of the Group (collectively "Employees");
- (ii) any consultants or advisers (in the areas of legal, technical, financial or corporate managerial) of the Group or any invested entity (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to the Group or any invested entity; any customer of the Group or any invested entity; or any holder of securities issued by any member of the Group or any invested entity (collectively "Business Associates"); and

Directors' Report

- (iii) any other person, who at the sole discretion of the Board, has contributed to the Group (the assessment criteria of which are (1) such person's contribution to the development and performance of the Group; (2) the quality of work performed by such person for the Group; (3) the initiative and commitment of such person in performing his or her duties; (4) the length of service or contribution of such person to the Group; and (5) such other factors as considered to be applicable by the Board).

The principal terms of the Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 21 June 2016 and remains in force until 20 June 2026. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant.

Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 21 days from the date of grant. The exercise period of any option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares of the Company in issue as at the date of approval of the Share Option Scheme. The Board may seek approval by the Shareholders at general meeting to refresh the 10% limit. However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances must not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment of the 10% limit.

Directors' Report

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant. The maximum number of shares in respect of which options may be granted to each substantial Shareholder or independent non-executive Director shall not exceed an aggregate value (based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant) of HK\$5 million and 0.1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

As at the date of this report, the total number of shares available for issue upon exercise of all outstanding options granted and yet to be exercised under the old share option scheme and the Share Option Scheme was 232,191,550, representing approximately 22.5% of the issued share capital of the Company.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 21 June 2016.

Details of the share options movements during the year ended 31 December 2016 under both the old share option scheme and the Share Option Scheme are as follows:

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Exercise Period	Number of share options					Balance as at 31.12.2016
				Balance as at 01.01.2016	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	
Directors									
Ma Xuemian	02/05/2014 (Note 1)	0.470	02/05/2014 – 01/05/2017	4,530,258	–	–	–	–	4,530,258
	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	8,805,478	–	–	–	8,805,478
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	893,486	–	–	–	893,486
Kwok Siu Bun	02/05/2014 (Note 1)	0.470	02/05/2014 – 01/05/2017	3,026,896	–	–	–	–	3,026,896
	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	7,415,139	–	–	–	7,415,139
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	2,283,825	–	–	–	2,283,825
Chow Kwai Wa Anne	02/05/2014 (Note 1)	0.470	02/05/2014 – 01/05/2017	2,726,896	–	–	–	–	2,726,896
	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	7,415,139	–	–	–	7,415,139
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	2,283,825	–	–	–	2,283,825
Kwok Siu Wa Alison	02/05/2014 (Note 1)	0.470	02/05/2014 – 01/05/2017	2,026,896	–	–	–	–	2,026,896
	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	7,415,139	–	–	–	7,415,139
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	2,283,825	–	–	–	2,283,825

Directors' Report

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Exercise Period	Number of share options					
				Balance as at 01.01.2016	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31.12.2016
Tsang Tsz Tung Debbie	02/05/2014 (Note 1)	0.470	02/05/2014 – 01/05/2017	3,523,534	–	–	–	–	3,523,534
	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	6,488,247	–	–	–	6,488,247
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	3,210,717	–	–	–	3,210,717
Hui Pui Wai Kimber	02/05/2014 (Note 1)	0.470	02/05/2014 – 01/05/2017	1,510,086	–	–	–	–	1,510,086
	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	2,780,677	–	–	–	2,780,677
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	1,000,000	–	–	–	1,000,000
Liu Chaodong	02/05/2014 (Note 1)	0.470	02/05/2014 – 01/05/2017	1,510,086	–	–	–	–	1,510,086
	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	2,780,677	–	–	–	2,780,677
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	1,000,000	–	–	–	1,000,000
Chui Wai Hung	02/05/2014 (Note 1)	0.470	02/05/2014 – 01/05/2017	1,510,086	–	–	–	–	1,510,086
	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	2,780,677	–	–	–	2,780,677
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	1,000,000	–	–	–	1,000,000
Subtotal				20,364,738	59,836,851	–	–	–	80,201,589
Beneficial Owner of the Substantial Shareholder									
Tsang Yee	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	7,415,139	–	–	–	7,415,139
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	2,283,825	–	–	–	2,283,825
Other Employees									
In aggregate	02/05/2014 (Note 1)	0.470	02/05/2014 – 01/05/2017	22,147,928	–	–	–	–	22,147,928
	06/05/2016 (Note 2)	0.363	06/05/2016 – 05/05/2019	–	39,392,927	–	–	–	39,392,927
	16/11/2016 (Note 3)	0.255	16/11/2016 – 15/11/2019	–	80,750,142	–	–	–	80,750,142
Total				42,512,666	189,678,884	–	–	–	232,191,550

Notes:

1. The closing price of the shares immediately before 2 May 2014, on which those options were granted, was HK\$0.470.
2. The closing price of the shares immediately before 6 May 2016, on which those options were granted, was HK\$0.330.
3. The closing price of the shares immediately before 16 November 2016, on which those options were granted, was HK\$0.255.

Information on the accounting policy and the value of options granted is provided in note 3 and note 10 to the consolidated financial statements.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of Directors	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Total	Total interests as percentage of the issued share capital
Ma Xuemian	Beneficial Owner	–	14,229,222(L) (Note 1)	14,229,222(L)	1.38%
Kwok Siu Bun	Beneficial Owner	1,000,000(L)	12,725,860(L) (Note 1)	13,725,860(L)	1.33%
Chow Kwai Wa Anne	Beneficial Owner	1,300,000(L)	12,425,860(L) (Note 1)	13,725,860(L)	1.33%
Kwok Siu Wa Alison	Beneficial Owner	2,000,000(L)	11,725,860(L) (Note 1)	13,725,860(L)	1.33%
Tsang Tsz Tung Debbie	Beneficial Owner	–	13,222,498(L) (Note 1)	13,222,498(L)	1.28%
Hui Pui Wai Kimber	Beneficial Owner	–	5,290,763(L) (Note 1)	5,290,763(L)	0.51%
Liu Chaodong	Beneficial Owner	–	5,290,763(L) (Note 1)	5,290,763(L)	0.51%
Chui Wai Hung	Beneficial Owner	–	5,290,763(L) (Note 1)	5,290,763(L)	0.51%

(L): Long position

Note:

- These shares represent the share options granted by the Company on 2 May 2014, 6 May 2016 and 16 November 2016 under the share option scheme.

Directors' Report

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the consolidated financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2016, other than the interests disclosed above in respect of certain Directors, so far as is known to the Directors, the following parties (other than the Directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity/ Nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Rhenfield Development Corp. (Note 1)	Beneficial Owner	165,564,529	16.03%
Tsang Yee	Beneficial Owner (Note 2)	9,698,964	0.94%
	Interest in Controlled Corporation (Note 1)	165,564,529	16.03%
Green Continent Global Limited	Beneficial Owner	67,212,000	6.51%

Notes:

- Rhenfield Development Corp. is owned by Mr. Tsang Yee who is deemed to be interested in 165,564,529 shares of the Company pursuant to the Part XV of the SFO.
- 7,415,139 shares and 2,283,825 shares represent the share options granted to Mr. Tsang Yee by the Company under the old share option scheme and the Share Option Scheme on 6 May 2016 and 16 November 2016 respectively.

Directors' Report

MANAGEMENT CONTRACTS

The Company and G&H International Holding Limited (the "G&H"), a Hong Kong subsidiary of the Company, entered into a management services agreement on 15 August 2016. The Company provided the management services for or in respect of G&H, including assigning directors to manage the business of G&H, and any mutual agreed management services requested by G&H from time to time. The agreement shall continue for a term of one year and shall be automatically renewed from year to year, unless notice of termination is given by either party one month prior to the then expiration date.

COMPETING INTERESTS

As at 31 December 2016, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out on page 140. This summary does not form part of the audited consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in note 26 to the consolidated financial statements.

Directors' Report

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

During the year ended 31 December 2016, the Company totally issued 75,780,770 new shares, the details are as follows:–

Nature	No. of shares
Remuneration shares (Note 1)	12,828,125
Subscription shares (Note 2)	<u>62,952,645</u>
Total:	<u><u>75,780,770</u></u>

Notes:

1. On 26 April 2016, the Company entered into the agreement, pursuant to which the legal adviser of the Company, Simon Ho & Co., had agreed with the Company to settle the outstanding professional fees of HK\$4,105,000 by the issuance and allotment of 12,828,125 remuneration shares to Mr. Wong Vai Nang, the sole proprietor of the legal adviser of the Company at an issue price of HK\$0.320 per remuneration share. The remuneration shares have been issued and allotted on 6 May 2016. Details were set out in the announcements of the Company dated 26 April 2016 and 6 May 2016.
2. On 21 November 2016, the Company entered into the subscription agreements with Ms. Yuan Guo Ying and Mr. Lin Xin Hua (the "Subscribers") respectively pursuant to which the Company has conditionally agreed to allot and issue, and each of the Subscribers has conditionally agreed to subscribe for, an aggregate of 62,952,645 subscription shares at the subscription price of HK\$0.2154 per subscription share. The allotment of new shares was completed on 30 November 2016. The net proceeds from the subscriptions of approximately HK\$13,510,000 were allocated as general working capital of the Group. Details were set out in the announcements of the Company dated 21 November 2016 and 30 November 2016.

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

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.

Directors' Report

COMPLIANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2016 except the deviation stated in the Corporate Governance Report on pages 11 to 30.

EVENTS AFTER THE REPORTING PERIOD

Allotment of New Shares

On 12 January 2017, the Company entered into the subscription agreements with Mr. Xin Zailian ("Mr. Xin") and Mr. Chen Guoqin ("Mr. Chen") respectively pursuant to which the Company has conditionally agreed to allot and issue, and each of the Mr. Xin and Mr. Chen has conditionally agreed to subscribe for, an aggregate of 90,468,877 shares at the subscription price of HK\$0.27 per subscription share. The allotment of new shares was completed on 19 January 2017. The net proceeds from the subscriptions of approximately HK\$24,426,597 were intended to be used for general working capital and future development of the Group. Details were set out in the announcements of the Company dated 13 January 2017 and 19 January 2017.

On 12 January 2017, the Company entered into the agreement, pursuant to which the legal adviser of the Company, Simon Ho & Co., had agreed with the Company to settle the outstanding professional fees of HK\$3,500,000 by the issuance and allotment of 12,962,963 remuneration shares to Mr. Wong Vai Nang, the sole proprietor of the legal adviser of the Company at an issue price of HK\$0.27 per remuneration share. The remuneration shares have been issued and allotted on 19 January 2017. Details were set out in the announcements of the Company dated 13 January 2017 and 19 January 2017.

Major and Connected Transaction

On 24 February 2017, the Company, Surplus Full Development Limited (a wholly-owned subsidiary of the Company) and Mr. Tsang Wai Lun Wayland and Ms. Tsang Tsz Nok Aleen (the "Vendors") entered into the conditional sale and purchase agreement in relation to the acquisition of the entire share capital of Intra Asia Limited, pursuant to which the Vendors have conditionally agreed to sell and Surplus Full Development Limited has conditionally agreed to purchase 100% of the issued share capital of Intra Asia Limited at the consideration of HK\$207,000,000.

A special general meeting will be convened and held for the Shareholders to consider, and if thought fit, approve, among other matters, the agreement, the acquisition and the transactions contemplated.

A circular containing, among other things, (i) further details of the acquisition and the transactions contemplated; (ii) recommendation of the independent board committee; (iii) letter of advice from the independent financial adviser; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the special general meeting and a form of proxy will be dispatched to the Shareholders in due course.

For details, please refer to the announcements dated 24 February 2017 and 24 March 2017 of the Company.

Directors' Report

Sale of property project

On 16th December 2016, a wholly owned subsidiary of the Company contracted with an independent third party to sell 90% of the Group's interest in a property project in China, namely, 東莞市樟木頭鎮莞樟西路 for a sum of RMB51,750,000 ("the sale of Property Project").

As at the date of approval of the consolidated financial statements of the Company, the sale of Property Project is still in progress and not yet completed pending fulfillment of certain conditions precedent and completion conditions.

AUDITOR

ZHONGHUI was appointed as the auditor of the Company with effect from 24 January 2014 to fill the casual vacancy following the resignation of ZHONGLEI, and was re-appointed to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements of the Group for the years ended 31 December 2013, 2014, 2015 and 2016 were audited by ZHONGHUI.

ZHONGHUI will retire at the conclusion of the AGM and being eligible, offer itself for re-appointment at the AGM. A resolution for the re-appointment of ZHONGHUI as the auditor of the Company will be proposed at the AGM.

On behalf of the Board

Ma Xuemian

Chairman

Hong Kong, 28 March 2017

Environmental, Social and Governance Report

ABOUT THIS REPORT

Grand Field Group Holdings Limited (“Grand Field” or the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in (i) property development; (ii) property investment; and (iii) general trading.

This report is our first Environmental, Social and Governance Report (the “Report”). Unless otherwise stated, this report is aimed at disclosing the overall approach, strategy and performance of the sustainable development of our property development segment. The report period covers from 1 January 2016 to 31 December 2016. Property development involves building design and development, construction of buildings and infrastructure.

In preparing this report, we have reported the performance in respect of Environmental, Social and Governance in compliance with the disclosure requirement of ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

We have always adhered to the spirit of “People-oriented”, hoping to make contribution to creating a harmonious society. As a responsible social corporation, we insist on finding a cooperative development model by integrating the elements of sustainable development in to our daily operation. For enhancing the Group’s effort on corporate social responsibility, we welcome your opinions on this report and our sustainable development. Please feel free to send your opinions to gfgadmin@gf115.net.

Environmental, Social and Governance Report

ABOUT GRAND FIELD

Overview of Main Project

The Zongke Cloud Project (“Zongke Cloud”), our major project, is located at the intersection of Xi Huan Lu and Nan Huan Zhong Lu, Buji Sub-district, Longgang District, Shenzhen and is undergoing pile foundation work. The project occupies an area of approximately 23,000 square metres with a gross floor area of approximately 180,000 square metres and a capacity building area of approximately 98,000 square metres and has commenced construction in March 2016. The project under plan comprises of five buildings, including two residential buildings, two hotel and office complexes and one apartment building. The zone is intended to be developed into a shopping mall to establish a mature comprehensive community. As the Zongke Cloud Project is still in the preliminary stage of development, this report will focus on discussion of the environmental and social impact of the construction of the Zongke Cloud Project.

Community Construction

The project is located in the south of Xihuan Road, Buji Sub-district, Longgang District, Luohu North, Shenzhen, which is the intersection of the three core districts of Shenzhen. The project is neighbours Culture Exhibition Palace (文博宮), Yinhu Hill, Fenghuang Hill and the Qingshuihe International Logistics Park which is under construction, a mature zone with comprehensive supporting facilities. The project is conveniently situated between Shenzhen East Railway Station and Caopu Station and close to the Qingping Expressway with various public transportation to other key areas in the city, such as Luoho District, Futian District and Nanshan District. Since the expansion of Shenzhen Special Economic Zone in 2010, the gateway in Longgang District has been removed to bring enormous opportunities to the region, where properties in proximity to the central business district enjoy very high occupancy and appreciation potential. We intend to develop an integrated business and residential area with the Zongke Cloud Project as the future high-end urban complex landmark in the north of Luohu, Shenzhen. It shall contribute to local economic development, offer convenience to the public, facilitate urbanisation, consumption growth and employment and provide improved services to the public.

Corporate Philosophy and Culture

Grand Field Group Holdings Limited adheres to the idea of “optimising the utilisation of talents and resources”, the spirit of “integrity, practicality, adventure and contribution” and the principle of “improving public utilities based on real property development and building an outstanding brand with advanced technology”. It incorporates social responsibilities into its operation and is committed to the provision of the best real property products and services as the basis of promoting corporate social responsibilities.

Environmental, Social and Governance Report

STAKEHOLDERS' PARTICIPATION

We put a great emphasis on stakeholders' participation, an integral part of our business operation. We have always been engaged in communication with stakeholders through various channels to understand and balance the needs and expectations of stakeholders from different sectors, which help us reach responsible and sustainable decisions. Our key stakeholders include employees, customers, shareholders and investors, suppliers, local government and community.

HUMAN RESOURCES

As of 31 December 2016, we have in total 53 employees¹ in Mainland China and Hong Kong, including 8 directors and 45 employees (including 29 male employees and 24 female employees. All staff member is a full-time employee.

Recruiting talents

We conduct open recruitment in a fair, equal and meritocratic manner. Through the recruitment process, we aim to build a talented workforce to occupy our workplace. The recruitment process is conducted in consistent procedures in strict compliance with the structure and quota specified by the Group: (i) the Group publishes recruitment particulars; (ii) candidates fill in the form of application, accompanied by work experience summary, qualification certificates and reference letters from previous employers; (iii) interview and written test, assessment, opinion approval, which is submitted to executive directors for approval in respect of managerial positions; (iv) the management reviews and approves the selection. In the course of recruitment, we do not take into consideration gender, age and factors irrelevant to the assessment criteria. Based on meritocracy, we offer opportunities to talented candidates to grow with us together.

Retaining talents

The Group's success is attributed to our outstanding workforce. Thus, we have always been pursuing the goal of providing benefits and training to employees, building a diverse, equal and comfortable workplace, sharing the achievements of the Group with employees and growing together with the Group. We are always committed to attracting and retaining talents to keep pace with business expansion and diversification. In accordance with the requirements of the "Labour Law of the PRC", we offer reasonable remuneration and benefits to the employees in Mainland China and organise annual body check for them, combined with contributions to five social insurances (pension, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance) and house provident fund (Five Insurances and One Fund). Employees are entitled to paid leaves, such as annual leave, sick leave, marriage leave, and telecommunication allowance. Employees based in the Hong Kong office are entitled to benefits such as the mandatory provident fund, annual leave, paid leave, double pay. In addition, we have put in a place a comprehensive remuneration mechanism and performance assessment mechanism and implemented an annual review and promotion system to determine salary increment and year-end bonus based on performance. Department heads conduct annual assessment on the performance and development of employees and interview for the purpose of remuneration adjustment or promotion to retain talents in a competitive labour market. All issue in respect of remuneration, dismissal, working hours, holidays, etc., is expressly stipulated in the "Collective System" of the Company. We aim to provide a fair mechanism with distinct criteria for reward and punishment so the employees may realise their potential and demonstrate their strengths.

¹ Includes all employees of the Group.

Environmental, Social and Governance Report

Equal Opportunity and Labour Practice

We believe that a harmonious, equal and tolerant environment is particularly essential to the development of the Group. Thus, the Group expressly stipulates that any form of discrimination and exclusion based on gender, race, religious belief, political affiliation, sexual orientation, position, nationality and age is prohibited, thereby creating an equal and harmonious workplace. Moreover, the Group makes it clear that employees are required to join hands in maintaining a healthy and safe work environment which is free of sexual harassment or other acts of violence, intimidation, forced labour and child labour. In light of this, employees are guaranteed a safe and comfortable work environment. During the reporting period, there was no incident of child labour and forced labour in the Group.

Occupational Health and Safety

The Group recognises the importance of health and safety of employees. We believe that a safe and comfortable work environment is one of the most crucial factors of employee protection. We organise fire drill and fire safety talk at our office premise every year, in which fire officers of the fire services department explain fire safety knowledge and arrange fire drill to enhance employees' awareness and knowledge of fire safety.

In the course of construction, we strictly require contractors to be responsible for the safety of workers. The terms of our contract with contractors require them to comply with standards and requirements in relation to safe production and civilized construction in construction works; implement safe and civilized construction measures and solutions; provide necessary facilities and protection equipment for safe and civilized construction; set up safety signs; equip site workers with essential safety protection and labor protection items; and offer safety education to site workers so as to avoid injury, death and other safety accidents.

Environmental, Social and Governance Report

Employee Training and Development

We consider employees the most valuable asset to the Group and our success is attributed to the professional knowledge and skills of the employees. Therefore, the Group encourages employees to participate in training programmes hosted by external and internal organisations for continuous improvement and demonstrate their strengths. We insist on the idea of co-development for both employees and the Group and allocate resources to training to improve the skillset and knowledge of the employees and boost the sustainability of business development of the Group.

During the reporting period, employees of the Group took part in many practical training programmes, including:

- Directors and Officers Liabilities Seminar
- 2016 Guangdong Province Youth of Civilization Entity Leadership Programme
- “Data Mining for Gold” Essentials of Corporate Technology Scouting Course
- Shenzhen Buji Sub-district Youth Creative Entrepreneurship Course
- Shenzhen Patriotism Education and Practical Activity for Next Generation Businessman in the Private Sector

Culture of Integrity

The Group has zero tolerance to corruption and bribery, extortion, fraud and money laundering. The Group expressly stipulates that when discharging duties, employees are prohibited to request, offer, deliver or receive any kind of gift, accommodation, rebate, bribery or other inappropriate benefit for the benefit of themselves or any third party. A “monitoring and reporting system” has been established for employees to report non-compliance with the laws and regulations and relevant requirements of the system of the Group and violating matters in the course of operation and management within the Group to the senior management through phone calls, letters, e-mails and reporting in person. The Group will assign dedicated staff (executive directors) to handle the reports and charges of non-compliance with laws and regulations or misconduct of other staff members in the course of operation and management. Reported information and condition obtained and accessed from within the Company are timely handled. Dedicated staff receiving the report shall maintain confidentiality in respect of the reporter and reported matters. The implementation of reporting work relies on the employees and facilitate them on peer monitoring and assessment in an efficient manner. The Group also maintain strict confidentiality on the reported information. When the reported proves to be true, offenders will be subject to disciplinary actions. In the event that the reporter helps the Company recover or reduce losses, dedicated staff will propose a reward package for the Board’s approval, which is in turn granted to the reporter as a recognition.

Environmental, Social and Governance Report

SUPPLY CHAIN MANAGEMENT

In the construction period, we have to select a contractor for the construction works. In accordance with the tendering system, we set up a tender committee and conducted research on the background, industry reputation and overall standard of construction companies from various places. We invited tenders from more than 20 qualified companies, from which a few were selected by the tender committee for further negotiation. Through site visits to study the work-in-progress of the companies, a qualified company was appointed as the contractor of the construction and two companies were selected as the backup.

Through continuous assessment, the Group ensures that the contractor arranges, manages and supervises its overall workforce in a precise manner and understands its duties and responsibilities. Moreover, the Group requires the contractor to provide appropriate instructions and regular training to the staff members. Only qualified, well-trained, skilful and experienced staff members are allowed to work at the construction site. We uphold strict measures to achieve outstanding quality and create a safe work environment for employees at the same time. Moreover, the terms of our contract with contractors expressly state that in accordance with relevant provisions of the Labour Law and the Labour Contract Law, the contractor shall execute a labour contract with the workers employed; contribute to the social insurance; provide labour protection in compliance with national requirements; clarify labour compensations; and make timely payment of labour compensations, such as wage, in full. If the outsourcing party or the supervising engineer discovers any site worker employed by the contractor without executing a labour contract in the construction site, it should be considered a breach on the part of the contractor and it shall be liable for the breach of professional undertaking.

The Group strives to implement the best environmental and social practices and expects cooperating business partners to do the same to treat their employees fairly, protect the environment and observe disciplinary regulations. We compiled the "Code of Conduct of Suppliers", covering requirements in various aspects such as environmental protection, health and safety, morality, law and regulation compliance. It expressly stipulates our basic requirements for business partners to impact the supply chain in a positive way. Suppliers are required to sign and accept the "Code of Conduct of Suppliers".

Environmental, Social and Governance Report

PRODUCT RESPONSIBILITY

Zongke Cloud

While Zongke Cloud is still under construction, during the development stage of the Zongke Cloud project, we had conducted comprehensive environmental impact assessment and put in place a soil and water conservation scheme and an energy saving assessment report for the project, and had received, inter alia, the Property Development Enterprise Qualification Certificate, Construction Project Planning Permit and the Construction Land Planning Permit. As to supplier selection, we had sent invitations to various construction companies with appropriate qualifications to submit tenders for the selection of contractor in strict compliance with the Requirements on Tender (招標制度). In the course of construction, we actively monitor the construction workers to improve product quality. We assign internal engineers to conduct daily inspection and review and improve construction safety and quality every week to ensure the quality of product provided to customers. In addition, we set out in the contract that contractors shall carry out works in accordance with relevant standards, regulations, layout requirement and orders of the supervising engineer and be subject to the inspection of the supervising engineer at any time. In case of substandard construction quality, the contractor shall demolish the works and start over until the required standard is met. Upon completion, we will conduct acceptance inspection. With regard to construction quality, the contractor also expressly states in the contract that both parties enter into a defect warranty for construction quality in accordance with the "Construction Law of the People's Republic of China", "Regulation on the Quality Management of Construction Projects" and "Regulations of Shenzhen Special Economic Zone on the Quality of Construction Works". During the term of the defect warranty, the contractor is responsible for any defect in construction quality in accordance with relevant requirements and as agreed by both parties. The scope of warranty includes groundworks, main structure, waterproof works on the roof, hygiene facilities/rooms with waterproof requirements, leakage prevention works on the outer surface, electricity connection works, water supply and drainage works, installation works, heat and air-conditioning system works, decorative and renovation works, etc.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION

Sustainable Operation

As a responsible corporation, the Group had outlined its environmental protection policy and launched a series of control measures to reduce consumption of energy and water, emission of greenhouse gas and waste from daily operation. Some of the measures implemented under the environmental protection policy were set out below:

- Use signage in pantries and washrooms to remind people to save water;
- Regular check of our water supply pipeline to ensure the absence of any leakage problems and thus reduce any waste in water;
- Water supply system to close down during holidays and at night time;
- To separate and classify different types of wastes and to identify appropriate waste recycling operators for waste recycle and reuse;
- To promote the conduct of business in paperless and electronic forms to reduce the use of paper in the office environment;
- To reduce use of paper by encouraging printing and photocopying on both sides;
- Any additions to office equipment and supplies should be justified with actual requirements and quantity being used;
- Signage next to power switches to remind people to save electricity in office towers;
- Purchase of energy saving equipment to improve energy efficiency;
- Encourage use of telephone or mail over business travel for energy saving purpose.

By the establishment of day-to-day practice and habits, we envisage to instil a stronger sense of environmental protection into our employees, to achieve reduced consumption and waste of energy and resources, hence creating a green working environment and benefiting the environment.

Environmental, Social and Governance Report

Sustainable Construction

We recognize the importance of climate change and environmental protection to sustainable development. From the stage of project development to project construction, we strived to promote environmentally-friendly architectural design, demolition and construction. In addition, we actively communicated with the affected neighbouring communities by carrying out public survey to obtain opinion and feedback from the neighbouring communities, with a view to minimizing the impact caused to neighbouring residents and the environment.

Nevertheless, construction work causes inevitable impact on the environment, including noise pollution, air pollution, sewage discharge and treatment of solid waste. We have adopted a series of measures to reduce the impact of the construction work caused to the environment and the nearby communities.

Noise

During the earthmoving period, noise comes mainly from excavators, bulldozers and loaders. In strict compliance with Regulation of Noise Control of Construction Work in Shenzhen (《深圳市建築施工噪聲管理規定》) (SH No. [2000]93) and Environmental Quality Standard for Noise (《聲環境質量標準》) (GB3096-2008), the construction time of work is scheduled between 7 a.m. and 11 p.m. Meanwhile, we have certain noise and vibration dampening measures in place against noisy equipment. For example, we prefer to use less noisy equipment and install noise barriers at sensitive location of the surrounding area, ensuring that the noise from the project boundary and sensitive location of the surrounding area will meet the corresponding threshold standard and thus mitigating impact on the neighbouring residents.

Air

The major air pollutants of earthmoving work are nitrogen dioxide, particulates and dust. Since the project is located in a district classified as Category 2 district for environmental air, it strictly observes the Level 2 Standard of Ambient Air Quality Standards (GB3095-2012). During the earthmoving period, a 3m-height fencing barrier is erected along the boundary of the construction site and roads are paved for the construction work. Moreover, the construction site and access road are sprinkled regularly in order to moisturize the ground. Transportation vehicles should be covered with tarpaulin while car-washing pool is set beside the main gate near the construction site. In addition, discarded earth fillings not used for earthmoving work or removed will be stored at a temporary fill while fencing and covering measures will be adopted to contain the dust and particulates at an acceptable level.

Environmental, Social and Governance Report

Sewage

Sewage from our projects will be treated at the Sewage Treatment Plant of Buji, which complies with the Class III standards for the second time phase specified in Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB44/26-2001). Particulates are the major pollutant of the construction waste water produced from the washing of construction site, transportation vehicles and equipment and the process of grouting. In this regard, the washing venue of construction machinery and equipment is equipped with a ground sink which is connected to temporary grease trap and sedimentation tank. After precipitation, the treated sewage will be used for ground sprinkling and plant watering in order to reduce water consumption. In addition, muddy water produced from construction work and sludge produced from punching and piling is not allowed to discharge without treatment. Rainwater with silt and muddy water is discharged after precipitation in the sedimentation tank. This can remove the floating substance and reduce the silt content of the sewage in order to avoid clogged drain and maintain a good drainage.

After a pre-treatment in the simplified septic of the construction camp site to meet the Class III standards for the second time phase specified in Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB44/26-2001) of local standard in Guangdong Province, the domestic sewage produced by construction workers will be imported to a municipal pipe network for further treatment at the Sewage Treatment Plant of Buji.

Solid Waste

In the construction period of the project, the major solid waste was spoil, construction waste and domestic waste. The project strictly observes regulations such as "Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC", "Measures on Implementation of Administrative Licensing for Controlled Waste Treatment of Guangdong Province", "Regulations on the Implementation by Shenzhen Special Economic Zone of Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC".

1. Spoil waste is generally transported to the municipal sludge and spoil collection site in Shenzhen in a timely manner to avoid environmental pollution;
2. Domestic waste generated from the project is placed at the waste deposit point, which is in turn collected by the environment and health department and handled by the municipal waste disposal and transportation system;
3. General construction waste is subject to sorted collection and recycled and reused as far as possible. Non-reusable waste is transported to the municipal sludge and spoil collection site in a timely manner.

Environmental, Social and Governance Report

Third Party Testings

In the course of earthworks, as a prevention for damage to the surrounding buildings and environment, we engaged a third-party supervisor to test the surroundings of the building to ensure that the base remained stable. Furthermore, we compiled a weekly report to present relevant conditions.

CARE FOR NEIGHBORHOOD COMMUNITIES

We understand that it is inevitable for the construction process to cause inconvenience to the neighborhoods, and we hope to take our responsibility through communication with the representatives from neighborhood community and adopt proper measures to mitigate the inconvenience affecting the community.

Prior to the commencement of the Zongke Cloud Project, we conducted a public survey in relation to the impact of project expansion within the influenced area, targeting schools and residents close to the area. Thirty individual surveys and three group surveys were distributed, with a response rate of 100%, respectively.

Pursuant to the requirements under the Temporary Methods of Public Participation for Environmental Impact Assessment (previous known as the State Environmental Protection Administration, by notice No. 28 2006)), public participation is mainly realized by means of posting environmental notice of constructions and distributing public surveys, all of which are in compliance with the relevant procedure requirements of public participation with legitimacy. The primary form of on-site survey is that dedicated staff members from the construction unit distribute questionnaires to different group of people at the survey point and give a detailed explanation to the public on the basic condition and potential environmental impact of the project. Results suggest that most participants gave no negative feedbacks about the project.

SOCIAL CONTRIBUTIONS

The Group attaches great importance to the education and development of the next generation. During the reporting period, our employees took part in the Shin Yat education fund raising walk event organised by Hong Kong Shin Yat Tong Moral Association, which started from Ma On Shan City Park and ended at the floating restaurant outside City One Shatin. The walk event and donations supported charitable organisations to raise funds for schools in impoverished regions to improve the learning environment and facilities for the students so the next generation may receive education in a better environment and grow happily. In addition, we participated in "Cookies Run 2016" in Tai Po Waterfront Park organised by MegaLife. The run raised fund for Caring for Children Foundation to improve the living standard of children in remote mountainous area. We hope to participate in more meaningful events in different ways with a view to paying back the society and helping those in need in the future.

Environmental, Social and Governance Report

REFERENCES TO “HKEX ESG REPORTING GUIDE”

A. Environmental		Sections/ statement	Pages
Aspect A1: Emissions	<p><i>General Disclosure</i></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>	Sustainable operation Sustainability	51-54
Aspect A2: Use of Resources	<p><i>General Disclosure</i></p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Remarks: Resources for production, storage, transportation, building, electrical appliances, etc.</p>	Sustainable operation Sustainability	51-54
Aspect A3: The Environment and Natural Resources	<p><i>General Disclosure</i></p> <p>Policies on minimizing the issuer’s significant impact on the environment and natural resources.</p>	Sustainable operation Sustainable construction	51-54

Environmental, Social and Governance Report

B.	Social	Sections/ statement	Pages
Employment and Labor Practices			
Aspect B1: Employment	<p><i>General Disclosure</i></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Recruiting and retaining talents and equal opportunity and Labour Practice	46-47
Aspect B2: Health and Safety	<p><i>General Disclosure</i></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Occupational Health and Safety	47
Aspect B3: Development and Training	<p><i>General Disclosure</i></p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	Employee Training and Development	48
Aspect B4: Labor Standards	<p><i>General Disclosure</i></p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.</p>	Equal Opportunity and labour Practice	47

Environmental, Social and Governance Report

B. Social		Sections/ statement	Pages
Operating Practices			
Aspect B5: Supply Chain Management	<i>General Disclosure</i> Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	49
Aspect B6: Product Responsibility	<i>General Disclosure</i> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product Liability	50
Aspect B7: Anti-corruption	<i>General Disclosure</i> Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Clean Culture	48
Community			
Aspect B8: Community Investment	<i>General Disclosure</i> Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Care for Neighborhood Communities Social Contributions	54

Independent Auditor's Report



中匯
ZHONGHUI

**TO THE SHAREHOLDERS OF
GRAND FIELD GROUP HOLDINGS LIMITED**

鈞濠集團有限公司

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 139, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

Investment properties

Refer to Note 16 to the consolidated financial statements

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK\$1,472,252,000 as at 31 December 2016 and the fair value gain of approximately HK\$150,371,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Independent Auditor's Report

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Ngan Hing Hon

Audit Engagement Director

Practising Certificate Number P05294

Hong Kong, 28 March 2017

Consolidated Income Statement

For the year ended 31 December 2016



	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	7	6,257	3,843
Cost of revenue		(4,189)	(1,946)
Gross profit		2,068	1,897
Other revenue	7	632	198
Other gains and losses	7	150,371	1,259,908
Selling and distribution costs		(850)	(254)
Administrative expenses		(41,509)	(34,228)
Profit from operations		110,712	1,227,521
Finance cost	8	(2,006)	(2,117)
Gain on settlement of convertible bonds		–	632
Profit before tax		108,706	1,226,036
Income tax expense	9	(37,534)	(303,500)
Profit for the year	10	71,172	922,536
Attributable to:			
Owners of the Company		19,166	457,920
Non-controlling interests		52,006	464,616
		71,172	922,536
Earnings per share	12		
Basic (HK cents per share)		1.97	50.68
Diluted (HK cents per share)		1.97	50.68

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Profit for the year	10	<u>71,172</u>	<u>922,536</u>
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(92,348)</u>	<u>(62,929)</u>
Total comprehensive (loss)/income for the year		<u><u>(21,176)</u></u>	<u><u>859,607</u></u>
Attributable to:			
Owners of the Company		<u>(29,604)</u>	424,338
Non-controlling interests		<u>8,428</u>	<u>435,269</u>
		<u><u>(21,176)</u></u>	<u><u>859,607</u></u>

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	15	13,844	15,855
Investment properties	16	1,472,252	1,404,349
Prepaid premium for land leases	17	12,392	13,648
Properties for sale under development	18	556	597
Deferred tax assets	29	7,414	7,821
		<u>1,506,458</u>	<u>1,442,270</u>
Current assets			
Inventories	19	501	3,567
Properties for sale under development	18	118,655	126,432
Properties for sale	21	28,361	31,092
Other receivables, deposits and prepayments	22	13,250	11,449
Amount due from a director	23	81	145
Tax recoverable		85	91
Cash and cash equivalents	24	13,439	11,625
		<u>174,372</u>	<u>184,401</u>
Current liabilities			
Trade and other payables	25	55,294	37,838
Interest-bearing borrowings	26	10,913	5,443
Obligation under finance lease due within one year	27	61	178
Amounts due to directors	28	824	261
Amount due to a shareholder	28	111	–
Tax payable		217	316
		<u>67,420</u>	<u>44,036</u>
Net current assets		<u>106,952</u>	<u>140,365</u>
Total assets less current liabilities		<u>1,613,410</u>	<u>1,582,635</u>

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current liabilities			
Obligation under finance lease due after one year	27	–	61
Deferred tax liabilities	29	<u>317,163</u>	<u>302,143</u>
		<u>317,163</u>	<u>302,204</u>
NET ASSETS		<u><u>1,296,247</u></u>	<u><u>1,280,431</u></u>
Capital and reserves			
Share capital	30	<u>103,285</u>	95,707
Reserves		<u>581,027</u>	<u>581,217</u>
Equity attributable to owners of the Company		<u>684,312</u>	676,924
Non-controlling interests		<u>611,935</u>	<u>603,507</u>
TOTAL EQUITY		<u><u>1,296,247</u></u>	<u><u>1,280,431</u></u>

Approved by:

Ma Xuemian
Director

Kwok Siu Wa, Alison
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Share option reserve	Special reserve	Capital reserve	Exchange reserve	(Accumulated losses)/ retained profit			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	76,589	288,796	7,963	(2,215)	7,859	86,820	(274,573)	191,239	167,438	358,677
Profit for the year	-	-	-	-	-	-	457,920	457,920	464,616	922,536
Other comprehensive (loss) for the year	-	-	-	-	-	(33,582)	-	(33,582)	(29,347)	(62,929)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(33,582)	457,920	424,338	435,269	859,607
Capital injection from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	800	800
Issue of new shares	5,868	16,430	-	-	-	-	-	22,298	-	22,298
Issue of shares for settlement of professional fee	1,603	3,425	-	-	-	-	-	5,028	-	5,028
Issue of shares for settlement of convertible bonds	8,519	20,870	-	-	(7,859)	-	1,797	23,327	-	23,327
Issue of shares for settlement of interest-bearing borrowings	2,346	4,671	-	-	-	-	-	7,017	-	7,017
Exercise of share options	782	4,144	(1,249)	-	-	-	-	3,677	-	3,677
At 31 December 2015	<u>95,707</u>	<u>338,336</u>	<u>6,714</u>	<u>(2,215)</u>	<u>-</u>	<u>53,238</u>	<u>185,144</u>	<u>676,924</u>	<u>603,507</u>	<u>1,280,431</u>
At 1 January 2016	95,707	338,336	6,714	(2,215)	-	53,238	185,144	676,924	603,507	1,280,431
Profit for the year	-	-	-	-	-	-	19,166	19,166	52,006	71,172
Other comprehensive loss for the year	-	-	-	-	-	(48,770)	-	(48,770)	(43,578)	(92,348)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(48,770)	19,166	(29,604)	8,428	(21,176)
Issue of new shares	6,295	7,265	-	-	-	-	-	13,560	-	13,560
Issue of shares for settlement of professional fee	1,283	3,079	-	-	-	-	-	4,362	-	4,362
Equity-settled share option arrangements	-	-	19,070	-	-	-	-	19,070	-	19,070
At 31 December 2016	<u>103,285</u>	<u>348,680</u>	<u>25,784</u>	<u>(2,215)</u>	<u>-</u>	<u>4,468</u>	<u>204,310</u>	<u>684,312</u>	<u>611,935</u>	<u>1,296,247</u>

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities		
Profit before tax	108,706	1,226,036
Adjustments for:		
Amortisation of prepaid premium for land leases	334	9,120
Depreciation	1,161	2,818
Fair value gain on investment properties	(150,371)	(1,259,950)
Loss on disposal of property, plant and equipment	–	42
Interest income	(28)	(20)
Interest expenses	2,006	2,117
Gain on settlement of convertible bonds	–	(632)
Equity-settled share option arrangements	19,070	–
Issue of shares for settlement of professional fee	4,362	5,028
Operating cash flows before working capital changes	(14,760)	(15,441)
Change in inventories	3,066	(2,658)
Change in completed properties held for sale and properties for sale under development	2,731	(600)
Change in other receivables, deposits and prepayments	(1,801)	2,980
Change in amount due from a director	64	(27)
Change in trade and other payables	17,456	(1,749)
Change in amounts due to directors	563	–
Change in amount due to a shareholder	111	–
Cash generated from/(used in) operations	7,430	(17,495)
Interest received	28	20
Net cash flows generated from/(used in) operating activities	7,458	(17,475)
Cash flows from investing activities		
Purchase of property, plant and equipment	(180)	(3,206)
Proceeds from disposal of property, plant and equipment	–	21
Additional costs of investment properties	(21,285)	–
Net cash flows used in investing activities	(21,465)	(3,185)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Cash flows from financing activities		
Interest paid	(1,999)	(2,606)
New interest-bearing borrowings raised	5,470	5,443
Repayment of interest-bearing borrowings	–	(5,534)
Capital injection from non-controlling interest of a subsidiary	–	800
Repayment of obligation under a finance lease	(185)	(185)
Placing of shares	13,560	22,298
Share option exercised	–	3,677
Net cash flows generated from financing activities	16,846	23,893
Net increase in cash and cash equivalents	2,839	3,233
Effect of foreign exchange rate changes	(1,025)	(882)
Cash and cash equivalents at beginning of year	11,625	9,274
Cash and cash equivalents at end of year	13,439	11,625
Analysis of cash and cash equivalents		
Bank and cash balances	13,439	11,625

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

Grand Field Group Holdings Limited (the "Company") is a company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 1004B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are investment holding, property development, property investment and property management. Details of the principal activities of its subsidiaries are set out in Note 20 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Statement of compliance *(Continued)*

These consolidated financial statements have been prepared under the historical cost basis except that certain properties are measured at fair values. These consolidated financial statements are presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group ("Management") to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Land and buildings	2.5% over the lease term whichever is shorter
Furniture, fixtures and equipment	20%
Leasehold improvement	20-33.3%
Motor vehicles	20%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

If a property held for sale becomes an investment property, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Leases

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

(ii) Finance leases *(Continued)*

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Properties for sale

Properties for sale are measured at the lower of cost and net realisable value. Cost includes costs of land, development expenditure incurred, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments *(Continued)*

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand and demand deposits with banks and other financial institutions. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(a) Sale of properties and general trading

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Rental income from operating leases

Rental income, including rentals invoices in advance from properties under operating leases, is recognised on a straight-line basis over the term of the lease.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Pension obligations (Continued)

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investment properties, completed properties held of sale and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

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

(a) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2016 at their fair value of approximately HK\$1,472,252,000 (2015: HK\$1,404,349,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

(b) Determination of net realisable value of prepaid premium for land lease, properties under development and completed properties held for sale

The Company assesses the carrying amounts of prepaid premium for land lease, properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for prepaid premium for land lease and properties under development is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price on prevailing market conditions, less applicable variable selling expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Land Appreciation Taxes

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the Group has not finalised its Land Appreciation Tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these Land Appreciation Taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

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For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include other receivables and deposits, amount due from a director, cash and cash equivalents, trade and other payables, interest-bearing borrowings, and amount(s) due to directors. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(a) Credit risk

The Group is exposed to credit risk in relation to its loan and other receivables, and cash deposits with banks.

The Group is subject to the credit risk from the recoverability of loan and other receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk in relation to loan and other receivables is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables are set out in Notes 22 to the consolidated financial statements.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

In the management of liquidity risk, the Directors monitor and maintain a level of bank balances deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activities such as obtaining of new borrowings.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

At 31 December 2016

	Less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
Trade and other payables	48,114	-	-	48,114	48,114
Interest-bearing borrowings	8,472	3,574	-	12,046	10,913
Obligation under finance lease	62	-	-	62	61
Amounts due to directors	876	-	-	876	824
Amount due to a shareholder	123	-	-	123	111
	<u>57,647</u>	<u>3,574</u>	<u>-</u>	<u>61,221</u>	<u>60,023</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

At 31 December 2015

	Less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
Trade and other payables	29,605	–	–	29,605	29,605
Interest-bearing borrowings	6,015	–	–	6,015	5,443
Obligation under finance lease	185	62	–	247	239
Amounts due to directors	261	–	–	261	261
	<u>36,066</u>	<u>62</u>	<u>–</u>	<u>36,128</u>	<u>35,548</u>

(c) Interest rate risk

The Directors consider the Group's exposure to fair value interest rate risk in relation to interest-bearing bank deposits and interest-bearing borrowings is not significant. The interest rate and repayment terms of the interest-bearing borrowings outstanding at the year end are disclosed in Note 26 to the consolidated financial statements.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's loss for the year to a reasonable change in the interest rate is assessed to be immaterial.

(d) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments at 31 December

	2016 HK\$'000	2015 HK\$'000
Financial assets:		
<i>Current assets</i>		
Loans and receivables		
(including cash and cash equivalents)		
– Financial assets included		
in other receivables and deposits	12,355	10,011
– Amount due from a director	81	145
– Cash and cash equivalents	13,439	11,625
	<u>25,875</u>	<u>21,781</u>
Financial liabilities:		
<i>Current liabilities</i>		
Financial liabilities measured at amortised cost		
– Financial liabilities included in trade and		
other payables	48,114	29,605
– Interest-bearing borrowings	10,913	5,443
– Amounts due to directors	824	261
– Amount due to a shareholder	111	–
	<u>59,962</u>	<u>35,309</u>

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Notes to the Consolidated Financial Statements

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6. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy:

As at 31 December 2016

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2016 HK\$'000
Recurring fair value measurements:				
Assets				
Investment properties				
Completed – PRC	–	38,740	–	38,740
Investment properties under development – PRC	–	–	1,433,512	1,433,512
	–	38,740	1,433,512	1,472,252

As at 31 December 2015

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2015 HK\$'000
Recurring fair value measurements:				
Assets				
Investment properties				
Completed – PRC	–	41,600	–	41,600
Investment properties under development – PRC	–	–	1,362,749	1,362,749
	–	41,600	1,362,749	1,404,349

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties under construction
	HK\$'000
At 1 January 2015	–
Transfer from prepaid premium for land leases	177,272
Fair value gain on investment properties under development (#)	1,246,687
Exchange differences	<u>(61,210)</u>
At 31 December 2015	<u>1,362,749</u>
 (#) Include gains or losses for assets held at end of reporting period	 <u>1,246,687</u>
 At 1 January 2016	 1,362,749
Additions	21,285
Fair value gain on investment properties under development (#)	150,371
Exchange differences	<u>(100,893)</u>
At 31 December 2016	<u>1,433,512</u>
 (#) Include gains or losses for assets held at end of reporting period	 <u>150,371</u>

The fair value gain on investment properties under development are presented in other gains and losses in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. FAIR VALUE MEASUREMENTS (Continued)

- (c) One of the Group's executive director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The executive director reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2016 HK\$'000	Fair value 2015 HK\$'000
Assets				
Investment properties– completed– PRC	Market comparable approach	Price per square metre	38,740	41,600

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 HK\$'000	Fair value 2015 HK\$'000
Assets						
Investment properties – under development – PRC	Residual value method	Price per square metre	Commercial RMB22,500 to RMB140,000	Increase	1,433,512	1,362,749
			Office RMB38,000			
			Serviced Office Apartment RMB38,000			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

7. REVENUE, OTHER REVENUE AND OTHER GAINS AND LOSSES

The principal activities of the Group are property development, property investment and general trading.

Revenue represents the aggregate of net amounts received and receivable for completed properties held for sale and goods sold by the Group to outside customers and property rental income for the years ended, and is analysed as follows:

	2016	2015
	HK\$'000	HK\$'000
Revenue		
Sales of properties	1,412	–
Property rental	1,809	2,129
General trading	3,036	1,714
	<u>6,257</u>	<u>3,843</u>
Other revenue		
Interest income on bank deposits	28	20
Net foreign exchange gain	600	164
Sundry income	4	14
	<u>632</u>	<u>198</u>
Other gains and losses		
Fair value gain on investment properties	150,371	1,259,950
Loss on disposal of property, plant and equipment	–	(42)
	<u>150,371</u>	<u>1,259,908</u>

Notes to the Consolidated Financial Statements

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8. FINANCE COST

	2016	2015
	HK\$'000	HK\$'000
Interest expenses on borrowings wholly repayable within five years		
– convertible notes	–	347
– other borrowings	1,999	1,755
Interest on finance lease	7	15
	2,006	2,117

9. INCOME TAX EXPENSE

	2016	2015
	HK\$'000	HK\$'000
Current tax		
– Enterprise Income Tax in the PRC	2	–
– Land Appreciation Tax in the PRC	77	–
Deferred tax (note 29)	37,455	303,500
	37,534	303,500

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years.

Under a notice issued on 6 September 2010 by Local Tax Bureau of Longgang District, Shenzhen, PRC Land Appreciation Tax for a subsidiary incorporated in Shenzhen, the PRC, in which property development projects in Shenzhen, is calculated at rates ranging from 5% to 10% (2015: 5% to 10%) of the sales revenue on the respective property development projects.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

9. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax is required since the Group's income neither arises, nor is derived, from Hong Kong in both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and profit before tax multiplied by the Hong Kong profits tax rate is as follows:

	2016	2015
	HK\$'000	HK\$'000
Profit before tax	108,706	1,226,036
Notional tax credit on loss before income tax, calculated at the rates applicable to profits in the countries concerned	30,138	308,853
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	(10)	(84)
Tax effect on non-deductible expenses	46	2,328
Tax effect on non-taxable income	–	(3,473)
Tax effect of utilisation of tax losses not previously recognised	–	(4,980)
Tax effect on tax losses not recognised	7,283	856
Land Appreciation Tax	77	–
	37,534	303,500

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2016	2015
	HK\$'000	HK\$'000
Cost of sales	4,189	1,946
Amortisation of prepaid premium for land leases	334	9,120
Depreciation	1,161	2,818
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	6,479	6,379
– equity-settled share option arrangements	19,070	–
– retirement benefits scheme contributions	276	306
	25,825	6,685
Auditor's remuneration	350	742
Net foreign exchange gain	(600)	(164)
Operating lease charges on land and buildings	811	757

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

	2016				
	Directors' fees HK\$'000	Basic salaries and other benefits HK\$'000	Equity-settled share option arrangements HK\$'000	Contributions to defined contribution retirement plans HK\$'000	Total HK\$'000
Executive directors					
Mr. Ma Xuemian (Chairman)	627	53	1,012	–	1,692
Ms. Chow Kwai Wa, Anne	357	128	1,024	18	1,527
Ms. Kwok Siu Wa, Alison	357	128	1,024	18	1,527
Mr. Kwok Siu Bun	447	38	1,024	18	1,527
Independent non-executive directors					
Mr. Hui Pui Wai Kimber	120	–	400	–	520
Ms. Chui Wai Hung	120	–	400	–	520
Mr. Liu Chaodong	120	–	400	–	520
Non-executive director					
Ms. Tsang Tsz Tung, Debbie	240	–	1,031	–	1,271
	<u>2,388</u>	<u>347</u>	<u>6,315</u>	<u>54</u>	<u>9,104</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

	2015				
	Directors' fees HK\$'000	Basic salaries and other benefits HK\$'000	Equity-settled share option arrangements HK\$'000	Contributions to defined contribution retirement plans HK\$'000	Total HK\$'000
Executive directors					
Mr. Ma Xuemian (Chairman)	600	–	–	–	600
Ms. Chow Kwai Wa, Anne	60	390	–	18	468
Ms. Kwok Siu Wa, Alison	60	390	–	18	468
Mr. Kwok Siu Bun	420	–	–	18	438
Independent non-executive directors					
Mr. Hui Pui Wai Kimber	120	–	–	–	120
Ms. Chui Wai Hung	120	–	–	–	120
Mr. Liu Chaodong	120	–	–	–	120
Mr. Chow Chi-ping, David	–	–	–	–	–
Non-executive director					
Ms. Tsang Tsz Tung, Debbie	240	–	–	–	240
	<u>1,740</u>	<u>780</u>	<u>–</u>	<u>54</u>	<u>2,574</u>

There was no chief executive appointed in the Group for both years.

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 December 2016 and 2015.

During the years ended 31 December 2016 and 2015 no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office.

Notes to the Consolidated Financial Statements

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11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals of the Group included five (2015: five) directors whose emoluments are included in the disclosures in Note 11(a) to the consolidated financial statements above.

12. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated based on the profit for the year attributable to owners of the Company of approximately HK\$19,166,000 (2015: HK\$457,920,000) and the weighted average number of approximately 970,984,000 ordinary shares (2015: 903,490,000) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK\$19,166,000 (2015: HK\$457,920,000) and the weighted average number of approximately 972,586,000 ordinary shares (2015: 903,490,000), calculated as follows:

	2016	2015
Weighted average number of ordinary shares at end of the year	970,984,000	903,490,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 33)	1,602,000	–
Weighted average number of ordinary shares (diluted) at end of the year	972,586,000	903,490,000

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13. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are: (i) property development, (ii) property investment, (iii) general trading.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	General trading		Property development		Property investment		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue								
External sales	<u>3,036</u>	<u>1,714</u>	<u>1,412</u>	<u>–</u>	<u>1,809</u>	<u>2,129</u>	<u>6,257</u>	<u>3,843</u>
Segment result	(386)	(135)	659	–	152,165	1,261,982	152,438	1,261,847
Interest income on bank deposits							28	20
Unallocated income and gains, net							604	178
Unallocated expenses							(42,358)	(34,524)
Profit from operations							110,712	1,227,521
Finance costs							(2,006)	(2,117)
Gain on settlement of convertible bonds							–	632
Profit before tax							108,706	1,226,036
Income tax expense							(37,534)	(303,500)
Profit for the year							<u>71,172</u>	<u>922,536</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

13. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements. Segment result represents the (loss from) profit earned from each segment without allocation of certain items, mainly comprising interest income on bank deposits, loss on disposal of property, plant and equipment, depreciation, central administration costs, directors' and chief executives' salaries, finance costs and gain on settlement of convertible bonds. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

	General trading		Property development		Property investment		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment assets	501	3,567	167,377	179,590	1,472,252	1,404,349	1,640,130	1,587,506
Unallocated assets							40,700	39,165
							<u>1,680,830</u>	<u>1,626,671</u>
Segment liabilities	-	-	(181)	(1,256)	(317,163)	(302,143)	(317,344)	(303,399)
Unallocated liabilities							<u>(67,239)</u>	<u>(42,841)</u>
							<u>(384,583)</u>	<u>(346,240)</u>

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

- all assets are allocated to operating segments other than unallocated assets (mainly comprising property, plant and equipment, other receivables, deposits and prepayments, amount due from a director and cash and cash equivalents); and
- all liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising certain trade and other payables, interest-bearing borrowings, obligation under finance lease, amount(s) due to directors and a shareholder.

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13. SEGMENT REPORTING (Continued)

(c) Other segment information

	General trading		Property development		Property investment		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Amortisation of prepaid premium for land leases	-	-	(334)	(9,120)	-	-	(334)	(9,120)
Fair value gain on investment properties	-	-	-	-	150,371	1,259,950	150,371	1,259,950
Unallocated:								
Depreciation	-	-	-	-	-	-	(1,161)	(2,818)
Capital expenditure	-	-	-	-	-	-	180	3,206
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180</u>	<u>3,206</u>

(d) Geographic information

Since the Group principally operates in the PRC with revenue and results derived mainly from its operations in the PRC and assets are located in the PRC, no geographical information is used by the chief operating decision maker for further evaluated.

Notes to the Consolidated Financial Statements

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13. SEGMENT REPORTING (Continued)

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2016 HK\$'000	2015 HK\$'000
Property investment		
Customer A	452	349
Customer B	– ¹	337
Customer C	– ¹	349
	<u>452</u>	<u>1,035</u>
General trading		
Customer D	1,574	–
Customer E	876	–
Customer F	383	–
Customer G	– ¹	788
Customer H	– ¹	576
	<u>2,833</u>	<u>1,364</u>
Property development		
Customer I	420	–
	<u>420</u>	<u>–</u>
	<u>3,705</u>	<u>2,399</u>

¹ Revenue from these customers did not exceed 10% of total revenue in the respective years. These amounts were shown for comparative purpose.

14. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: nil).

Notes to the Consolidated Financial Statements

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15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and office equipment	Leasehold improvement	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At 1 January 2015	168	2,227	488	2,551	5,434
Additions	–	166	3,040	–	3,206
Transfer from investment properties	15,020	–	–	–	15,020
Disposals	–	(13)	–	(1,088)	(1,101)
Exchange differences	(674)	(49)	(131)	(52)	(906)
At 31 December 2015 and 1 January 2016	14,514	2,331	3,397	1,411	21,653
Additions	–	97	83	–	180
Exchange differences	(1,019)	(60)	(200)	(55)	(1,334)
At 31 December 2016	13,495	2,368	3,280	1,356	20,499
Accumulated depreciation:					
At 1 January 2015	61	2,021	485	1,647	4,214
Charge for the year	185	71	2,281	281	2,818
Disposals	–	(2)	–	(1,036)	(1,038)
Exchange differences	(30)	(36)	(98)	(32)	(196)
At 31 December 2015 and 1 January 2016	216	2,054	2,668	860	5,798
Charge for the year	7	87	794	273	1,161
Exchange differences	(36)	(43)	(184)	(41)	(304)
At 31 December 2016	187	2,098	3,278	1,092	6,655
Carrying amount:					
At 31 December 2016	13,308	270	2	264	13,844
At 31 December 2015	14,298	277	729	551	15,855

Notes to the Consolidated Financial Statements

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16. INVESTMENT PROPERTIES

	Under development	Completed	Total
	HK\$'000	HK\$'000	HK\$'000
Fair value			
At 1 January 2015	–	46,000	46,000
Transfer to property, plant and equipment (Note 15)	–	(15,020)	(15,020)
Transfer from prepaid premium for land leases (Note 17)	177,272	–	177,272
Fair value gain on investment properties	1,246,687	13,263	1,259,950
Exchange differences	<u>(61,210)</u>	<u>(2,643)</u>	<u>(63,853)</u>
At 31 December 2015 and 1 January 2016	1,362,749	41,600	1,404,349
Additions	21,285	–	21,285
Fair value gain on investment properties	150,371	–	150,371
Exchange differences	<u>(100,893)</u>	<u>(2,860)</u>	<u>(103,753)</u>
At 31 December 2016	<u>1,433,512</u>	<u>38,740</u>	<u>1,472,252</u>

The fair value of the Group's investment properties ("Properties") at 31 December 2016 and 2015 has been arrived at on the basis of a valuation carried out on that date by Messrs. Roma Appraisals Limited, an independent qualified professional valuers not connected with the Group. Roma Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's Properties have been valued by using market comparison and residual value approach, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties.

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For the year ended 31 December 2016

17. PREPAID PREMIUM FOR LAND LEASES

	2016 HK\$'000	2015 HK\$'000
Cost		
At 1 January	19,346	370,770
Transfer to investment properties (Note 16)	–	(212,727)
Transfer to properties for sale under development	–	(132,434)
Exchange differences	<u>(1,643)</u>	<u>(6,263)</u>
At 31 December	<u><u>17,703</u></u>	<u><u>19,346</u></u>
Accumulated amortisation and impairment		
At 1 January	5,698	54,261
Charge for the year	334	9,120
Transfer to investment properties (Note 16)	–	(35,455)
Transfer to properties for sale under development	–	(21,911)
Exchange differences	<u>(721)</u>	<u>(317)</u>
At 31 December	<u><u>5,311</u></u>	<u><u>5,698</u></u>
Carrying values		
At 31 December	<u><u>12,392</u></u>	<u><u>13,648</u></u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. PROPERTIES FOR SALE UNDER DEVELOPMENT

	2016	2015
	HK\$'000	HK\$'000
Property development project on its own	119,211	127,029
Less: current portion	(118,655)	(126,432)
Non-current portion	556	597

The balance represents the costs incurred by the Group on the properties for sale under development in the PRC. In the opinion of the Directors, the non-current portion of the properties for sale under development are not in the normal operating cycle of the Group.

19. INVENTORIES

	2016	2015
	HK\$'000	HK\$'000
Merchandises	501	3,567

Notes to the Consolidated Financial Statements

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20. SUBSIDIARIES

Details of the Group's major subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2016	Principal activities
Directly held by the Company:				
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Surplus Full Development Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Dormant
Indirectly held through subsidiaries:				
Grand Field Group Limited	Hong Kong/ Hong Kong	Ordinary shares of HK\$200 and non-voting deferred shares of HK\$200	100%	Investment holding and property investment
Grand Field Property Development (Shenzhen) Company Limited	PRC/PRC	HK\$18,000,000	100%	Property development and property investment
Ka Fong Industrial Company Limited	Hong Kong/PRC	Ordinary shares of HK\$200 and non-voting deferred shares of HK\$200,000	100%	Property development and property investment
Shing Fat Hong Limited	Hong Kong/PRC	Ordinary shares of HK\$4 and non-voting deferred shares of HK\$2	100%	Property development and property investment
深圳棕科置業有限公司 ("深圳棕科")	PRC/PRC	RMB150,607,510	50%	Property development and property investment

Notes to the Consolidated Financial Statements

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20. SUBSIDIARIES (Continued)

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2016	Principal activities
China Hantong Wine Group Holdings Limited	Hong Kong/ Hong Kong	HK\$10,000,000	51%	Dormant
東莞成發置業有限公司	PRC/PRC	RMB1,000,000	100%	Property development
擎天酒店管理(深圳)有限公司("擎天酒店")	PRC/PRC	Nil	100%	Dormant
深圳漢唐盛世酒業有限公司("深圳漢唐")	PRC/PRC	RMB1,000,000	51%	Dormant
G & H International Holding Limited	Hong Kong/ Hong Kong	HKD2,000,000	60%	Trading of foods and investment holding
濠康國際供應鏈(深圳)有限公司	PRC/PRC	RMB6,000,000	60%	Trading of foods

Notes to the Consolidated Financial Statements

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20. SUBSIDIARIES (Continued)

The following table shows information of a subsidiary that has non-controlling interests ("NCI") and is considered material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name of subsidiary	深圳棕科	
	2016	2015
Principal place of business/country of incorporation	PRC/PRC	PRC/PRC
% of ownership interests/voting rights held by NCI	50%/50%	50%/50%
	HK\$'000	HK\$'000
At 31 December:		
Non-current assets	1,441,183	1,371,608
Current assets	111,044	116,333
Current liabilities	(30,548)	(1,567)
Non-current liabilities	(313,560)	(298,274)
Net assets	<u>1,208,119</u>	<u>1,188,100</u>
Accumulated NCI	609,015	599,005
Year ended 31 December:		
Revenue	–	813
Profit	106,820	930,421
Total comprehensive income	20,019	871,725
Profit allocated to NCI	53,410	465,211
Net cash generated from operating activities	19,572	149
Net cash used in investing activities	(21,187)	(2,914)
Net cash generated from financing activities	3,020	–
Net increase/(decrease) in cash and cash equivalents	<u>1,405</u>	<u>(2,765)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

21. PROPERTIES FOR SALE

At 31 December 2016, certain properties held for sale with the carrying amounts of approximately HK\$4,335,000 (2015: HK\$4,655,000) were pledged to secure for the interest-bearing borrowings. (Note 26).

All of the properties held for sale are situated in the PRC, are carried at lower of cost and net realisable value.

At 31 December 2016, certain properties held for sale with the carrying amounts of approximately HK\$15,315,000 (2015: HK\$17,795,000) which are not expected to be realised within the next twelve months.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK\$'000	HK\$'000
Other receivables	7,504	5,160
Amounts due from non-controlling shareholders of a subsidiary	4,851	4,851
Other deposit and prepayments	895	1,438
	13,250	11,449

The amounts due from non-controlling shareholders of a subsidiary are unsecured, interest-free and have no fixed repayment terms.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to the Hong Kong Companies Ordinance is as follows:

The Group

Name	Terms	2016 HK\$'000	2015 HK\$'000	Maximum amount outstanding during the year HK\$'000
Mr. Ma Xuemian (<i>Chairman</i>)	Unsecured, interest free and repayable on demand	<u>81</u>	<u>145</u>	<u>145</u>

At 31 December 2016 and 2015, amount due from a director is unsecured, interest free and repayable on demand.

24. CASH AND CASH EQUIVALENTS

	2016 HK\$'000	2015 HK\$'000
Cash at bank and on hand	<u>13,439</u>	<u>11,625</u>

- (a) Cash at bank earns interest at floating rates based on daily bank deposit rates.
- (b) Included in bank balances of the Group is approximately HK\$7,614,000 (2015: HK\$8,355,000) of bank balances denominated in RMB dollars placed with banks in PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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For the year ended 31 December 2016

25. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables to building contractors	4,853	1,159
Accrued salaries and other operating expenses	7,905	6,909
Accrued interest expense	324	–
Deposits received from the sale of properties	7,180	8,233
Rental deposits received from investment properties	33	36
Amounts payable on return of properties	5,672	6,091
Provision for compensation of a legal case	8,809	10,154
Other payables	20,518	5,256
	<u>55,294</u>	<u>37,838</u>

An ageing analysis of trade payables presented based on the invoice date at the end of reporting period is set out as follows:

	2016 HK\$'000	2015 HK\$'000
Within 360 days past due	3,118	–
Over 360 days past due	1,735	1,159
	<u>4,853</u>	<u>1,159</u>

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26. INTEREST-BEARING BORROWINGS

	2016	2015
	HK\$'000	HK\$'000
Loans from independent third parties payable within 1 year or on demand		
– secured	7,413	5,443
– unsecured	3,500	–
	10,913	5,443

At 31 December 2016 and 2015, loan with principal amounts of RMB4,170,000 (equivalent to approximately HK\$4,643,000 (2015: HK\$5,443,000)) and RMB2,500,000 (equivalent to approximately HK\$2,770,000 (2015: nil)) from independent third parties are secured by the completed properties held for sale of the Group's wholly owned subsidiary and personal guarantee by a director respectively. Interest is charged at 1.5% per month and 2.5% per month (2015: 1.5% per month) and repayable within 1 year from the drawdown date in the year 2016.

The unsecured borrowings bear interest at 10% per annum (2015: nil).

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For the year ended 31 December 2016

27. OBLIGATION UNDER FINANCE LEASE

The Group leases a motor vehicle under finance lease arrangement. The lease term is 5 years. Interests rates underlying all obligations under finance lease is fixed at the contract date at 2.5% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Within one year	62	185	61	178
After 1 year but within 2 years	-	62	-	61
After 2 years but within 5 years	-	-	-	-
	62	247	61	239
Less: future finance charges	(1)	(8)	N/A	N/A
Present value of lease obligation	<u>61</u>	<u>239</u>	<u>61</u>	<u>239</u>
Less: amount due for settlement within 12 months (shown under current liabilities)			<u>(61)</u>	<u>(178)</u>
Amount due for settlement after 12 months			<u>-</u>	<u>61</u>

The Group's obligation under finance lease is guaranteed by a director of the Company, Mr. Kwok Siu Bun.

Finance lease obligation is denominated in HK\$.

28. AMOUNTS DUE TO DIRECTORS/A SHAREHOLDER

At 31 December 2016 and 2015, amounts due to directors of amount HK\$379,500 (2015: HK\$260,500) are unsecured, interest free and repayable on demand.

Amounts due to directors of amount RMB400,000 (equivalent to approximately HK\$444,500) (2015: Nil) are unsecured, bear interest at 10% per annum.

Amount due to a shareholder is unsecured and bears interest at 10% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

29. DEFERRED TAX

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

	Tax losses	Revaluation of investment properties	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	–	4,113	4,113
Charge to profit or loss for the year	(8,172)	311,672	303,500
Exchange differences	351	(13,642)	(13,291)
At 31 December 2015 and 1 January 2016	(7,821)	302,143	294,322
Charge to profit or loss for the year	(137)	37,592	37,455
Exchange differences	544	(22,572)	(22,028)
At 31 December 2016	(7,414)	317,163	309,749

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2016 HK\$'000	2015 HK\$'000
Deferred tax liabilities	317,163	302,143
Deferred tax assets	(7,414)	(7,821)
	309,749	294,322

At the end of the reporting period, the Group has unused tax losses of approximately HK\$78,805,000 (2015: HK\$38,392,000) available for offset against future profits. The unrecognised tax losses will expire during 2017 to 2021 (2015: 2016 to 2020).

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30. SHARE CAPITAL

	2016	2015
	HK\$'000	HK\$'000
Authorised:		
5,000,000,000 Ordinary shares of HK\$0.1 each (2015: 5,000,000,000 Ordinary shares of HK\$0.1 each)	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
1,032,849,097 Ordinary shares of HK\$0.1 each (2015: 957,068,327 Ordinary shares of HK\$0.1 each)	<u>103,285</u>	<u>95,707</u>

A summary of the movements in the issued share capital of the Company is as follows:

	Number of	Amount
	shares	HK\$'000
	'000	
At 1 January 2015	765,894	76,589
Issue of new shares (Note (i))	58,680	5,868
Issue of shares for professional fee (Note(ii))	16,025	1,603
Issue of shares for settlement of convertible bonds	85,185	8,519
Issue of shares for settlement of borrowings (Note (iii))	23,461	2,346
Equity-settled share option arrangements (Note (iv))	<u>7,824</u>	<u>782</u>
As at 31 December 2015	957,069	95,707
Issue of new shares (Note (i))	62,952	6,295
Issue of shares for professional fee (Note(ii))	<u>12,828</u>	<u>1,283</u>
As at 31 December 2016	<u>1,032,849</u>	<u>103,285</u>

Notes to the Consolidated Financial Statements

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30. SHARE CAPITAL (Continued)

Notes:

(i) Issue of new shares

On 30 November 2016, the Company issued and allotted 62,952,645 ordinary shares of HK\$0.01 each to the subscribers at a price of HK\$0.2154 per share and the premium on the issue of shares, amounting to approximately HK\$7,265,000 was credited to the Company's share premium account.

On 26 May 2015, the Company issued and allotted 58,680,000 ordinary shares of HK\$0.01 each to the subscribers at price of HK\$0.38 per share and the premium on the issue of shares, amounting to approximately HK\$16,430,000 was credited to the Company's share premium account.

(ii) Issue of shares for professional fee

On 30 January 2015 and 22 July 2015, the Company issued and allotted 9,310,076 and 6,714,754 ordinary shares of HK\$0.1 each to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors for settlement of the fee for legal advisory services provided. The premium on the issue of shares amounting to approximately HK\$3,425,000 was credited to the Company's share premium account.

On 6 May 2016, the Company issued and allotted 12,828,125 ordinary shares of HK\$0.1 each to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors for settlement of the fee for legal advisory services provided. The premium on the issue of the above mentioned number of shares amounting to approximately HK\$3,079,000 was credited to the Company's share premium account.

(iii) Issue of shares for settlement of borrowings

On 22 July 2015, the Company issued and allotted 23,461,177 shares as to settle the borrowing of the Company. The premium on the issue of shares amounting to approximately HK\$4,671,000 was credited to the Company's share premium account.

(iv) Equity-settled share option arrangements

In year 2015, the Company issued 7,823,534 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.47 per share, for a total amount of approximately HK\$3,677,000, pursuant to the exercise of the Company's share option.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Consolidated Financial Statements

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31. FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investment in subsidiaries		<u>159,056</u>	<u>159,056</u>
Current assets			
Other receivables, deposits and prepayments		739	939
Amount due from subsidiaries	(1)	122,013	114,167
Cash and cash equivalents		<u>116</u>	<u>554</u>
		<u>122,868</u>	<u>115,660</u>
Current liabilities			
Other payables		12,650	12,847
Amounts due to directors	(1)	379	260
Amounts due to subsidiaries	(1)	<u>17,549</u>	<u>16,518</u>
		<u>30,578</u>	<u>29,625</u>
Net current assets		<u>92,290</u>	<u>86,035</u>
Total assets less current liabilities		<u>251,346</u>	<u>245,091</u>
NET ASSETS		<u>251,346</u>	<u>245,091</u>
Capital and reserves			
Share capital		103,285	95,707
Reserves	(2)	<u>148,061</u>	<u>149,384</u>
TOTAL EQUITY		<u>251,346</u>	<u>245,091</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Notes:

- (1) the amounts due are unsecured, interest-free and repayable on demand.
- (2) the movements of the Company's reserves are as follows:

Movement of reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2015	288,796	7,859	7,963	140,281	(327,511)	117,388
Loss and total comprehensive loss for the year	-	-	-	-	(10,233)	(10,233)
Issue of new shares	16,430	-	-	-	-	16,430
Issue of shares for settlement of professional fee	3,425	-	-	-	-	3,425
Issue of shares for settlement of convertible bonds	20,870	(7,859)	-	-	1,797	14,808
Issue of shares for settlement of borrowings	4,671	-	-	-	-	4,671
Equity-settled share option arrangements	4,144	-	(1,249)	-	-	2,895
At 31 December 2015 and 1 January 2016	338,336	-	6,714	140,281	(335,947)	149,384
Loss and total comprehensive loss for the year	-	-	-	-	(30,737)	(30,737)
Issue of new shares	7,265	-	-	-	-	7,265
Issue of shares for settlement of professional fee	3,079	-	19,070	-	-	22,149
At 31 December 2016	348,680	-	25,784	140,281	(366,684)	148,061

Nature and purpose of reserves

- (i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

- (ii) Capital reserve

The capital reserve is the equity component of the convertible loan issued by the Group which is the difference between the gross proceeds of the issue of the convertible loans and the fair value assigned to the liability component and derivative component, representing the conversion option for the holder to convert the note into equity.

Notes to the Consolidated Financial Statements

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31. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

(iii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 5 to the consolidated financial statements.

(iv) Contributed surplus

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would be after the payments, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(v) Special reserve

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the Group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

(a) Distributability of reserves

At the end of the reporting period, the Company did not have any reserves available for cash/in specie dividend distribution to owners of the Company.

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32. CAPITAL MANAGEMENT

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.

The gearing ratio at 31 December 2016 and 2015 was as follows:

	2016	2015
	HK\$'000	HK\$'000
Total liabilities	384,583	346,240
Less: Cash and cash equivalents	(13,439)	(11,625)
Net debt	371,144	334,615
Total equity and adjusted capital	684,312	676,924
Gearing ratio	54%	49%

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33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 21 June 2016, the Company adopted a new share option scheme (the "New Share Option Scheme"), pursuant to which the Board may, at its discretion, grant option to (i) any directors, employees, consultants or advisers, business associates and (ii) any other persons, who, at the sole discretion of the Board, has contributed to the Group subject to the assessment criteria. The subscription price for the shares of the Company under the New Share Option Scheme shall be a price solely determined by the Board and notified to an subscriber and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; the average of the closing price of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and the nominal value of the shares on the date of grant.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. At the time of adoption by the Company of the New Share Option Scheme or any new share option scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the scheme, and the new scheme and all schemes existing at such time of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme which is expected to be 2,186,648,298 shares.

The Company, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further option will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

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33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

On 23 June 2006, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contractor to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the shares of the Company under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 23 June 2006.

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33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options in issue under Share Option Scheme during the years ended 31 December 2016 and 2015:

Category of participant	Date of grant	Exercise period	Exercise price	Number of share options			
				Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Outstanding at 31 December 2016
Directors	16 November 2016	16 November 2016 to 15 November 2019	0.255	-	13,955,678	-	13,955,678
Employees	16 November 2016	16 November 2016 to 15 November 2019	0.255	-	83,033,967	-	83,033,967
Directors	6 May 2016	6 May 2016 to 5 May 2019	0.363	-	45,881,173	-	45,881,173
Employees	6 May 2016	6 May 2016 to 5 May 2019	0.363	-	46,808,066	-	46,808,066
Directors	2 May 2014	2 May 2014 to 1 May 2017	0.47	20,364,738	-	-	20,364,738
Employees	2 May 2014	2 May 2014 to 1 May 2017	0.47	22,147,928	-	-	22,147,928
Total				<u>42,512,666</u>	<u>189,678,884</u>	<u>-</u>	<u>232,191,550</u>

Category of participant	Date of grant	Exercise period	Exercise price	Number of share options			
				Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Outstanding at 31 December 2015
Directors	2 May 2014	2 May 2014 to 1 May 2017	0.47	28,188,272	-	(7,823,534)	20,364,738
Employees	2 May 2014	2 May 2014 to 1 May 2017	0.47	22,147,928	-	-	22,147,928
Total				<u>50,336,200</u>	<u>-</u>	<u>(7,823,534)</u>	<u>42,512,666</u>

Notes to the Consolidated Financial Statements

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34. LITIGATIONS AND CONTINGENT LIABILITIES

- (i) An Originating Summons was issued on 4 June, 2008 under High Court Miscellaneous Proceedings No.1059 of 2008 ("HCMP 1059/2008) by Mr. Tsang Wai Lun, Wayland ("Tsang"), a former director and shareholder of the Company, as the plaintiff and the Company as the defendant under section 168BC of the Companies Ordinance (the old Cap.32 of the Law of Hong Kong), details of which please refer to Paragraph 34(i) of the Company's Annual Report 2013.
- (ii) Pursuant to the statutory leave granted under H.C.M.P. 1059/2008, Tsang suing as a shareholder for and on behalf of the Company as the plaintiff issued a writ of summons against the aforesaid 8 then directors as 1st to 8th defendants in the High Court of Hong Kong on 18 March 2009 under High Court No.771 of 2009 ("the Action"). The title of the plaintiff was subsequently amended as the name of the Company by a court order dated 29 March, 2011.

In brief, the case was in relation to the alleged breaches by the 8 then directors (comprising the then board of directors of the Company) of their fiduciary duties and duties of care owed to the Company as directors in respect of certain resolutions and transactions and the Company claimed against the aforesaid 8 then directors for damages, etc.

Before the conclusion of the trial, the Company reached settlement with 3rd, 4th, 5th, 6th and 8th Defendant. The hearing of the Action was completed on 24 October, 2012 and Judgment was delivered on 17th June, 2014 in which, all the claims by the Company were dismissed and costs be granted to the 1st, 2nd and 7th Defendant with certificate of two counsel ("the Judgment").

For details of the case please refer to Paragraph 34(ii) of the Company's Annual Report 2013.

After the Judgment, the Company had been claimed by Tsang for re-imbursement of the legal costs pre-paid by Tsang in respect of HCMP 1059/2008 and the Action. According to the independent legal advices sought by the Company, the Company has reimbursed Tsang for the said legal costs.

Furthermore, the Company have to bear the legal costs of the 1st, 2nd and 7th Defendant in the Action.

In the opinion of the Directors, the legal costs incurred in the Action and HCMP which the Company have to bear are estimated to be HK\$20 million and provision thereof has been made accordingly. Please refer to the Profit Warning of the Company made on 29th July, 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. LITIGATIONS AND CONTINGENT LIABILITIES (Continued)

(ii) (Continued)

By the Consent Order dated 12th January, 2017, the Company have reached a settlement with the Defendants in respect of the amount of their costs. Therefore, the Action has been fully and final settled.

* *Upon the application of the Company, the court granted an order as amended on 5th June, 2014 for prohibition of disposal of the shares of the Company by Hong Kong Zhongxing Group Co., Limited ("HKZX") and/or Li Yi, the sole shareholder thereof to the amount of HK\$40,000,000. The said Injunction order was discharged by the Court on 12th November, 2014.*

** *Pursuant to the leave granted by High Court on 23rd August, 2013, the Company has instituted an originating summons against Huang Binghuang and/or Li Yi for contempt of court as a result of their alleged breach of the Injunctions orders granted under the Action. The said originating summons have been settled out of Court by the Company and the 2nd Defendant with no order as to costs and the claim against 1st Defendant has been discontinued. In the opinion of the Directors, has no material impact on the operation of the Group nor does it have any financial impact on the Company.*

(iii) Having sought legal advice, the Company has lodged an appeal to the Court of Appeal on 11th July, 2014 against the Judgment under CACV 140/2014 ("the Appeal"). The Appeal was heard on 9th December, 2015 and was dismissed on 20th January, 2016 and 1st Defendant's costs of the Appeal be paid by the Company and the 7th Defendant's costs up to the date of the Company's withdrawal of the Appeal be paid by the Company and there being no order as to costs between the Company and the 2nd Defendant.

The costs orders against the Company and their own costs in the Appeal respectively have been fully and finally settled. The Directors opine that the said costs orders and its own costs will have no material impact on the financial position and the Directors opine that the Action and the Appeal will have no material impact on the operations of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (iv) In 2006, the Group's subsidiary, Shing Fat Hong Limited ("Shing Fat Hong"), signed a tenancy agreement with a karaoke operator for a ten-year period, whereby Shing Fat Hong was required to renovate and combine two entire floors of its commercial properties in Dongguan. The karaoke operator failed to apply for an operating license due to non-compliance of the building structure with fire safety regulations. Since 2007, the tenant has initiated several legal proceedings against Shing Fat Hong in Local PRC courts for validation of the tenancy agreement and for compensation of decoration fees and other economic losses of RMB4,500,000. However, Shing Fat Hong has appealed to and sue the tenant in local PRC courts for compensation of renovation and restoration of the properties, loss of rental income and other economic losses of RMB2,056,000. In 2009, Shing Fat Hong has lost in a court case to claim against the tenant for compensation of restoration of the properties but Shing Fat Hong appealed to the Intermediate People's Court of Dongguan City, Guangdong Province. On 10th April, 2013, the Intermediate People's Court of Dongguan City, Guangdong Province issued a civil judgment, under which such cases were ordered to remand back to the Third People's Court of Dongguan City, Guangdong Province for retrial. On 8th January, 2016, the Third People's Court of Dongguan City, Guangdong Province had delivered judgments but the parties have lodge relevant appeals and the respective appeals had been dismissed.
- (v) On 5th December, 2013, an originating summons instituted by HKZX, a substantial shareholder of the Company as plaintiff and the Company as defendant under High Court Miscellaneous Proceedings No.3278 of 2013 was instituted. The said plaintiff seeks leave from the High Court under section 168BC of the Companies Ordinance (the old Cap.32 of the Law of Hong Kong) to claim on behalf of the Company against Tsang Wai Lun Wayland and Kwok Wai Man Nancy (hereinafter collectively referred to as "Tsangs"), the former Chairman and executive directors of the Company respectively for their alleged breach of fiduciary duties and claims costs to be paid by the Company on an indemnity basis.

After hearing of the said Originating Summons, upon the Company's undertaking to pursue the High Court Action No.HCA2471/2008, details of which are prescribed in paragraph (ix) hereinafter and to keep the Plaintiff informed of the progress there of, the Court ordered that the originating summons be adjourned sine dine with liberty to apply. By an order dated 20th November, 2014, the Company should pay the costs of the said originating summons to HKZX, the amount of which had been agreed and paid by the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (vi) On 14th January, 2014, the Company as plaintiff has instituted a Writ of Summons under High Court Action HCA 85/2014 against 1st Defendant Li Yi, the sole shareholder of HKZX, 2nd Defendant, Huang Binghuang, a former executive director of the Company and 3rd Defendant the HKZX. Please refer to Paragraph 33(ix) of the Company's 2014 Annual Report for details thereof.

The writ of summons has been served upon the said Hongkong Zhongxing Group Co. Limited on 15th January, 2014. The Defence and the Reply thereto have been filed by the HKZX and the Company respectively. Having sought legal opinion the Company decided not to proceed with this action after the dismissal of the Appeal and this Action was by consent of 3rd Defendant discontinued with no order as to costs. The claim against the 1st and 2nd Defendants had been discontinued.

The Directors are of the opinion that the said action will have no material impact on the operations of the Company nor does it have any financial impact on the Company.

- (vii) The Case no.(2013) Shen Luo Fa Min Er Chu Zi Di No.602(2013) under which Shenzhen Yizhou Hotel Management Co., Limited as plaintiff initiated proceedings against, among others, four companies, namely GF Land Development (Shenzhen), Hong Kong Grand Field Group Limited, Shenzhen City Liangzi Jingshun Investment Management Co., Limited, and Huilai County Haoyuan Industrial Co., Limited for the alleged jeopardizing the plaintiff's right. This case was heard and judgment was delivered on 10th July, 2014 in favour of the Defendants. However, the plaintiff appealed but the appeal was dismissed on 16th February, 2016.

The Directors are of the opinion that the case has no material impact on the operations of the group nor does it have any impact on the financial position of the Group relating to this case.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(viii) A summons was issued and filed with Lo Hu Court against GF Land Development (Shenzhen) in which Shenzhen City YiZhou Hotel Management Company Limited as plaintiff claims against GF Land Development (Shenzhen) as defendant for a total sum of RMB13,380,000 and interest. By a civil judgment of Lo Hu Court dated 21st October, 2014, it was ordered, inter alia, that the interest of GF Land Development (Shenzhen) in Shenzhen Land was distrained up to the amount of RMB12,717,600 pending the outcome of the Summons. The substantial issues of this summons have not been tried yet.

By a civil judgment of Lo Hu Court dated 5th December, 2014 the Shenzhen Land formerly distrained had been released after the provision of the properties owned by Shing Fat Hong Limited, a subsidiary of the Company as guaranty. The amount to be distrained remains RMB12,717,600 pending the outcome of the Summons. After the said release, the registered title of the Shenzhen Land has been successfully transferred into Shenzhen Zongke.

In the opinion of the Directors, the summons has no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of the summons until the summons has been finally concluded.

(ix) Pursuant to Order granted in HCMP 3278/2013 as mentioned in paragraph (v) hereinbefore, the Company has instructed Counsel to amend the statement of claim of High Court Action No.HCA2471/2008 which was instituted in 2008 by the Company as Plaintiff against its former executive directors and current substantial shareholders Mr. Tsang Wai Lun Wayland and Madam Kwok Wai Man Nancy as 1st and 2nd Defendants and discontinued the claims against the remaining Defendants. The 1st and 2nd Defendants have filed their defence and the Company has filed its Reply. Having sought independent advices from Counsel, the Company has reach a settlement with the 1st and 2nd Defendants by withdrawing the claims against the 1st and 2nd Defendants with no order as to costs.

In the opinion of the Directors, this High Court Action will have no material impact on the operations of the Group and financial impact upon the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (x) (a) On 19th February, 2014 the Company received a writ of summons (the "China Writ of Summons") issued and filed with the Luo Hu People's Court, Shenzhen City, PRC ("the Court") by SZ Computer ("the Plaintiff") claiming against GF Land Development (Shenzhen) (the "1st Defendant"), a wholly-owned subsidiary of GF Group, GF Group (the 2nd Defendant) and a Shenzhen City Liangzi Jingshun Investment Management Co., Ltd. (the 3rd Defendant), (the 1st, 2nd and 3rd Defendants are hereinafter collectively referred to as "the Defendants") and an Independent Third Party for repayment of a sum of RMB5,000,000 plus accrued interest calculated up to 2nd December, 2013 for RMB3,500,000 and costs. For details please refer to paragraph 33 (xii)(a) of the Company's Annual Report 2014.

The Writ of Summons was heard and the Plaintiff's claims were dismissed by the judgment dated 30th October, 2014. However, the Plaintiff appealed against the said judgment and the appeal has been dismissed.

- (b) In order to protect the interest of the Company and Shareholders as a whole, the Group has consulted its Hong Kong legal adviser and was advised, as an alternative, GF Group instituted legal proceedings under H.C.A. 294/2014 against HKZX as the recipient of the Re-paid Sum for recovery of the same and interest accrued thereon and costs ("the Hong Kong Writ of Summons"). Since the China Writ of Summons stated in paragraph (a) was concluded, there is no point to continue this action. Therefore, the Company has reached a settlement with the Defendant to discontinue the action with no order as to costs.

In the opinion of the Directors, the China Writ of Summons and the Hong Kong Writ of Summons will have no material impact on the operations of the Group and no financial impact on the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (xi) Under the case no.(2015) Shen Long Fa Xing Chu Zi Di No.143, HKZX initiated an administrative action to Shenzhen Longgang District People's Court against Shenzhen Real Estate Ownership Registration Centre with Grand Field Group Limited and Grand Field Land Development (Shenzhen) Company Limited as the third parties in these proceedings. By a judgment dated 30th December, 2015, HKZX's claims were dismissed and its appeal were also dismissed.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group and no financial impact on the Company.

- (xii) Under the case No.(2014) Shen Luo Fa Min Er Chu Zi De No.5103, Shenzhen YiZhou as the plaintiff claims against Grand Field Land Development (Shenzhen) Company Limited ("GF Land") as the defendant for the right of replacement of Shenzhen Liangzi to claim against GF Land for the sum allegedly owed to Shenzhen Liangzi by GF Land in order to satisfy a judgment granted by a Court in China in favour of Shenzhen YiZhou as the plaintiff therein against Shenzhen Liangzi as the defendant therein which ordered Shenzhen Liangzi to pay Shenzhen YiZhou a sum of RMB10,280,000. This claim by the plaintiff has been dismissed on 3rd March, 2017.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group.

- (xiii) Under the case no.(2015) Shen Long Fa Xing Chu Zi Di No. 238, Shenzhen Liangzi initiated an administrative action to Shenzhen Longgang District People's Court against Shenzhen Real Estate Ownership Registration Centre with Grand Field Group Limited and Grand Field Land Development (Shenzhen) Company Limited as the third parties in these proceedings. These proceedings were tried and by the Administrative Judgment dated 23rd February, 2016 Shenzhen Liangzi's claims were dismissed. Shenzhen Liangzi appealed and it was ordered by the Shenzhen City Intermediate People's Court that the said decision was dismissed and that there being a re-trial by the said Longgang Court. There has not been a trial date re-fixed.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group and the Directors cannot reasonable measure the financial impact on the Company before the conclusion of the said Proceedings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (xiv) Under the case no.(2015) Shen Long Fa Xing Chu Zi Di No. 239, Shenzhen Liangzi initiated an administrative action to Shenzhen Longgang District People's Court against Shenzhen Real Estate Ownership Registration Centre with Grand Field Group Limited, Grand Field Land Development (Shenzhen) Company Limited and Shenzhen Zongke as the third parties in these proceedings. These proceedings were tried and by the Administrative Judgment dated 23rd February, 2016 Shenzhen Liangzi's claims were dismissed. Shenzhen Liangzi appealed and it was ordered by the Shenzhen City Intermediate People's Court that the said decision was dismissed and that there being a re-trial by the said Longgang Court. There has not been a trial date re-fixed and the Directors cannot reasonably measure the financial impact of the Company before the conclusion of the said action.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group.

- (xv) On 19 April, 2016, the Company received a civil writ of summons issued at the Intermediate People's Court of Shenzhen City, P.R.C., in which, Shenzhen City Liangzi Jingshun Investment Management Co., Limited ("Liangzi") as plaintiff claims against Shenzhen Hongteng Technology Company Limited (formerly known as Shenzhen Grand Field Computer Software Development Limited ("Grand Field Computer")), Shenzhen Zongke, Grand Field Group Limited, Grand Field Land Development (Shenzhen), Guangdong Province Hongling Group Company Limited as defendants and Shenzhen Real Estate Ownership Registration Centre and Shenzhen City Urban Planning, Land and Resources Commission of Shenzhen Municipality as third parties for, inter alias, confirmation that the part of the Shenzhen Land now under the name of Grand Field Computer belongs to the old Grand Field Computer which was registered on 8th December, 1998 of which the plaintiff alleged holding a total 11% of its shareholdings. There is no trial date fixed yet.

The Company has sought legal opinion from its legal advisor in China and was advised that the said writ of summons only affected the interest of the Grand Field Computer which is an independent third party to the Company and therefore does not affect the Company's interest in Shenzhen Land in all aspects and that notwithstanding any outstanding litigations against the relevant party, the development of and the erection on the Shenzhen Land will not be affected and can still be carried out without any obstruction.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(xvi) Under the case No.(2016) Yuet 0391 Min Chu No.2252, Shenzhen YiZhou as the plaintiff claims against Grand Field Land Development (Shenzhen) Company Limited ("GF Land") as the defendant for the Shareholders' liability. There has not been any trial date fixed yet.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact thereof until the conclusion of these proceedings.

Save as disclosed above, in the opinion of the Directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

35. COMMITMENTS

(a) The Group had the following material commitments at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for:		
Investment properties under development and properties for sale under development	1,068,137	–
Capital contribution to PRC companies	180,144	193,436
	<u>1,248,281</u>	<u>193,436</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

35. COMMITMENTS (Continued)

(b) As lessee

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

	2016 HK\$'000	2015 HK\$'000
Within one year	484	604
In the second to fifth years inclusive	529	225
	1,013	829

The Group leases four office premises under operating leases. The leases typically run for an initial period of one to five years (2015: 3 years), at the end of which period all terms are negotiated. None of the lease includes contingent rentals.

(c) As lessor

Property rental income earned during the year was approximately HK\$1,809,000 (2015: HK\$2,129,000).

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,811	1,021
In the second to fifth years inclusive	5,896	2,496
Over five years	4,471	–
	12,178	3,517

The Group leases its investment properties (Note 16) under operating lease arrangements which run for an initial period of one to twelve years (2015: one to seven years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The properties are expected to generate rental yields of 2.69% (2015: 5.14%) on an ongoing basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

36. RELATED PARTY TRANSACTIONS

The remuneration of the Group's key management personnel is disclosed in Note 11 to the consolidated financial statements.

37. EVENTS AFTER THE REPORTING PERIOD

- (i) On 24 February, 2017, the Company, Surplus Full Development Limited (a wholly owned subsidiary of the Company (the "Purchaser")) and Mr. Tsang Wai Lun, Wayland (the beneficial owner of Intra Asia Limited (the "Target Company")) and Ms. Tsang Tsz Nok, Aleen, the registered sole shareholder the Target Company (Mr. Tsang and Ms. Tsang, together referred to as the "Vendors"), entered into a conditional sale and purchase agreement (the "Agreement") in relation to the acquisition of the entire share capital of the Target Company, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 100% of the issued share capital of the Target Company (the "Acquisition") at the total consideration in the sum of HK\$207,000,000 payable by the Purchaser to the Vendors.

Mr. Tsang is a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Acquisition constitutes a major transaction of the Company under the Listing Rules. The Acquisition therefore subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As of the approval date of the consolidated financial statements of the Company, the Acquisition is still in progress and not yet completed. Please refer to the announcements of the Company dated 24 February 2017 and 24 March 2017 for details of the above.

- (ii) On 16th December 2016, a wholly owned subsidiary of the Company contracted with an independent third party to sell 90% of the Group's interest in a property project in China, namely, 東莞市樟木頭鎮莞樟西路 for a sum of RMB51,750,000 ("the sale of Property Project").

As at the date of approval of the consolidated financial statements of the Company, the sale of Property Project is still in progress and not yet completed pending fulfillment of certain conditions precedent and completion conditions.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2017.

Five-Year Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2016.

CONSOLIDATED RESULTS

	2016 HK\$'000	For the years ended 31 December			
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	<u>6,257</u>	<u>3,843</u>	<u>3,368</u>	<u>5,037</u>	<u>12,106</u>
Profit/(loss) before tax	108,706	1,226,036	(69,129)	(46,346)	(20,604)
Income tax	<u>(37,534)</u>	<u>(303,500)</u>	<u>–</u>	<u>(103)</u>	<u>(190)</u>
Loss for the year	<u>71,172</u>	<u>922,536</u>	<u>(69,129)</u>	<u>(46,449)</u>	<u>(20,794)</u>

CONSOLIDATED ASSETS AND LIABILITIES

	2016 HK\$'000	As at 31 December			
		2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Total assets	1,680,830	1,626,671	440,554	291,751	293,072
Total liabilities	<u>(384,583)</u>	<u>(346,240)</u>	<u>(82)</u>	<u>(78,513)</u>	<u>(57,828)</u>
Net assets	<u>1,296,247</u>	<u>1,280,431</u>	<u>440,472</u>	<u>213,238</u>	<u>235,244</u>