KAI YUAN HOLDINGS LIMITED
開源控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1215)

ANNUAL REPORT
2016

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS (THE"BOARD")

Executive Directors

Mr. Xue Jian *(CEO)* (appointed effective 1 June 2016)
Mr. Law Wing Chi, Stephen

Non-executive Director

Mr. Hu Yishi *(Chairman)* (resigned effective 1 June 2016)

Independent non-executive Directors

Mr. Tam Sun Wing
Mr. Ng Ge Bun
Mr. He Yi

AUDIT COMMITTEE

Mr. Tam Sun Wing *(Chairman)*
Mr. Ng Ge Bun
Mr. He Yi

REMUNERATION COMMITTEE

Mr. Tam Sun Wing *(Chairman)*
Mr. Law Wing Chi, Stephen
Mr. He Yi
Mr. Ng Ge Bun

NOMINATION COMMITTEE

Mr. Ng Ge Bun *(Chairman)*
Mr. Law Wing Chi, Stephen
Mr. He Yi
Mr. Tam Sun Wing

COMPANY SECRETARY

Mr. Law Wing Chi, Stephen

STOCK CODE

1215

WEBSITE

www.kaiyuanholdings.com

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
22nd Floor, Hopewell Centre
183 Queens's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

28th Floor, Chinachem Century Tower
178 Gloucester Road, Wanchai
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, Citic Tower
1 Tim Mei Avenue, Central
Hong Kong

SOLICITORS

K&L Gates
44th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

CEO'S STATEMENT

On behalf of the Board of Kai Yuan Holdings Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group" or "Kai Yuan"), I hereby present the results of the Group for the year ended 31 December 2016 (the "Year").

The Group recorded a loss of approximately HK$129.4 million for the Year, as compared to a loss of approximately HK$44.1 million for the year ended 31 December 2015 (the "Preceding Year"). The net loss attributable to owners of the Company for the Year amounted to approximately HK$129.4 million, as compared to the net loss of approximately HK$20.3 million for the Preceding Year.

The Group completed the disposal of its entire investments of the steel manufacturing and trading segment during the Year as the result of unfavorable business conditions concerning the steel industry and persistent decrease in steel product prices in the PRC. The Group recorded a gain on disposal of approximately HK$169.0 million.

During the Year, contribution from the hotel operation segment represented the principal source of revenue of the Group. Unfortunately, the business of our Paris Marriott Champs Elysées Hotel in Paris, France was significantly affected by the series of terrorist attacks in Paris since 2015, leading to the significant decline in revenue of the Group. During the Year, revenue from the hotel operation segment amounted to approximately HK$275.6 million, as compared to the revenue of approximately HK$329.7 million for the Preceding Year.

The Group commenced mortgage loan business in Hong Kong during the Year, and is pleased with the performance of this new segment. The Group is committed to continue development of this segment as a new revenue source. During the Year, revenue from the money lending segment amounted to approximately HK$1.0 million.

Looking forward, the Board anticipates business and investment outlook of 2017 remains challenging. Considering recent developments to domestic and global economy, the Group will remain vigilant when conducting existing business segments and also aim to refine quality of assets in our existing business. The Group remains attentive to potential growth opportunities in new business segments.

In conclusion and on behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, customers, employees, suppliers and business partners for their continuous support and encouragement.

On behalf of the Board

Xue Jian
Executive Director and Chief Executive Officer
27 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

For the year ended 31 December 2016, revenue of the Group from continuing operations amounted to approximately HK$276.6 million, representing a decrease of approximately 16.1% from approximately HK$329.7 million for the Preceding Year. The decrease in revenue was mainly attributable to decrease in revenue contributed by the Paris Marriott Champs Elysées Hotel ("Paris Marriott Hotel") of the hotel operation segment. The Group recorded a loss for the Year from continuing operations of approximately HK$298.3 million, as compared to a loss of approximately HK$72.5 million for the Preceding Year. The further increase in loss for the Year from continuing operations was mainly attributable to the significant decline in revenue of the Paris Marriott Hotel as compared to the Preceding Year, as the result of the lingering threat of terrorist attacks in Europe since the 2015 terrorist attacks. Furthermore, impairment loss on goodwill and hotel properties were recorded on the Paris Marriott Hotel.

The Group had disposed of its interests in the steel manufacturing and trading investment. The results of the steel manufacturing and trading segment during the Year were recorded under discontinued operations. The Group recorded the profit on discontinued operations of approximately HK$169.0 million during the Year as compared to the profit of approximately HK$28.5 million for the Preceding Year. The increase in profit from discontinued operation during the Year was mainly attributable to the disposal gain and reclassification of translation reserve from other comprehensive income to the statement of consolidated profit or loss upon disposal of the steel manufacturing and trading segment.

The Group recorded a loss for the Year of approximately HK$129.4 million, as compared to a loss of approximately HK$44.1 million for the Preceding Year. Loss attributable to owners of the Company for the Year was approximately HK$129.4 million, as compared to a loss of approximately HK$20.3 million for the Preceding Year. The basic and diluted loss per share of the Group for the Year was HK1.01 cents, as compared to the basic and diluted loss per share of HK0.16 cents for the Preceding Year.

Segmental review of the Group's operations during the Year is as follows:

HOTEL OPERATION

The Group recorded revenue of approximately HK$275.6 million from the hotel operation segment, as compared to revenue of approximately HK$329.7 million for the Preceding Year. The decrease in revenue for the Year was mainly attributable to decrease in revenue contributed by the Paris Marriott Hotel, as the result of the lingering threat of terrorist attacks in Europe since the 2015 terrorist attacks. The Group recorded a loss of approximately HK$319.8 million in this segment for the Year, as compared to a loss of approximately HK$36.9 million for the Preceding Year. The increase in loss during the Year was mainly attributable to the impairment loss for the goodwill arising from the Paris Marriott Hotel, due to decline in the profitability of the hotel. Furthermore, impairment loss on goodwill and hotel properties were recorded on the Paris Marriott Hotel.

Paris

During the Year, the Paris Marriott Hotel continued to be the principal source of revenue for the Group. The impact of terrorist attacks and other small scale disturbances first occurred since early 2015 in France and continued onto 2016 had heightened security concerns on foreign visitors planning to visit Paris during the Year. In accordance with the Regional Tourism Committee of France, there were in total of 1.5 million fewer French and foreign tourists visiting the greater Paris region during the Year as compared to 2015. Additionally, occurrence of certain unfortunate events in 2016 such as flooding of the Seine River and series of city-wide protests or strikes led by labour unions had also impaired foreign visitors' travel momentum. Hotels in Paris had high hopes on the 2016 UEFA European Championship to recoup declining business, but regrettably fewer tourists than expected had visited France for this event. Furthermore, prominent depreciation of the British Pound after declaration of Britain's Brexit decision from the European Union had successfully lured foreign visitors away. As a result of the decline in number of visitors, revenue, occupancy, average room rate and RevPAR during the Year significantly declined as compared to the Preceding Year. Below is a comparison of operational performance of the Paris Marriott Hotel during the Year and against the Preceding Year:

	2016	2015
Occupancy	**80.2%**	84.3%
Average Room Rate	**€417**	€510
RevPAR*	**€334**	€429

* Revenue per available room

Terrorist attacks and other small scale disturbances occurred in Paris, Brussels and Nice in 2015 and 2016 had impacted performance of the Paris Marriott Hotel. The declaration of state of emergency by the French government until the end of 2016 and warnings against travel in Europe issued by the US State Department had increased the feeling of insecurity in France and further slowed recovery. Major sports events such as the UEFA Euro 2016 football championship did not lift performance of the Paris Marriott Hotel, business and consumer confidence remained low in 2016. These factors were reflected in the significant decline in average room rate and revenue per available room of the Paris Marriott Hotel as compared with same periods last year as disclosed above. A valuation report using leveraged discounted cash flow in estimating the value of the Paris Marriott Hotel ("2016 Value") by the income capitalisation approach was prepared. The 2016 Value was then compared against the carrying amount of the Paris Marriott Hotel as at 31 December 2016. The relating difference of approximately HK$301.9 million, represented by approximately HK$295.4 million on impairment of goodwill and approximately HK$6.6 million on impairment of hotel properties, was charged as expense from continuing operations. Please refer to notes 15 and 16 to the financial statements for further details of the impairment and key assumptions used in assessing the 2016 Value. The impairment loss on goodwill and hotel properties is a non-cash item charged to the Company's consolidated statement of profit and loss and will have no impact on the daily operation and ongoing cash inflow to the Paris Marriott Hotel.

Hong Kong

In accordance with the Hong Kong Tourism Board's ("HK Tourism Board") visitor arrivals statistics for 2016, the total number of visitor arrivals for the Year dropped by 4.5% as compared to the Preceding Year. This was the second consecutive year of decline of this number since 2014. The decline in number of overall visitor arrivals was mainly due to decrease in the number of visitors from the PRC year-on-year by 6.7%, whilst the increase in visitor arrivals from non-PRC year-on-year by 3.1% could not fully compensate the loss of visitor arrivals from PRC visitors. The decline in number of PRC visitors was due to mixed reasons including the continuation of the one-trip-per-week measure, and downturn of the PRC economy and strengthening of Hong Kong dollars against Chinese Yuan. Despite the decline in total number of visitors, our Butterfly on Waterfront Sheung Wan hotel ("Butterfly on Waterfront") had taken active steps such as close collaboration with online travel agencies to preserve occupancy and average daily rate for the hotel during the Year. Below is a comparison of operational performance of the Butterfly on Waterfront during the Year and against the Preceding Year:

	2016	2015
Occupancy	**99.7%**	98.2%
Average Room Rate	**HK$797**	HK$810
RevPAR*	**HK$795**	HK$796

* Revenue per available room

MONEY LENDING

The Group commenced its mortgage loan business in Hong Kong in the second half of 2016. Revenue of this segment as represented by interest income earned from mortgage loan, amounted to approximately HK$1.0 million during the Year. As at 31 December 2016, gross mortgage loan receivables amounted to HK$63.0 million.

PROSPECTS

HOTEL OPERATION

Paris

Tourism industry in Paris, France is struggling to recover from the aftermath of terrorist attacks since 2015. The Board is pleased to notice that bookings and average room rate has shown signs to bottom out in the first three months of 2017, whilst a full recovery is yet to be confirmed. The Board considers the Paris Marriott Hotel in France a crown jewel asset of the Group, as it derives unparalleled value gain potential and occupies a prime location at the affluent Avenue des Champs-Elysées of Paris. Currently, the state of emergency is still in place in France, but the Board is confident that France is a mature tourist destination, visitors will continue to travel to the country and in particular the beautiful capital city, Paris. Nonetheless, the Board is unsure and uncertain when confidence of visitors and revenue of the Paris Marriott Hotel will recover. Furthermore, the hotel industry in Paris is facing new competition from emerging channels such as Airbnb. In order to enhance guest experience and security during their stay, the Group is considering different improvement proposals, including but not limited to implementation of renovation plans for the Paris Marriott Hotel. As at the date of this report, the Group has not committed to any renovation plans for the Paris Marriott Hotel.

Hong Kong

The HK Tourism Board estimated that the number of tourists visiting Hong Kong will continue to decline by 2.2% in 2017, whereby PRC visitors is expected to fall by 3.7% year-on-year as compared to 2016, amid uncertain PRC and global economy. As PRC visitors constitute the largest segment of visitors of Hong Kong, continuation of the one-trip-per-week measure would dampen PRC visitors momentum to Hong Kong. 2017 marks the 20th anniversary of the handover to the PRC, together with the hosting of various mega events featuring food and eSports, the HK Tourism Board anticipates these events might provide incentives to visitor arrivals. Nevertheless, Hong Kong tourism industry is filled with challenges. More new hotels are expected to be completed in Hong Kong by end of 2017, the continuous increase in supply of hotel rooms will accelerate competition and intensify shortage of skilled hotel practitioner.

The Butterfly on Waterfront offers hotel guests with a unique beautiful sea view of the Victoria Harbour, and is situated within close reach to a range of public transports. The Board is pleased with this investment and expects the hotel will continue to provide the Group with a constant revenue stream as well as capital gain potential. Meanwhile, the Butterfly on Waterfront will closely collaborate with online travel agencies and enhance electronic marketing tactics with a view to generating more online bookings, maintaining occupancy and improving average room rates.

MONEY LENDING BUSINESS

The Board is pleased with the achievement of our money lending business during the Year. The Company will continue to focus on and develop mortgage loan business in Hong Kong as a new revenue source for the Group. The Board considers that the mortgage loan business in Hong Kong is filled with challenges and opportunities. The United States Federal Reserve's decision to raise interest rates in November 2016 and March 2017 increased optimism of interest rate hike in Hong Kong which may offer business opportunities for the Group. Nonetheless, the continuous steep surge in property prices and incidents of mortgage loan fraud cases would also pose threats to this business. The Group will remain vigilant and cautious when conducting mortgage loan business.

LOOKING AHEAD

The Board considers investing in hotels tends to be a relatively low risk investment, whilst offering stable revenue stream and considerable capital gain potential. The Board will concurrently review and look into opportunities to enhance quality of assets held in the hotel operation segment.

The mortgage loan landscape in Hong Kong remains challenging as the result of fast changing global and domestic economic factors including interest rate trend as well as recent steep surge in property prices in Hong Kong. The Board will continues to explore business opportunities from mortgage loan business in Hong Kong with caution.

Finally, the Group will also continue to explore investment opportunities from new business segments with a view to enhancing and improving returns to our stakeholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, total assets and net assets of the Group were approximately HK$3,922.1 million and HK$2,018.8 million respectively (31 December 2015: approximately HK$6,327.5 million and HK$2,367.9 million, respectively). The cash and bank balance of the Group as at 31 December 2016 were approximately HK$539.7 million, and were denominated in Hong Kong dollars, Euro, United States dollars and Renminbi (31 December 2015: approximately HK$333.1 million). The total current assets of the Group as at 31 December 2016 were approximately HK$666.3 million (31 December 2015: approximately HK$2,618.0 million). As at 31 December 2016, the Group had net current assets of approximately HK$599.2 million (31 December 2015: net current assets approximately HK$624.0 million).

The Group adopted a conservative treasury approach and had tight controls over its cash management. As at 31 December 2016, the Group had outstanding bank loans and other borrowings amounted to approximately HK$1,524.4 million* (31 December 2015: approximately HK$3,447.5 million), of which approximately HK$12.0 million (31 December 2015: approximately HK$1,866.3 million) was due within one year. As at 31 December 2016, the Group's gearing ratio (total borrowings/total assets) was at approximately 38.9% (31 December 2015: approximately 54.5%). The Group constantly monitors its cash flows position, maturity profile of borrowings, availability of banking facilities, gearing ratio and interest rate exposure.

* (i) Approximately HK$1,387.4 million (equivalent to €175,000,000) at the interest rates of 3 months EURIBOR plus 2.2% per annum; and

(ii) Approximately HK$137.0 million at the interest rate of 1 month HIBOR plus 2.36% per annum.

ACQUISITIONS AND DISPOSALS

With reference to the announcement of the Company dated 7 January 2016, the Group entered into a sale and purchase agreement to dispose of the entire share capital of Fame Risen Development Limited ("Fame Risen"), a directly wholly-owned subsidiary of the Company, and shareholder loan (the "Fame Risen Disposal") at the consideration of approximately HK$2,383.1 million. Fame Risen is the foreign joint venture partner of three associated companies established in the PRC principally engaging in steel manufacturing and trading business in the PRC. Fame Risen together with the three associated companies constituted business of the entire steel manufacturing and trading segment of the Group. The Fame Risen Disposal was completed on 15 April 2016.

FOREIGN EXCHANGE EXPOSURE

The Group had operations in the PRC, France, Luxembourg and Hong Kong where transactions and cash flows were denominated in the local currencies, including Renminbi, Euro and Hong Kong dollar. As a result, the Group was exposed to foreign currency exposures with respect to Euro which mainly occurred from conducting daily operations and financing activities by local offices where local currencies were different from the Group. For the year ended 31 December 2016, the Group had not entered into any forward contracts to hedge the foreign exchange exposure. The Group managed its foreign exchange risks by performing regular review and monitoring of the foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 31 December 2016, cash deposits amounting to approximately HK$19.3 million (31 December 2015: approximately HK$20.1 million) and certain buildings of the Group with a net carrying amount of approximately HK$3,179.7 million (31 December 2015: approximately HK$3,325.7 million) were pledged to secure general banking facilities and other loans granted to the Group.

EMPLOYEES AND REMUNERATION

The Group had 9 employees as at 31 December 2016 (31 December 2015: 10), the total employee remuneration during the Year were approximately HK$11.7 million (31 December 2015: approximately HK$21.2 million). Remuneration policies were reviewed regularly to ensure that compensation and benefit packages were in line with the market level. In addition to basic remuneration, the Group also provided other employee benefits including bonuses, mandatory provident fund scheme and medical insurance scheme and participation to stock option scheme.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Xue Jian

Mr. Xue Jian, aged 51, was appointed as a non-executive Director on 7 January 2009. Mr. Xue was re-designated as an executive Director on 6 January 2011, and appointed as chief executive officer on 1 June 2016. Mr. Xue also serves as director to a number of subsidiaries of the Company. Mr. Xue received his master's degree in business administration from Zhongnan University of Finance, Economics, Politics and Law. Mr. Xue has over two decades of experience in the steelmaking industry and in the commercial sector in the People's Republic of China (the "PRC"). He was the legal representative of Rizhao Steel Co., Ltd., and is a director of Rizhao Steel Holding Group Co., Ltd. The Rizhao Steel group of companies is one of the largest private steel makers in the PRC. Mr. Xue has also been appointed as the manager and legal representative of Jinghua Rigang Holding Group Co., Limited*. Apart from his engagement in the private sector, Mr. Xue is active in the pursuit for public causes, holding positions included the deputy director of Center for Studies on China's Circular Economy and Environment, and the senior consultant of China Health & Medical Development Foundation.

Mr. Law Wing Chi, Stephen

Mr. Law Wing Chi, Stephen, aged 45, was appointed as an executive Director on 18 May 2011, he has also been appointed as members of the remuneration committee and nomination committee of the Company as well as chief financial officer, existing process agent and company secretary of the Company. Mr. Law also serve as director, company secretary and legal representative to a number of Group companies. Mr. Law has extensive experience in financial management and professional accounting. Prior to joining the Company, Mr. Law was the chief financial officer of Diamondlite Group, one of the leading jewelry manufacturers in the PRC. Having started his career as a professional accountant in an international accountancy firm, Mr. Law has undertaken key financial management positions in companies engaged in a variety of industries. Mr. Law is an associate member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor of Arts Degree in Accountancy from the City University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tam Sun Wing

Mr. Tam Sun Wing, aged 59, was appointed as an independent non-executive Director on 14 December 2001, he has also been appointed as chairman of the audit committee and the remuneration committee, and a member of the nomination committee of the Company. Mr. Tam is a professional accountant with more than 30 years of extensive audit and business advisory experience. Mr. Tam is practicing as a director of FTW & Partners CPA Limited. Mr. Tam is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong, and also registered as a Certified Tax Advisor. Mr. Tam holds a Master Degree of Science in Corporate Governance and Directorship from the Hong Kong Baptist University.

Mr. Ng Ge Bun

Mr. Ng Ge Bun, aged 59, was appointed as an independent non-executive Director on 30 September 2004, he has also been appointed as member of the audit committee and the remuneration committee and chairman of the nomination committee of the Company. Mr. Ng holds the Degree in Bachelor of Science and Degree in Bachelor in Laws. He obtained a postgraduate certificate in laws from The University of Hong Kong. He is a solicitor of the High Court of Hong Kong and currently serves as a partner of Tang, Lai & Leung Solicitors.

Mr. He Yi

Mr. He Yi, aged 44, was appointed as an independent non-executive Director on 18 May 2011, he has also been appointed as member of the audit committee, the remuneration committee, and the nomination committee of the Company. Mr. He is the CEO of Shanghai YAOXIN Asset Investment and Management Limited. Prior to this, he was the General Manager of Barclays Bank Shanghai Branch and has extensive experience in the financial industry. Mr. He started his career with the Credit Agricole Indosuez in Shanghai and was the head of treasury department and financial institutions department of First Sino Bank, the head of global markets China and deputy general manager of the Shanghai branch of Australia and New Zealand Banking Group Limited. Mr. He is a member of the Chinese Institute of Certified Public Accountants and a certified economist accredited by The Ministry of Personnel of China. Mr. He also holds a postgraduate master degree of economics from the Fudan University, Shanghai, China. Mr. He is currently also an independent non-executive director of Sunshine Oilsands Ltd., the issued shares of the company are listed on The Stock Exchange of Hong Kong Limited (stock code: 02012).

* For identification purpose only

CORPORATE GOVERNANCE REPORT

The Board and management of the Company are committed to maintaining high standards of corporate governance. Continuous efforts are made to review and enhance the Group's internal control policy and procedures in light of local and international developments to instill best practices.

The Board has set up procedures on corporate governance that comply with the requirements of the Listing Rules on corporate governance practices based on the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to Listing Rules.

The Company had complied with the code provision of the CG Code throughout the year ended 31 December 2016 with the following deviation:

- A.4.1 Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Company's Bye-laws. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code.

- A.4.2 The Chairman is not, whilst holding such office, subject to retirement by rotation or taken into account in determining the number of Directors to retire in each year in accordance with the Company's Bye-laws. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in this role and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

- E.1.2 The Chairman of the Board did not attend the annual general meeting held on 16 May 2016 due to the fact that he had other business commitments. Another executive Director, Mr. Law Wing Chi, Stephen was elected to chair the annual general meeting in accordance with the Company's Bye-Laws.

The Board will keep this matter under review.

Following sustained development and growth of the Company, we will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders of the Company.

After resignation of Mr. Hu Yishi as chairman of the Company with effect from 1 June 2016, no replacement appointment in relation thereto has been made by the Board. The Company will publish an announcement once an appointment has been made in accordance with the Listing Rules.

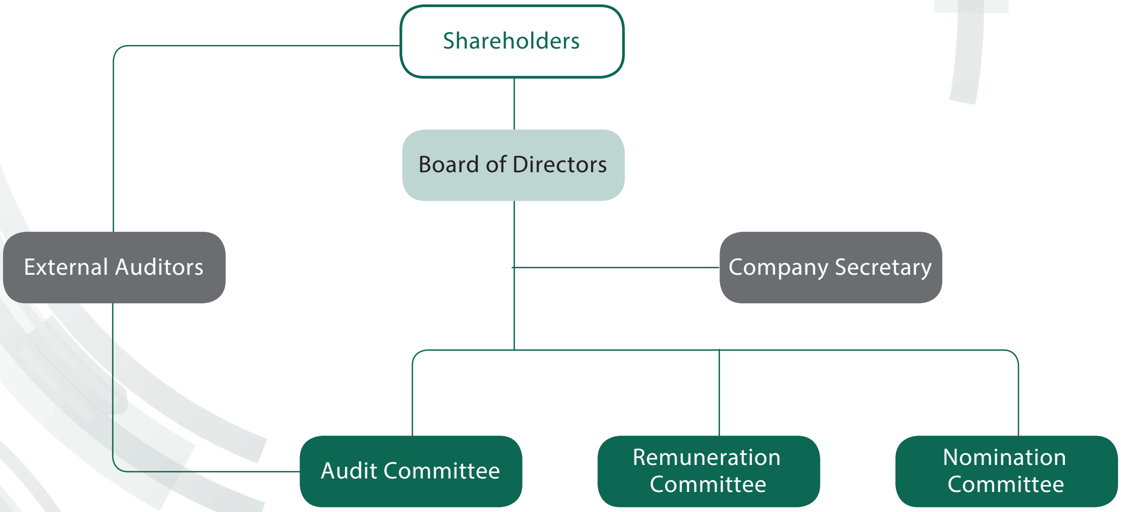
MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules. The Company has confirmed with the Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

CORPORATE GOVERNANCE REPORT

THE BOARD AND CORPORATE GOVERNANCE STRUCTURE

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business. The Directors are responsible for leadership and control of the Group. The overall corporate governance structure of the Company is depicted in the following chart:



BOARD

(A) BOARD COMPOSITION

The Board currently comprises two executive Directors and three independent non-executive Directors, serving the important function of guiding the management.

The Board members during the year and up to the date of this annual report are as follows:-

Executive Directors
Mr. Xue Jian *(CEO)* (appointed effective 1 June 2016)
Mr. Law Wing Chi, Stephen

Non-executive Director
Mr. Hu Yishi *(Chairman)* (resigned effective 1 June 2016)

Independent non-executive Directors
Mr. Tam Sun Wing
Mr. Ng Ge Bun
Mr. He Yi

There are no relationships (including financial, business, family or other material/relevant relationship) among the Directors. All Directors of the Company are not appointed for a specific term. Although all Directors of the Company are not appointed for a specific term, all Directors, except the Chairman, are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Company's Bye-laws.

(B) ROLE AND FUNCTION

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, the directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that board procedures, and all applicable rules and regulations, are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Board has the full support from senior management to discharge its responsibilities. Appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group has been arranged by the Company.

For the year ended 31 December 2016, the Board had held meetings and discussed following issues :-

1 reviewed the internal control systems and risk management of the Group;

2 discussed the annual results of the Group for the year ended 31 December 2015 and the interim results of the Group for the period ended 30 June 2016 respectively;

3 considered the recommendation of any final dividend for the year ended 31 December 2015 and the book close period, if any;

4 proposed re-election of Directors;

5 proposed the re-appointment of Ernst & Young as the auditors of the Company, and discussed the auditors remuneration for the annual audit;

6 reviewed the effects on the changes of the accounting standards and principles; and

7 proposed the general mandates to issue and repurchase shares of the Company.

(C) MEETING RECORDS

There were in total eleven board meetings and general meetings held for the year ended 31 December 2016.

The following set out the attendance record of Board meetings and general meetings held during the year:

	Attendance for meeting for the year ended 31 December 2016	
Board members	**Board Meetings**	**General Meetings**
Mr. Hu Yishi *(Chairman)* (resigned effective 1 June 2016)	4/9	0/2
Mr. Xue Jian *(CEO)* (appointed effective 1 June 2016)	8/9	0/2
Mr. Law Wing Chi, Stephen	9/9	2/2
Mr. Tam Sun Wing	7/9	2/2
Mr. Ng Ge Bun	7/9	2/2
Mr. He Yi	7/9	2/2

There were one general meeting and one special general meeting held for the year ended 31 December 2016.

(D) INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2016, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

(E) CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the corporate governance policy and performing the corporate governance duties including the followings:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of the Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

(F) DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are committed to participate in continuous professional development. The Directors are regularly briefed on amendments and updates on the relevant laws, rules and regulations.

The Company has arranged, and all Directors namely, Mr. Xue Jian, Mr. Law Wing Chi, Stephen, Mr. Hu Yishi, Mr. Tam Sun Wing, Mr. Ng Ge Bun and Mr. He Yi have enrolled and attended relevant professional development courses to assist the Directors in discharging their duties. The Company has also arranged presentations to Directors that are conducted by external professional bodies in relation to updates and developments in the statutory and regulatory regime of the Group's business and the business environment.

(G) DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements of the Group, and to report on material uncertainties, if any, relating to events or conditions that may cost significant doubt upon the Group's ability to continue preparing the accounts on a going concern basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The division of the responsibilities between the Chairman and Chief Executive Officer is clearly established and set out in the Code of Corporate Governance of the Company. The Chairman provides leadership for the Board and the Chief Executive Officer has overall chief executive responsibility for the Group's business development and day-to-day management generally. During the year, Mr. Hu Yishi ("Mr. Hu") resigned as the Chairman of the Company. After resignation of Mr. Hu as Chairman of the Company, no replacement appointment in relation thereto has been made by the Board, the Company will publish as announcement once an appointment has been made in accordance with the Listing Rules. Subsequent to Mr. Hu's resignation, the responsibilities of the Chairman has been shared by the executive Directors during the year.

During the year, the Company appointed Mr. Xue Jian, an executive Director, as the chief executive officer.

NON-EXECUTIVE DIRECTOR

There is no specific length or proposed length of service in respect of Mr. Hu Yishi's appointment as a non-executive Director and the Chairman of the Company. Whilst holding such office, Mr. Hu is not subject to retirement by rotation in accordance with the Company's Bye-Laws. Mr. Hu is entitled to a fixed director's fee of HK$200,000 per annum and emoluments to be determined with reference to the experience and duties of Mr. Hu and his role played in the Board and is subject to review by the Remuneration Committee of the Board. Mr. Hu's resigned with effect from 1 June 2016.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:-

- Audit Committee
- Remuneration Committee
- Nomination Committee

Each Board Committee makes decisions on matters within its term of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

(A) AUDIT COMMITTEE

The Audit Committee was established on 14 December 2001. It currently consists of three independent non-executive Directors.

Composition of Audit Committee for the year ended 31 December 2016 is as follow:

Mr. Tam Sun Wing *(Chairman)*
Mr. He Yi
Mr. Ng Ge Bun

Role and function

The Audit Committee is mainly responsible for:

1 discussing with the external auditors before the audit commences, the nature and scope of audit and ensure co-ordination where more than one audit firm is involved;

2 reviewing the Company's interim and annual financial statements before submission to, and providing advice and comments thereon to the Board of Directors;

3 considering the appointment of external auditors and their audit fees;

4 discussing problems and reservations arising from the interim and final audits and matters that the external auditors may wish to discuss (in the absence of the management, where necessary); and

5 assessing the risk environment and review internal control procedure manual of the Group.

Meeting Record

The Audit Committee met four times during the year to discuss and approve the interim and annual results, and to review the internal control procedures of the Group.

The following set out the attendance record of Audit Committee meetings held for the year ended 31 December 2016:

Committee member	**Attendance at meetings held for the year ended 31 December 2016**
Mr. Tam Sun Wing	4/4
Mr. He Yi	4/4
Mr. Ng Ge Bun	4/4

During the meetings, the Audit Committee discussed the following matters:-

(1) Financial Reporting

The Audit Committee met with the external auditors to discuss the interim and annual financial statements and system of control of the Group. The auditors and the Chief Financial Officer were also in attendance to answer questions on the financial results.

Where there were questions on the financial statements and system of control of the Group reviewed by the Audit Committee, the management of the Company would provide breakdown, analysis and supporting documents to the Audit Committee members in order to ensure that the Audit Committee members were fully satisfied and make proper recommendation to the Board.

(2) External Auditors
The appointment of the external auditors and the audit fee were considered by the Audit Committee and recommendations were made to the Board on the selection of external auditors of the Company. The Audit Committee had also discussed on auditor's independence, objectivity and effectiveness of audit process.

(3) Risk Management and Internal Control
Review of the sufficiency and efficiency of the risk management and internal control systems with management.

(B) REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 March 2005. It currently consists of one executive Director and three independent non-executive Directors.

Composition of the Remuneration Committee for the year ended 31 December 2016:

Mr. Tam Sun Wing *(Chairman)*
Mr. Law Wing Chi, Stephen
Mr. Ng Ge Bun
Mr. He Yi

Role and function
The Remuneration Committee is mainly responsible for:

1. reviewing any significant changes in human resources policies and structure made in line with the then prevailing trend and business requirements;

2. making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

3. determining the specific remuneration packages of all executive Directors and senior management, including 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;

4. considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;

5. reviewing and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;

6. reviewing and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

7. reviewing and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

8. ensuring that no Director or any of his associates is involved in deciding his own remuneration; and

9. advising the shareholders on how to vote in respect of any service contract of Director which shall be subject to the approval of shareholders (in accordance with the provisions of Rule 13.68 of the Listing Rules).

Where circumstances are considered appropriate, some Remuneration Committee decisions are approved by way of written resolutions passed by all the committee members.

For the year ended 31 December 2016, four Remuneration Committee meetings were held and the attendance record is as follow:

Committee member	**Attendance at meetings held for the year ended 31 December 2016**
Mr. Tam Sun Wing	4/4
Mr. Law Wing Chi, Stephen	4/4
Mr. Ng Ge Bun	4/4
Mr. He Yi	4/4

During the meeting, the Remuneration Committee discussed the remuneration packages of Directors, senior management and the chief executive officer with reference to the prevailing market conditions. The Remuneration Committee had also discussed on remuneration policy and performance assessment for executive Directors.

(C) NOMINATION COMMITTEE

The Nomination Committee was established on 13 April 2007. It currently consists of one executive Director and three independent non-executive Directors.

Composition of the Nomination Committee for the year ended 31 December 2016:

Mr. Ng Ge Bun *(Chairman)*
Mr. Law Wing Chi, Stephen
Mr. Tam Sun Wing
Mr. He Yi

Role and function

The Nomination Committee's terms of reference includes those specific duties as set out in the code provision A.5.2 of the CG Code. Pursuant to its terms of reference, the Nomination Committee is required, amongst other things, to review the structure, size and composition of the Board and make recommendations for changes as necessary, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer. The Nomination Committee should meet at least once a year and when the need arises.

The Nomination Committee is responsible for identifying, recruiting and evaluating new nominees to the Board and the assessment of the qualifications of the directors. The criteria adopted to select and recommend candidates for directorship includes the candidate's experience, professional knowledge, integrity, time commitment and other statutory or regulatory requirements.

For the year ended 31 December 2016, three Nomination Committee meetings were held and the attendance record is as follow:

Committee member	Attendance at meeting held for the year ended 31 December 2016
Mr. Ng Gen Bun	3/3
Mr. Law Wing Chi, Stephen	3/3
Mr. Tam Sun Wing	3/3
Mr. He Yi	3/3

During the meeting, the Nomination Committee reviewed the composition of the Board, it had also discussed on policy for nomination of Directors.

SHAREHOLDERS' RIGHTS

It is the Company's responsibility to ensure shareholder's interest. To do so, the Company maintains on-going dialogue with shareholders to communicate with them and encourage their participation through annual general meetings or other general meetings.

Registered shareholders are notified by post for the shareholders' meetings. The notice of meeting contains the agenda, the proposed resolutions and a postal voting form.

Any registered shareholders are entitled to attend the annual and special general meetings, provided that their shares have been recorded in the Register of Shareholders.

Shareholders who are unable to attend a general meeting may complete and return to the Share Registrar the proxy form enclosed with the notice of meeting to give proxy to their representatives, another shareholder or Chairman of the meetings.

Shareholders or investors can enquire by putting their proposals with the Company through the following means:-

Hotline no. : (852) 2804-2221

By post : 28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

Shareholder(s) can by written requisition to the Board or the secretary of the Company to require a special general meeting be called by the Board for the transaction of any business specified in such requisition. To raise such requisition, the shareholder(s) must have held at the date of deposit of such requisition not less than one-tenth of the paid up capital of the Company carrying right to vote at general meetings of the Company (Bye-laws 58).

The meeting so requisitioned shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such requisition deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with section 74(3) of the Companies Act 1981 of Bermuda.

PROCEDURES FOR SHAREHOLDERS TO PUT ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

The Company Secretary

Kai Yuan Holdings Limited

28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

Email : enquiry@kaiyuanholdings.com

Telephone No. : (852) 2804-2221

Facsimile No. : (852) 2723-8571

The company secretary will forward the shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Subject to Section 79 of The Companies Act 1981 of Bermuda, it shall be the duty of the Company, on the requisition in writing of (i) either any number of members representing not less than one twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than one hundred members, at the expense of the requisitionists unless the Company otherwise resolves:

(a) to give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such intended resolution duly signed by the shareholder concerned shall be deposited at the registered office of the Company not less than six weeks before the meeting (in the case of a requisition requiring notice of a resolution); and not less than one week before the meeting (in the case of any other requisition) together with a sum reasonably sufficient to meet the Company's expenses in sending the notice and circulating the statement submitted by the shareholder concerned.

Upon receiving the requisition, the Company would take appropriate actions and make necessary arrangements in accordance with the requirements under the provisions as stated in Sections 79 and 80 of the Companies Act I981 of Bermuda.

AUDITORS REMUNERATION

It is the auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with the Companies Ordinance, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

Apart from the provision of annual audit services, the Group's external auditors also provided interim review of the Group's results and taxation advisory service of the Group.

For the year ended 31 December 2016, Ernst & Young, the external auditors provided following services to the Group:–

	Ernst & Young
	HK$'000
Audit services	2,400
Taxation services	124

INTERNAL CONTROL

The Audit Committee assisted the Board to perform its duties to maintain an effective and sound internal control systems for the Group. The committee has reviewed the Group's procedures and workflow for the financial, operational and compliance, and also the risk assessment and its initiatives for business risks management and control. Recommendations will also be put forward to the Board for consideration and approval. During the year, the Company engaged an independent internal control consultant to carry out review risk management and internal control systems of the Group. The review report had been presented to the Audit Committee to review. Please refer to the section headed "Risk Management and Internal Control Report" for further details.

COMPANY SECRETARY

Mr. Law Wing Chi, Stephen, the company secretary for the year ended 31 December 2016, was a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary has taken no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

There is no change in the Company's constitutional documents during the year ended 31 December 2016.

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to shareholders, analysts and interested parties. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the Company's website. Media briefings are organized from time to time to relay details of the Group's latest business initiatives and market development plans. Regular meetings are also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication.

For the year ended 31 December 2016, the following shareholder meeting was held by the Company:-

Date	Venue	Type of Meeting	Particulars	Voting at the Meeting
14 March 2016	Board Room, Level 1, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong	Special General Meeting	To approve the sale and purchase agreement and the transactions contemplated thereunder	By poll
16 May 2016	Board Room, Level 1, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong	Annual General Meeting	1. To adopt the audited financial statements for the year ended 31 December 2015 and the reports of the Directors and auditors 2. To re-elect Directors and to authorise the Board to fix their remuneration 3. To re-appoint Ernst & Young as the auditors and authorise the Board to determine their remuneration 4. To approve the general mandates to issue and repurchase shares of the Company	By poll

FINANCIAL CALENDAR FOR 2017

Event	Proposed Date
Announcement of 2016 annual result	Late March 2017
Annual General Meeting	Around May 2017
Announcement of 2017 interim result	Late August 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Kai Yuan Holdings Limited (the "Company" together with its subsidiaries (the "Group")) believes that sustainable development is an integral part of our business. We strive to be a good corporate citizen by carrying out our business in a socially responsible way. We aim at creating long-term values for our stakeholders and contributing to make the world a better place.

This Environmental, Social and Governance ("ESG") Report of the Company outlines our approaches, commitments and strategies to sustainable development and highlights our performances in material areas in which the Company considered critical by taking reference from the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for disclosures.

This report covers the reporting period from 1 January 2016 to 31 December 2016 (the "Reporting Period") which is the same period covered in the annual report of the Company. The Group currently owns and operates two hotels, which are Paris Marriott Champs Elysées Hotel (the "Paris Marriott Hotel") in Paris, France and Butterfly on Waterfront Sheung Wan (the "Butterfly on Waterfront") in Hong Kong (collectively, the "Hotels"). They together constitute the hotel operation segment and represent principal revenue source of the Group. In the following sections, selected key performance indexes and core operating practices underpinning sustainability employed by the Group for the hotel operation segment will be reported.

We welcome feedback and comments on to this report and our sustainability performance. Please feel free to provide your comments by email to enquiry@kaiyuanholdings.com.

Stakeholders Engagement

The Group would not be successful without support from our stakeholders. We strive to maintain open communication with our stakeholders making use of all sorts of opportunities. The Group has various communication platforms to engage and interact with a range of stakeholders to identify ESG issues that are of importance and of concern to our business. We believe that through continuous stakeholders engagement, mutual trust and respect between the Group and stakeholders can be strengthened to enhance sustainability performance of our businesses.

Environmental Protection

The Group is committed to operating our businesses in an environmentally responsible manner. We are aware of global climatic change and are dedicated to safeguard our Earth. Working closely with both Paris Marriott Hotel and Butterfly on Waterfront, we place great forces on responsible hospitality management with a mission to mitigate negative impacts on the environment in our day-to-day business activities by integrating sustainability in operational policies and management strategies.

Energy Management

By conserving energy and using it more efficiently, we will result in lesser pollution and reduce pressure on an already overstressed environment. Measurement of carbon emission and key energy consumption data[1] will provide us with a basis for future comparison and improvement in support of a low carbon economy. In 2016, our Hotels reported consumption of the sum of 6,534,368 kWh of electricity and 1,148 GJ of gas respectively, which were equivalent to 1,725 tonnes of CO_2 emissions (Greenhouse gas emissions scope 1 and scope 2).

1 Energy included electricity and gas.

Below is a summary of both specific and common key energy-saving measures implemented by our respective Hotels in support of a low carbon economy:

Paris Marriott Hotel

- installation of motion detector in public area restroom and meeting rooms
- installation of LED lighting at back offices and LED motion sensor lighting in parking staircase
- adoption of programmable thermostats in guest rooms and meeting facilities
- installation of window sensor in all guest rooms to switch off air-conditioning system when windows are open
- regular review on environmental policy

Butterfly on Waterfront

- 30% of guest rooms being installed with LED lighting
- closing of curtain to blockout sunlight after room makeup
- setting different water heater set-point temperatures according to outside temperature ranges
- ensuring unnecessary lighting and air-conditioning are turned off
- daily monitoring of energy consumption with regular review on energy costs to avoid irregular usage

Common measures

- educating and inspiring associates and guests to conserve and preserve
- setting and maintaining standard indoor temperature

Green Key

Paris Marriott Hotel has been certified by a globally recognised sustainable certification program – Green Key, a leading standard of excellence in the field of environmental responsibility and sustainable operation in tourism industry – in recognition of its efforts in green operation.

Energy Efficiency Enhancement

To identify refined cost-effective energy management opportunities, Butterfly on Waterfront has enrolled in energy audit service provided by The Hong Kong Electric Co., Ltd to identify energy saving the potentials for improving energy efficiency at the property in near future.

Water Management

Water is one of our core essentials and basic necessities. According to World Wildlife Fund (WWF), only 3% of water on the planet is fresh water, of which merely about 1% is readily available for human use. For this reason, the Group is committed to upholding the best practices on water management throughout our operations.

In 2016, our Hotels consumed a total of 29,911 m^3 of water.

Below are the highlights of specific water-saving initiatives of our respective Hotels for water efficiency enhancement:

Paris Marriott Hotel

- adoption of low-flow water faucets in 100% of the guest rooms and common areas
- introduction of low-flow showerheads and tap aerators in all guest bathrooms
- installation of water-efficient commercial dishwasher and washing machines (except the washing machine in the kitchen)
- installation of low-flow pre-risen spray valves in kitchen
- encouraging guests to reuse linen and towel

Butterfly on Waterfront

- encouraging guests to save water and reuse linen and towel during their stay
- introduction of water saving tips to staff and housekeeping service contractors to raise their awareness of water conservation
- close monitoring on general water consumption pattern to prevent unnecessary increase in water usage

The Group recognises that waste management is one of the global issue concerning environmental, social and health impacts on the local communities in which we operate. Therefore, we focus on improvement of waste management to reduce the quantity of waste disposal sent to landfills or incinerators.

In 2016, our Hotels generated a total of 777 tonnes of waste.

Paris Marriott Hotel strives to reduce waste and donate the unwanted items to the needy wherever possible. The hotel works collaboratively with different waste recycling partners to trim down the tonnage that must be transported to landfills or incinerators. The hotel has also initiated an organic waste recycling project with a bio-waste partner to turn waste into compost and biogas. The hotel also has measures in place to recycle used oil, lamps, batteries, metal, plastic, glass and paper through working with different recycling companies to alleviate the stress to the environment.

For the Butterfly on Waterfront, the hotel embraces green culture in support of 3Rs – Reduce, Reuse and Recycle at workplace. We encourage recycle of resources and donation of unwanted items to charitable organizations. By doing so, not only can waste be diverted, people in need can also be aided.

Operating Practices

We believe that sound internal control, risk management and compliance systems are foundation for embracing good corporate governance. The Group is committed to upholding high standards of business integrity, honesty, ethics and transparency in our operations.

Personal Data Practice

The Group's policy on Privacy of Personal Data provides guidelines for managing different kinds of personal data and the establishment of a privacy framework that secures the personal data.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on personal data practice.

Supply Chain Management

The Group understands that building a sustainable supply chain network involves participation and developing close and long-term working relationships with our business partners. We believe that open communication channels play a vital role in building trust and confidence between our Hotels and suppliers. Our Hotels manage supply chain in a manner that is consistent with the Group's approach to sustainability.

Paris Marriott Hotel expects suppliers to operate in full compliance with all applicable environmental laws, ordinances and regulations, to reduce ecological impacts as well as resource consumption and to continually advance the sustainability of the products and services. Furthermore, the hotel strictly adheres to the Marriott International Global Procurement Supplier Conduct Guidelines which govern the conduct of Marriott staff in procurement process and outline the standards and obligations that a vendor is expected to fulfill. These include but do not limit to: (i) being accurate, honest, and fair; (ii) forbidding the giving or promising anything of value to a government official or employee to influence that person in his or her official duties or to encourage unlawful conduct; (iii) provision of a fair and safe workplace; and (iv) focus on commitment to diversity, social responsibility, and community engagement for the greater good of the community in support of human rights while against child and forced labour.

Butterfly on Waterfront actively seeks to work with business partners, including suppliers and contractors, who incorporate the concept of sustainability into their business practices. The supplier code of conduct in place sets out the requirements for regulatory compliance, i.e. labor practices, environmental measures, occupational safety & health, anti-corruption etc. Supplier compliance is assessed in accordance with the Supplier Code of Conduct and relevant standards prior to cooperation with suppliers. Spot checks are also conducted on delivered goods and services on-site are performed at irregular intervals. In 2016, the hotel has 138 business partners, which are all based in Hong Kong.

Service Quality

The Group believes that exceptional hotel experience are the core elements to maintain long-term relationship with customers. Our Hotels are unswervingly devoted to provide services and products of impeccable quality. With the belief that people are the key to success, hotel employees are regularly trained with respective rules and standards on quality services. Both Hotels have in place their respective "Quality Assurance Program" to enhance guests satisfaction and loyalty, and also standard procedures for handling guest complaints and other incidents timely, attentively and diligently.

Paris Marriott Hotel is classified and recognised as a five-star hotel by the République Française (French Republic) honuring its outstanding service standards. In an attempt to gain better understanding of customer's experiences, Paris Marriott Hotel adopts a newly developed guest feedback program – Guest Voice. A guest satisfaction system which integrates a shorter, simpler guest satisfaction survey with social media (reviews, posts, tweets, etc.) into a single user dashboard, enabling the hotel to take action on issues and concerns and facilitate a more timely response.

For Butterfly on Waterfront, it will continue to explore innovative communication channels to interact with hotel guests. The hotel regards guest feedback as the foundation for betterment of guest experience. Guest comments collected from different communication channels are duly followed up on a daily basis. The hotel also promotes open decision-making among staff members to identify the most effective way to operate the hotel.

Rescue of the Endangered Species

In protection of endangered species and the sustainable growth of marine ecosystem, Paris Marriott Hotel has followed Marriott Group's move in removing shark fin from menus since late 2011. The high-end yet sustainable dining alternatives created by the culinary team have contributed greatly to the reduction in demand for shark fin dishes.

Anti-Corruption

It is of paramount importance that businesses are conducted in accordance with applicable rules, regulations and social standards. The virtue of integrity, honesty and fairness have been given the highest priorities. No such rules, regulations or standards should be traded in exchange for business benefits.

All hotel employees are required to stringently abide by respective anti-corruption guidelines and policies of the Hotels where bribery in any form is prohibited. In cases when breaching of anti-corruption guidelines are spotted, disciplinary actions including immediate termination of employment and involvement of local authorities would be taken. Hotel managers will also provide trainings to hotel employees on issue of corruption on a regular basis.

During the Reporting Period, no legal case was filed against the Hotels or their employees with regard to corruption issues.

Social

Employment

As at 31 December 2016, the Group had 9 employees. All of our employees have employment contracts that cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on regular basis. The Group grants discretionary bonuses to qualified employees based on operation results and individual performance. Employees are also entitled to medical insurance, participation in the mandatory provident fund and paid leaves.

The Group is not aware of any material non-compliance with any relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the reporting period.

Employee Health and Safety

The Group endeavours to provide a safe working environment for its employees. During the Reporting Period, no work related fatalities or injuries were recorded.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the Reporting Period.

Development and Training

All new employees are required to attend orientation training to ensure they are aware and familiarized themselves with the Group's values and goals and to ensure the employee understands their role in the Group. Employees are also encouraged to attend seminars relevant to their position to enhance their role within the Group.

Labour Standard

All employees are recruited through the human resources department to ensure they fulfill the requirements underlying their respective positions.

The Group regularly reviews its employment practice and Group's guidelines on staff recruitment to ensure that it is in full compliance with the relevant employment laws and other regulations where employees are employed.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group.

Community

Community Investment

The Group encourages our employees to participate and support in community services in order to lead a healthy and balanced lifestyle. The Group will also participate in community and public welfare activities when possible.

Conclusion

The Group will regularly review the operation and management policies, systems and standards with our Hotels with a view to enhancing our operation efficiency and service qualities. Looking forward, the Group will continue to act responsibly in our endeavour to attain business growth while carefully managing our ecological footprints in pursuit of a better and sustainable future.

RISK MANAGEMENT AND INTERNAL CONTROL REPORT

RISK MANAGEMENT STRUCTURE

The Board of directors (the "Board") is responsible to maintain a sound and effective risk management and internal control system, in order to protect the interest of the Company and its shareholders. The risk management and internal control systems are designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives, and can only provide reasonable, but not absolute assurance against material misstatements or losses.

The Company has established an Enterprise Risk Management Framework (the "ERM Framework") in order to implement risk management effectively. Our ERM Framework comprises two key elements: risk management structure and risk management process.

Board of Directors

The Board has a duty to ensure the effectiveness of the risk management and internal control systems of the Group (the "ERM system"). The Board oversees the ERM system, assess and evaluate the Group's business strategies and risk tolerance. The Board with assistance from the Audit Committee, reviews at least annually the effectiveness of the ERM system, the Board also monitors the ERM system in an on-going manner.

Audit Committee

The Audit Committee has the second highest responsibility to risk management and internal control after the Board. Audit Committee assists the Board in overseeing the Group's ERM system by providing support and advice, including on-going monitoring of the execution of risk management processes, reviewing the Group's risk register, reviewing and approving the internal control review plan and results.

Management

The Management, comprises the chief executive officer, chief financial officer and senior managers, is responsible for identifying and monitoring the risks relevant to daily operations of the Group. The Management reports to the Board and Audit Committee on the risks identified including strategic, operational, financial, reporting and compliance risks, and its changes during the Year. The Management is also responsible to develop appropriate internal control measures to mitigate the risk, identify and resolve material internal control defects.

Independent Internal Control Consultant

To ensure independence of the internal control review, the Group has outsourced the internal audit function to an independent internal control consultant (the "IC consultant"), the scope of work includes reviewing the effectiveness of the Group's risk management and internal control systems. The scope of the internal control review is risk-based and is reviewed by the Audit Committee, the IC consultant is capable to communicate internal control issues they noticed during their review to the Audit Committee directly.

RISK MANAGEMENT PROCESS

Our ERM framework defined the procedures for identifying, assessing, responding and monitoring risks and their changes. Through regular discussion with each operating functions, the Group strengthen the understanding of risk management such that all employees will understand and report various risks identified to the Management or the Board in a timely manner. It enhanced the Group's ability to identify and management risk.

To identify and prioritize material risks throughout the Group, Management communicates with each operating functions, collect significant risk factors that affect the Group from bottom to top, including strategic, operational, financial, reporting and compliance risks. Having identified all relevant risks, Management assesses the potential impact and possibilities of the risks and prioritize the risks. Appropriate internal control measures are then developed to mitigate the risks identified and the changes of risks in an on-going manner.

MAIN FEATURES OF OUR RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Maintain an effective internal control system (operational level)

- Establish clear internal control policies and procedures, clearly define the responsibilities, authorities and accountabilities of each key positions;
- Establish code of conduct, explain the Group's requirements on integrity and ethical value to all staffs;
- Establish whistle blowing mechanism, encourage employees to report incidents of misconduct or fraud;
- Establish appropriate level of information technology assess rights, avoid leakage of 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 professionals, if necessary.

During the Year, the Board has reviewed the effectiveness of internal control policies and procedures, including those related to financial reporting and Listing Rule compliance. The Board has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions during the evaluation the effectiveness of risk management and internal control systems.

On-going risk monitoring (risk management level)

Based on the ERM framework and risk management policies established by the Board, the Management communicates with each operating functions, collect significant risk factors that affect the Group from bottom to top. The Group has established a risk register to record the risks identified, the Management assesses the potential impact and possibilities of the risks and develops appropriate internal control measures to mitigate the risks identified.

Independent review

The Group has appointed the IC consultant to conduct an internal control review* for the Year, and the scope of review covered the period from 1 January 2016 to 31 December 2016. An Internal control review report has been provided to Audit Committee and the Board.

Nothing has come to the Audit Committee's or Board's attention to believe that risk management and internal control systems of the Group are inadequate or ineffective.

PRINCIPAL RISKS OF THE GROUP

Risks identified are principal risks and uncertainties faced by the hotel operation and money lending segment of the Group as determined by the Board, but is not intended to be exhaustive.

Please refer to the section Principal Risks and Uncertainties of the Directors' Report of this report for details.

* *The internal control review performed by the IC consultant does not constitute an assurance engagement made in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of certified Public Accountants.*

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the hotel operation and money lending. The principal activities and other particulars of subsidiaries of the Group are set out in note 1 to the financial statements.

On 15 April 2016, the Group completed the disposal of the entire share capital of Fame Risen Development Limited, together with its associated companies, and shareholder's loan due (the "Rizhao Target Group"). The Rizhao Target Group was principally engaged in steel manufacturing and trading in the PRC.

In the second half of the Year, the Group commenced its money lending business in Hong Kong.

Other than these developments, there were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

Please refer to the Management Discussion and Analysis of this report for further details on review of the Group's business and particulars of important events affecting the Group during the Year, together with future development of the Group.

Principal Risks and Uncertainties

The following are the principal risks and uncertainties facing by the Group's hotel operation segment and money lending business segment as determined by the Board. The content below is not intended to be an exhaustive list of all the risks and uncertainties that may arise.

Hotel Operation

(i) Operational risks

Notwithstanding the active monitoring and supervision of performance of the hotels by the Group, daily operations of the Group's hotels are delegated to respective hotel managers, pursuant to hotel management agreements signed with third-party hotel managers. Dependent on the ability of hotel managers, the failure of hotel managers to manage the hotels in an efficient and effective manner could have a material adverse effect on financial results of the Group.

Furthermore, if any of the hotel management agreements are terminated prior to its expiration, we may experience disruptions to our operations, then to seek for replacement of the hotel manager.

Finally, the Group's hotels are operated under brand names of respective hotel managers. As a result, the continuation on generation of revenues from the Group's hotels relied on success of the hotel managers in maintaining reputation and enhancing the recognition of their brands.

(ii) Competition

The Group owns hotels in France and Hong Kong in which the hospitality industry is highly competitive due to ongoing supply of new hotels and renovation of existing hotel properties. The intensity of competition is affected by a range of factors including political stability of countries where the hotels are located, regional and global economic conditions, convenience of location, interior design and amenities offered, and travel pattern of customers. The Group is committed to offer the best of our services and hotel experience for our guests.

(iii) Economic and market risks

The Group's business is exposed to risks of unfavourable movements in the global and regional economies and financial markets, in particular to the markets where our hotels are located. Change in economic conditions would lead to recession, inflation, deflation, currency fluctuations, availability of financing, interest rates and other factors that are beyond control of the Group. Occurrence of any of the above may reduce revenue, increase operating costs and lower asset value of the Group.

(iv) Terrorism, diseases and natural disasters

The Group's business could be adversely impacted by acts of God, wars, terrorist attacks, riots, diseases and other events beyond our control. The Group cannot predict the occurrence of these events. An increased threat of terrorism would affect travel patterns and reduce the number of travellers of different categories. All of the above events would eventually adversely affect the business and financial performance of our hotels.

(v) Indebtedness and interests rates

The Group maintains certain level of indebtedness to partly finance the hotel property investments. The indebtedness level could increase the vulnerability of the Group to adverse general economic or industry conditions and restrict the Group from making strategic acquisitions or taking advantage of business opportunities. Hence, increase in interest rates could materially and adversely affect the results of the Group.

(vi) Foreign exchange fluctuations

The Group has hotel operation in France and Hong Kong in which revenue and expenses are denominated mainly in Euro, United State dollar and Hong Kong dollar. Therefore, the Group's financial results are exposed to foreign exchange risk as the result of fluctuation in currency exchange rates.

(vii) Information technology systems

The Group is dependent on information technology systems provided by the hotel managers and by other third-party to monitor and operate the day-to-day operations of the hotels. These systems include booking, check-in/check-out, management of rooms and collection of payment etc. Any disruption of these systems could result in the hotels failure to operate. Furthermore, operations of the above systems are also subject to information security and cyber threats. The Group together with the hotel managers will consistently review, maintain or upgrade these information technology systems when required to minimize system down-time and defend against cyber threats.

Money Lending

(i) Credit risk

A credit risk is the risk of default on a loan that may arise from borrowers failing to meet loan repayment obligation when due. To control credit risk, the Group requires borrowers to provide sufficient collaterals before mortgage loans will be granted, we will also regularly monitor and review our loan portfolio. Notwithstanding taking these measures, the Group might still suffer from financial losses if the economic climate in Hong Kong changes adversely and abruptly so that net proceeds from disposal of collaterals might become insufficient to cover mortgage loan granted and loan interests receivable.

Environmental Policies

We are attentive to consumption of natural resources and reduction of pollution during the course of managing our businesses. It is our goal to minimize our environmental impacts through recycling of materials, encouragement of resources savings and reduce wastes. The Group is committed to ensure our compliance with relevant environmental protection laws and regulations, we also require our business partners to comply with relevant environmental protection laws and regulations. For further details on performance of the Group on environmental aspects during the Year, please refer to our Environmental, Social and Governance Report on pages 22 to 27.

Compliance with Laws and Regulations

The Group requires operations of the Company and its subsidiaries to comply with the relevant laws and regulations in the territories in which we operate. During the Year, the Board was not informed of any events on violation with laws and regulations.

Key Relationships with Employees, Customers and Suppliers

The Group has in place remuneration policies to ensure providing adequate rewards to employees with recognised experience for the assigned roles and duties. The Group also provides other benefits including bonuses, mandatory provident fund scheme, medical insurance scheme and participation to stock option scheme.

The Group places high priority on maintaining good relationship with our customers. We have in place a mechanism to keep track on customers' feedback and identify areas for improvement. Customer's complaints once acknowledged and reported will be dealt with timely, fairly and diligently.

To ensure efficient delivery of quality products and services to our customers, the Group recognises the importance of maintaining close and long-term relationship with suppliers. The Group will ensure fairness when conducting procurement activities and a consistent balance on qualities of goods and services against value-for-money.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Group and the Company at that date are set out in the audited financial statements on pages 42 to 115.

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015 : nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate is set out on page 116. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 30 and 31 to the audited financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the audited financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company does not have any distributable reserves.

CHARITABLE CONTRIBUTIONS

During the year, no charitable donation was made (2015: nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year and from continuing operations, sales to the Group's five largest customers accounted for approximately 32% of the total sales for the year, sales to the largest customer included therein amounted to approximately 18%. Purchases from the Group's five largest suppliers accounted for approximately 38% of the total purchases for the year, purchases from the largest supplier included therein amounted to approximately 13%.

None of the Directors of the Company or any of 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 beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors during the Year were:

Executive Directors:
Mr. Xue Jian *(CEO)* (appointed effective 1 June 2016)
Mr. Law Wing Chi, Stephen

Non-executive Director:
Mr. Hu Yishi *(Chairman)* (resigned effective 1 June 2016)

Independent non-executive Directors:
Mr. Tam Sun Wing
Mr. Ng Ge Bun
Mr. He Yi

The Directors, save and except for the Chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with clauses 87(1) and 87(2) of the Company's Bye-laws.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to the guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

BIOGRAPHIES DETAILS OF DIRECTORS

Biographical details of the Directors of the Company are set out on page 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTOR'S REMUNERATION

Subject to shareholders' approval at annual general meetings authorising the Board, remuneration of Directors are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

PERMITTED INDEMNITY PROVISION

During the Year, no permitted indemnity provision as defined in the Hong Kong Companies Ordinance, is or was in force for the benefit of one or more directors of the Company.

The Company has arranged for insurance cover on Directors' and officers' liabilities to provide appropriate cover for legal actions brought against its Directors and officers arising out of corporate activities of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

The Company had not entered into any contracts for the management and administration of the whole or any substantial part of any business during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2016, none of the Directors or chief executive of the Company had interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code, for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section titled "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above and in the section "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 31 to the audited financial statements.

CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

TAX RELIEF

The Company is not aware of any tax and exemption available to the shareholders by reason of their holding of the Company's securities.

PERSONS HOLDING 5% OR MORE INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of ordinary shares held	Percentage of issued share capital
Mr. Du Shuang Hua[1]	Interest of controlled corporation	708,000,000	5.54%
Happy Sino International Limited [1]	Beneficial interest	708,000,000	5.54%
Mr. Zhang He Yi[1]	Beneficial interest	1,400,000,000	10.96%
Ms. Lu Xiao Mei[2]	Interest of controlled corporation	753,190,000	5.89%
Sincere Profit Group Limited [2]	Beneficial interest	753,190,000	5.89%
Ga Leung Investment Company Limited [3]	Beneficial Interest	1,866,666,666	14.61%
Mr. Sun Yong Feng[3]	Interest of controlled corporation	1,866,666,666	14.61%
	Beneficial interest	133,000,000	1.04%
Ms. Meng Ya [4]	Interest of spouse	1,999,666,666	15.65%

1 Mr. Du Shuang Hua and Mr. Zhang He Yi beneficially owns 85% and 15% interest respectively in the issued share capital of Happy Sino International Limited. Mr. Du Shuang Hua is deemed to be interested in the 708,000,000 shares held by Happy Sino International Limited under the provisions of the SFO.

2 Ms. Lu Xiao Mei beneficially owns 100% interest in the issued share capital of Sincere Profit Group Limited. Ms. Lu Xiao Mei is deemed to be interested in the 753,190,000 shares held by Sincere Profit Group Limited under the provisions of the SFO.

3 Mr. Sun Yong Feng beneficially owns 100% interest in the issued capital of Ga Leung Investment Company Limited. Mr. Sun Yong Feng is deemed to be interested in the 1,866,666,666 shares held by Ga Leung Investment Company Limited under the provisions of the SFO.

4 Ms. Meng Ya is the spouse of Mr. Sun Yong Feng. Ms. Meng Ya is deemed to be interested in the 1,999,666,666 shares in which Mr. Sun Yong Feng is interested.

Save as disclosed above, as at 31 December 2016, no person, other than the Directors and chief executive of the Company, whose interests or short positions are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered any interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 10 to 21 of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements of the Listing Rules. The related party transactions as disclosed in note 39 to the audited financial statements did not fall under the definition of connected transactions or continuing connected transactions in the Listing Rules. The Company confirms that the Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float throughout the year ended 31 December 2016.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 43 to the audited financial statements.

EMOLUMENT POLICY

Emolument policy on the remuneration of the Directors and the employees of the Group is reviewed periodically and determined by reference to market terms, Company performance and individual qualifications and performance.

AUDITORS

The Financial Statements have been audited by Ernst & Young ("EY"). EY shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of EY as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Law Wing Chi, Stephen
27 March 2017

INDEPENDENT AUDITORS' REPORT

EY 安永

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To the shareholders of Kai Yuan Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Kai Yuan Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 115, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill During the year, the carrying value of goodwill amounted to HK$295 million was allocated to the Group's French hotel cash-generating unit ("French hotel CGU"). The Group involved external experts to assess whether the goodwill were impaired at least on an annual basis and determined the recoverable amount for the impairment test based on the value in use calculation. The Group recognised a full impairment on goodwill in accordance with the difference between carrying amount and recoverable amount. The balance of goodwill is material to the consolidated financial statements of the Group and the determination value in use is complex and involves significant judgments. Related disclosures about impairment of goodwill are included in note 3 *Significant accounting judgements and estimates* and note 16 *Goodwill* to the consolidated financial statements, which specifically explains the key assumptions the management used in the impairment test.	Our procedures included, among others, assessing the competence, capabilities and objectivity of its external experts and involving our valuation experts to assist us in evaluating the methodologies used by the Group's external experts to determine the recoverable amounts as at 31 December 2016 and testing the assumptions, in particular, average daily rate per room, occupancy rate, discount rate, long-term growth rate and terminal capitalisation rate. We also assessed the Group's disclosures in relation to the impairment test for goodwill in the notes to the financial statements.
Disposal of Steel Manufacturing and Trading Segment On 4 January 2016, the Company entered into an agreement to dispose of the entire issued share capital of Fame Risen Development Limited ("Fame Risen") and a shareholder's loan owing by Fame Risen to the Company (collectively referred to as the "Disposal of Fame Risen") to Intelligent Wealth Limited ("Intelligent Wealth"). Intelligent Wealth is considered a related company to the Company as it is wholly owned by Mr. Du Shuang Hua, a shareholder who is deemed to be interested in approximately 5.54% of the issued share capital of the Company. Fame Risen held 30%, 30% and 25% equity interests in Rizhao Medium Section Mill Co., Limited., Rizhao Steel Co., Limited. and Rizhao Steel Wire Co., Limited, respectively. Those three companies are associates of Fame Risen and principally engaged in steel manufacturing and trading. The resolution on the Disposal of Fame Risen has been approved by a special general meeting of the Company convened on 14 March 2016. The Disposal of Fame Risen was completed on 15 April 2016 and the disposal is material to the consolidated financial statements of the Group. Related disclosures about Disposal of Fame Risen are included in note 12 *Discontinued operations* and note 33 *Disposal of a subsidiary* to the consolidated financial statements, which discloses the details in relation to the Disposal of Fame Risen.	Our procedures included, amongst others, checking relevant documents regarding completion of the disposal, collection of consideration, and evaluating the accounting treatment. We also assessed the Group's disclosures in relation to the Disposal of Fame Risen.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**276,587**	329,737
Cost of sales		**(205,122)**	(219,337)
Gross profit		**71,465**	110,400
Other income and gains	5	**4,181**	6,291
Other expenses	6	**(302,048)**	–
Administrative expenses		**(47,295)**	(55,697)
Finance costs	7	**(69,814)**	(120,856)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	8	**(343,511)**	(59,862)
Income tax credit/(expense)	11	**45,202**	(12,658)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(298,309)**	(72,520)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	12	**168,959**	28,461
LOSS FOR THE YEAR		**(129,350)**	(44,059)
Attributable to:			
Owners of the Company		**(129,350)**	(20,343)
Non-controlling interests		**–**	(23,716)
		(129,350)	(44,059)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic and diluted			
– For loss for the year		**(HK1.01 cents)**	(HK0.16 cents)
– For loss from continuing operations		**(HK2.33 cents)**	(HK0.57 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
LOSS FOR THE YEAR		**(129,350)**	(44,059)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	26	**(15,622)**	(13,117)
Reclassification adjustments for loss included in the consolidated statement of profit or loss	26	**11,327**	7,648
Income tax effect	29	**(249)**	1,823
		(4,544)	(3,646)
Exchange differences:			
Exchange differences on translation of foreign operations		**(46,661)**	(350,295)
Reclassification for foreign operations disposed of during the year	12	**(155,523)**	(22,146)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(206,728)**	(376,087)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(206,728)**	(376,087)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(336,078)**	(420,146)
Attributable to:			
Owners of the Company		**(336,078)**	(385,669)
Non-controlling interests		**–**	(34,477)
		(336,078)	(420,146)

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	**3,225,433**	3,378,476
Goodwill	16	**–**	292,060
Other intangible assets	17	**377**	327
Deferred tax assets	29	**29,948**	38,708
Total non-current assets		**3,255,758**	3,709,571
CURRENT ASSETS			
Inventories	18	**1,141**	1,297
Trade receivables	19	**15,521**	10,954
Loans receivable	20	**63,000**	–
Other receivables and prepayments	21	**27,648**	15,447
Pledged deposits	22	**19,314**	20,080
Cash and cash equivalents	22	**539,721**	329,389
		666,345	377,167
Assets of a disposal company classified as held for sale	12	**–**	2,240,807
Total current assets		**666,345**	2,617,974
Total assets		**3,922,103**	6,327,545
CURRENT LIABILITIES			
Trade payables	23	**6,229**	14,104
Other payables and accruals	24	**38,891**	32,582
Receipt in advance		**38**	276
Derivative financial instruments	26	**9,736**	8,312
Interest-bearing bank borrowings	27	**12,000**	12,000
Amounts due to a related company	25	**–**	20,537
Loans from a related company	28	**–**	1,854,308
Tax payable		**206**	5,948
		67,100	1,948,067
Liabilities of a disposal company classified as held for sale	12	**–**	45,885
Total current liabilities		**67,100**	1,993,952
NET CURRENT ASSETS		**599,245**	624,022
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,855,003**	4,333,593

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,855,003**	4,333,593
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**1,512,426**	1,581,201
Deferred tax liabilities	29	**303,584**	365,905
Derivative financial instruments	26	**20,237**	18,603
Total non-current liabilities		**1,836,247**	1,965,709
Net assets		**2,018,756**	2,367,884
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**1,277,888**	1,277,888
Reserves	32	**740,868**	1,089,996
		2,018,756	2,367,884
Total equity		**2,018,756**	2,367,884

Approved on behalf of the board of directors:

Xue Jian
Director

Law Wing Chi, Stephen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital	**Share premium***	**Hedging reserve***	**Exchange fluctuation reserve***	**Retained profits*/ (Accumulated losses)***	**Other reserve***	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	1,277,888	1,027,637	(16,160)	333,502	117,636	13,050	2,753,553	305,088	3,058,641
Loss for the year	–	–	–	–	(20,343)	–	(20,343)	(23,716)	(44,059)
Other comprehensive loss for the year:									
Cash flow hedges, net of tax	–	–	(3,646)	–	–	–	(3,646)	–	(3,646)
Exchange differences on translation of foreign operations	–	–	–	(339,534)	–	–	(339,534)	(10,761)	(350,295)
Reclassification of translation reserve from other comprehensive loss to statement of the consolidated profit or loss upon disposal of subsidiaries	–	–	–	(22,146)	–	–	(22,146)	–	(22,146)
Total comprehensive income for the year	–	–	(3,646)	(361,680)	(20,343)	–	(385,669)	(34,477)	(420,146)
Disposal of subsidiaries	–	–	–	–	–	–	–	(270,611)	(270,611)
At 31 December 2015	1,277,888	1,027,637	(19,806)	(28,178)	97,293	13,050	2,367,884	–	2,367,884
At 1 January 2016	**1,277,888**	**1,027,637**	**(19,806)**	**(28,178)**	**97,293**	**13,050**	**2,367,884**	**–**	**2,367,884**
Loss for the year	**–**	**–**	**–**	**–**	**(129,350)**	**–**	**(129,350)**	**–**	**(129,350)**
Other comprehensive loss for the year:									
Cash flow hedges, net of tax	**–**	**–**	**(4,544)**	**–**	**–**	**–**	**(4,544)**	**–**	**(4,544)**
Exchange differences related to foreign operations	**–**	**–**	**–**	**(155,523)**	**–**	**–**	**(155,523)**	**–**	**(155,523)**
Reclassification of translation reserve from other comprehensive loss to statement of the consolidated profit or loss upon disposal of subsidiaries	**–**	**–**	**–**	**(46,661)**	**–**	**–**	**(46,661)**	**–**	**(46,661)**
Total comprehensive income for the year	**–**	**–**	**(4,544)**	**(202,184)**	**(129,350)**	**–**	**(336,078)**	**–**	**(336,078)**
Reclassification of other reserve to profit or loss upon disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**(13,050)**	**(13,050)**	**–**	**(13,050)**
At 31 December 2016	**1,277,888**	**1,027,637**	**(24,350)**	**(230,362)**	**(32,057)**	**–**	**2,018,756**	**–**	**2,018,756**

* These reserve accounts comprise the consolidated reserves of HK$740,868,000 (2015: HK$1,089,996,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax:			
From continuing operations		**(343,511)**	(59,862)
From discontinued operations	12	**166,824**	22,958
Adjustments for:			
Finance costs	7,12	**69,814**	121,001
Share of losses of associates	12	**44,456**	8,754
Loss on disposal of items of property, plant and equipment		**201**	94
Gain on disposal of a subsidiary	12	**(42,709)**	(58,772)
Reclassification of translation reserve from other comprehensive income to statement of profit or loss upon disposal of subsidiaries	12	**(155,523)**	(22,146)
Reclassification of other reserve to profit or loss upon disposal of a subsidiary		**(13,050)**	–
Reversal of impairment of other receivables	21	**–**	(3,030)
Impairment of property, plant and equipment	15	**6,580**	–
Impairment of goodwill	16	**295,362**	–
Depreciation	15	**40,527**	98,424
Recognition of prepaid land lease payments		**–**	2,770
Recognition of other long-term assets		**–**	668
Amortisation of intangible assets	17	**59**	6,162
		69,030	117,021
Decrease in inventories		**156**	4,079
(Increase)/decrease in trade receivables		**(4,567)**	10,829
Increase in loans receivables		**(63,000)**	–
Increase in other receivables and prepayments		**(6,654)**	(2,232)
(Decrease)/increase in trade payables		**(7,875)**	7,889
Decrease in pledged bank deposits		**–**	3,169
Increase in other payables and accruals		**6,150**	3,423
Decrease in receipt in advance		**(238)**	(9,607)
Decrease in amount due to a related company		**–**	(31,088)
Cash (used in)/generated from operations		**(6,998)**	103,483
France profit taxes paid		**(9,536)**	(110)
Net cash flows (used in)/generated from operating activities		**(16,534)**	103,373

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Net cash flows (used in)/generated from operating activities		**(16,534)**	103,373
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits for proposed investment		**–**	(50,019)
Purchases of items of property, plant and equipment		**(3,232)**	(17,967)
Purchase of intangible assets		**(125)**	–
Net proceeds from disposal of subsidiaries	33	**300,169**	83,273
Net cash flows generated from investing activities		**296,812**	15,287
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in amount due to a related company		**–**	(1,249)
Increase in pledged time deposits		**–**	(20,080)
Repayment of bank loans		**(12,000)**	(12,000)
Interest paid		**(48,573)**	(117,404)
Net cash flows used in financing activities		**(60,573)**	(150,733)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**219,705**	(32,073)
Cash and cash equivalents at beginning of year	22	**331,098**	400,897
Effect of foreign exchange rate changes, net		**(11,082)**	(37,726)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**539,721**	331,098
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	22	**539,721**	329,389
Cash and cash equivalents attributable to a discontinued operation	12	**–**	1,709
Cash and cash equivalents as stated in the statement of cash flows		**539,721**	331,098

1. CORPORATE AND GROUP INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and the principal place of business is 28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in hotel operation and money lending.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Legal form of business	Place of incorporation or registration/place of operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of issued share/ registered capital attributable to the Company		Principal activities
				Direct %	Indirect %	
Crown Value Limited ("Crown Value")	Corporation	Hong Kong	HK$1	100	–	Investment holding
Splendid Holdings S.à r.l.	Corporation	Luxembourg	EUR20,000	–	100	Investment holding
MCE OpCo HoldCo	Corporation	France	EUR6,973,155	–	100	Investment holding
MCE OpCo	Corporation	France	EUR8,835,915	–	100	Hotel operation
Splendid PropCo	Corporation	France	EUR44,000,010	–	100	Owner of hotel property
Leading Prospect Limited (i)	Corporation	British Virgin Islands	US$100	100	–	Investment holding
A6 Limited	Corporation	Hong Kong	HK$10,000	–	100	Owner of hotel property
Hotel de EDGE Limited	Corporation	Hong Kong	HK$100	–	100	Hotel operation
Hotel de EDGE Management Limited	Corporation	Hong Kong	HK$100	–	100	Hotel licence owner
Global Strategy International Limited (i)	Corporation	British Virgin Islands	US$100	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Name of subsidiary	Legal form of business	Place of incorporation or registration/place of operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of issued share/ registered capital attributable to the Company Direct %	Indirect %	Principal activities
Kai Yuan Capital Limited	Corporation	Hong Kong	HK$10,000	–	100	Money lending
Universal Yield Investments Limited (i)	Corporation	British Virgin Islands	US$1	100	–	Investment holding
Deluxe (China) Limited	Corporation	Hong Kong	HK$1	–	100	Investment holding
Shanghai Mianwang Investment Consulting Co., Ltd. (上海綿旺投資咨詢有限公司) (ii)	Wholly-owned foreign enterprise	The PRC/ Mainland China	US$3,000,000	–	100	Investment holding
Ever Profit Management Limited	Corporation	Hong Kong	HK$1,000,000	100	–	Service provision
Charter Best Investments Limited (i)	Corporation	British Virgin Islands	US$1	100	–	Investment holding
Time Park Limited	Corporation	Hong Kong	HK$100	–	100	Investment holding

(i) No audited financial statements have been prepared for these entities for the year ended 31 December 2016, as these entities were not subject to any statutory audit requirement under relevant rules and regulations in their jurisdiction of incorporation.

(ii) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. A disposed company held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about these HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When investments in associates are classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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, and the sponsoring employers of the post-employment benefit plan;

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment, to its residual value over the estimated useful life. The principal annual rates used for this purpose are as follows:

	Useful life *(years)*	**Depreciation rate**
Hotel properties		
– Leasehold land under financial leases	Lease term	Lease term
– Freehold land	Not depreciated	Not depreciated
– Building in Hong Kong	50	2%
– Building in Paris	10 - 94	1.06% - 10%
Heat supply facilities	18	5.28%
Buildings	18 - 27	3.33 - 5.28%
Leasehold improvements	2 - 5	20 - 50%
Motor vehicles	5	18 - 20%
Office equipment	5 - 6	15 - 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The useful lives of intangible assets are shown as follows:

	Useful life *(years)*
Existing fee contract	18
Operating rights	18
Existing construction contracts	2
Software	3-5

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, derivative financial instruments, amounts due to related companies, loans from related companies and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services:

- hotel operation income is recognised upon the provision of the services and the utilisation by guests of the hotel facilities;
- revenue from heat energy supply is recognised when heat is provided; and
- revenue from heat energy supply facilities connection is recognised on the stage of completion basis provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transection. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) rental income, on a time proportion basis over the lease terms.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of 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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement of translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exceptions of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company, certain subsidiaries and associates of the Group are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into the presentation currency at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and the subsidiaries throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

There is no significant effect on the amounts recognised in the financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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 described below.

Depreciation of items of property, plant and equipment

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. Useful lives are determined based on management's past experience with similar assets and estimated changes in technologies. If the estimated useful lives changed significantly, adjustment of depreciation will be provided in the future year. The carrying amount of property, plant and equipment at 31 December 2016 was approximately HK$3,225,433,000 (2015: approximately HK$3,378,476,000). More details are given in note 15.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of cash-generating units to which the goodwill is allocated. Estimating the value in use and also to choose a suitable discount rate in order to calculate the present value of those cash flows. With the provision of full impairment during the year, the carrying amount of goodwill at 31 December 2016 was nil (2015: HK$292,060,000). Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2016 was HK$22,897,000 (2015: HK$31,276,000). The amount of unrecognised tax losses at 31 December 2016 was HK$160,304,000 (2015: HK$143,284,000). Further details are contained in note 29 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments (2015: one) as follows:

(a) the hotel operation segment engaged in operation of hotel businesses in Hong Kong and France; and

(b) the money lending segment engaged in providing mortgage loans in Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income and corporate expenses are excluded from such measurement.

The steel manufacturing and trading segment holding significant interests in three associates, located in Shandong Province, engaged in steel and steel product manufacturing and trading has been disposed of on 15 April 2016 and details of which are given in note 12 to the financial statements.

An analysis for the Group's revenue is as follows:

Year ended 31 December 2016	**Hotel operation** *HK$'000*	**Money lending** *HK$'000*	**Total** *HK$'000*
Segment revenue			
Sales to external customers and revenue from continuing operations	**275,614**	**973**	**276,587**
Segment results	**(319,753)**	**246**	**(319,507)**
Reconciliation:			
Bank interest income			**1,466**
Corporate and other unallocated expenses			**(25,470)**
Loss before tax from continuing operations			**(343,511)**

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015	Hotel operation *HK$'000*
Segment revenue	
Sales to external customers	329,737
Revenue from continuing operations	329,737
Segment results	(36,913)
Reconciliation:	
Interest income	946
Corporate and other unallocated expenses	(23,895)
Loss before tax from continuing operations	(59,862)

Geographical information

(a) Revenue from external customers

	2016 **HK$'000**	2015 *HK$'000*
Hong Kong	**27,404**	26,461
France	**249,183**	303,276
	276,587	329,737

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2016 **HK$'000**	2015 *HK$'000*
France	**2,663,493**	3,099,108
Hong Kong	**518,378**	522,218
Mainland China	**43,939**	49,537
	3,225,810	3,670,863

The non-current asset information from continuing operations above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

No revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue for the years.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the income earned from rendering of hotel services in Hong Kong and France and the interest income earned from the money lending business of providing mortgage loans in Hong Kong during the year.

An analysis of revenue, other income and gains from continuing operations is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Rendering of hotel services	**275,614**	329,737
Interest income	**973**	–
	276,587	329,737
Other income		
Bank interest income	**1,466**	946
Gains		
Foreign exchange gains	**–**	2,721
Rental income	**1,763**	2,433
Others	**952**	191
	4,181	6,291

6. OTHER EXPENSES

An analysis of other expenses from continuing operations is as follows:

		2016	2015
	Notes	***HK$'000***	*HK$'000*
Impairment of goodwill	*16*	**295,362**	–
Impairment of property, plant and equipment	*15*	**6,580**	–
Foreign exchange losses		**106**	–
		302,048	–

7. FINANCE COSTS

	Note	2016 HK$'000	2015 HK$'000
Interest on loans from a related company	39	**21,082**	75,203
Interest on bank loans		**37,405**	38,005
Fair value losses, net:			
Cash flow hedges (transfer from equity)		**11,327**	7,648
		69,814	120,856

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2016 HK$'000	2015 HK$'000
Cost of hotel operation		**164,595**	170,522
Depreciation		**40,527**	48,815
Amortisation of intangible assets		**59**	72
Impairment of property, plant and equipment		**6,580**	–
Impairment of goodwill		**295,362**	–
Minimum lease payments under operating leases:			
Buildings		**1,572**	1,575
Auditors' remuneration		**2,400**	5,000
Employee benefit expense (excluding directors' and chief executive's remuneration)	9		
Wages, salaries and other benefits		**3,308**	3,667
Foreign exchange difference, net	6	**106**	(2,721)
Fair value losses, net:			
Cash flow hedges (transfer from equity)	7	**11,327**	7,648
Bank interest income	5	**(1,466)**	(946)
Loss on disposal of items of property, plant and equipment		**201**	94

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Fees	**1,084**	1,200
Other emoluments		
Salaries, allowance and benefits in kind	**6,290**	9,490
Performance related bonuses	**990**	1,190
Pension scheme contributions	**44**	54
	7,324	10,734
	8,408	11,934

No share options were granted for the years ended 31 December 2016 and 2015.

Executive directors, non-executive directors and the chief executive:

2016	**Fees**	**Salaries, allowance and benefits in kind**	**Performance related bonuses**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Executive directors:					
Mr. Xue Jian	**200**	**2,600**	**600**	**18**	**3,418**
Mr. Law Wing Chi, Stephen	**200**	**1,690**	**390**	**18**	**2,298**
	400	**4,290**	**990**	**36**	**5,716**
Non-executive director:					
Mr. Hu Yishi*	**84**	**2,000**	**–**	**8**	**2,092**
	84	**2,000**	**–**	**8**	**2,092**
Independent non-executive directors:					
Mr. Tam Sun Wing	**200**	**–**	**–**	**–**	**200**
Mr. Ng Ge Bun	**200**	**–**	**–**	**–**	**200**
Mr. He Yi	**200**	**–**	**–**	**–**	**200**
	600	**–**	**–**	**–**	**600**
	1,084	**6,290**	**990**	**44**	**8,408**

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

Executive directors, non-executive directors and the chief executive: (continued)

2015	Fees	Salaries, allowance and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Xue Jian	200	2,600	800	18	3,618
Mr. Law Wing Chi, Stephen	200	1,690	390	18	2,298
	400	4,290	1,190	36	5,916
Non-executive director:					
Mr. Hu Yishi	200	5,200	–	18	5,418
	200	5,200	–	18	5,418
Independent non-executive directors:					
Mr. Tam Sun Wing	200	–	–	–	200
Mr. Ng Ge Bun	200	–	–	–	200
Mr. He Yi	200	–	–	–	200
	600	–	–	–	600
	1,200	9,490	1,190	54	11,934

* Mr. Hu Yishi tendered his resignation as a non-executive director and chairman of the Company, with effect from 1 June 2016.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2015: three directors), details of whose remuneration are set out note 8 above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,843**	1,664
Performance related bonus	**240**	275
Pension scheme contributions	**36**	48
	2,119	1,987

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1

No share options were granted for the years ended 31 December 2016 and 2015.

11. INCOME TAX

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

The provision for PRC current income tax was based on the statutory rate of 25% (2015: 25%) of the assessable profits of the Group's subsidiaries in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC Corporate Income Tax Law, which came into effect on 1 January 2008.

The provision of French current income tax was based on the rate of 33.33% (2015: 33.33%) of the estimated assessable profits arising during the year. The tax rate of 28% will be effective on 1 January 2019 for the subsidiaries in France.

The provision of Luxembourg's current income tax was based on the rate of 29.22% (2015: 29.22%) of the estimated assessable profits arising during the year.

11. INCOME TAX (continued)

The major components of income tax (credit)/expense for the years ended 31 December 2016 and 2015 are as follows:

	2016 **HK$'000**	2015 *HK$'000*
Current income tax - Hong Kong	**138**	–
Current income tax – Europe	**179**	6,066
Deferred *(note 29)*	**(45,519)**	6,592
Income tax (credit)/expense for the year	**(45,202)**	12,658

A reconciliation of the tax (credit)/expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax (credit)/expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

2016	**Mainland China**		**Hong Kong**		**France**		**Luxembourg**		**Others** [(i)]		**Total**	
	HK$'000	**%**	***HK$'000***	**%**	***HK$'000***	**%**	***HK$'000***	**%**	***HK$'000***	**%**	***HK$'000***	**%**
Profit/(loss) before tax from continuing operations	132		(55,767)		(319,454)		32,611		(1,033)		(343,511)	
Tax at the statutory income tax rate	33	25.0	(9,202)	16.5	(106,485)	33.3	9,529	29.2	–	–	(106,125)	30.9
Expenses not deductible for tax	–	–	10,197	(18.3)	106,020	(33.2)	–	–	–	–	116,217	(33.8)
Income not subject to tax	–	–	(3,308)	5.9	–	–	(9,529)	(29.2)	–	–	(12,837)	3.7
Tax losses utilised from previous periods	(33)	(25.0)	–	–	–	–	–	–	–	–	(33)	0.01
Tax losses not recognised	–	–	2,830	(5.1)	–	–	–	–	–	–	2,830	(0.8)
Effect on deferred tax of decrease in rate	–	–	–	–	(45,433)	14.2	–	–	–	–	(45,433)	13.23
Minimum corporate income tax	–	–	–	–	138	(0.04)	41	0.13	–	–	179	(0.1)
Tax expense/(credit) at the Group's effective rate	–	–	517	(0.93)	(45,760)	14.32	41	0.13	–	–	(45,202)	13.16

11. INCOME TAX (continued)

2015	Mainland China		Hong Kong		France		Luxembourg		Others [i]		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax from continuing operations	(681)		(185,919)		18,571		108,728		(561)		(59,862)	
Tax at the statutory income tax rate	(170)	25.0	(30,677)	16.5	6,190	33.33	31,770	29.22	–	–	7,113	(11.9)
Expenses not deductible for tax	–	–	33,643	(18.1)	7,274	39.16	–	–	–	–	40,917	(68.4)
Income not subject to tax	–	–	(7,276)	3.9	–	–	(31,770)	(29.22)	–	–	(39,046)	65.2
Tax losses utilised from previous periods	–	–	(120)	0.06	–	–	–	–	–	–	(120)	0.2
Tax losses not recognised	170	(25.0)	3,513	(1.9)	–	–	–	–	–	–	3,683	(6.2)
Minimum corporate income tax	–	–	–	–	–	–	111	0.1	–	–	111	(0.2)
Tax expense/(credit) at the Group's effective rate	–	–	(917)	0.46	13,464	72.49	111	0.1	–	–	12,658	(21.3)

(i) Others represent the results of certain subsidiaries which are tax exempted companies incorporated in Bermuda and the British Virgin Islands.

12. DISCONTINUED OPERATIONS

(a) Discontinued operations of steel manufacturing and trading segment

On 4 January 2016, the board of the Company (the "Board") passed a resolution to consider to dispose of the entire issued share capital of Fame Risen Development Limited ("Fame Risen") and a shareholder's loan owning by Fame Risen to the Company ("Shareholder's Loan from Fame Risen") (collectively referred to as the "Disposal of Fame Risen") to Intelligent Wealth Limited ("Intelligent Wealth"). Intelligent Wealth is considered a related company to the Company as it is wholly owned by Mr. Du Shuang Hua, a shareholder who is deemed to be interested in approximately 5.54% of the issued share capital of the Company.

Fame Risen was the foreign joint venture partner of the associated companies holding:

(i) a 30% equity interest in 日照型鋼有限公司 (Rizhao Medium Section Mill Co., Ltd.), which is principally engaged in the manufacture and sale of wire rod, medium size wide and heavy plate, section steel and related products, including H-beams which are widely used in the construction, infrastructure, aeronautics and ship-building industries;

(ii) a 30% equity interest in 日照鋼鐵有限公司 (Rizhao Steel Co., Ltd.), which is principally engaged in the manufacture and sale of common carbon steel, low alloy steel and other steel billet; and

(iii) a 25% equity interest in 日照鋼鐵軋鋼有限公司 (Rizhao Steel Wire Co., Limited), which is principally engaged in the manufacture and sale of high-end metal parts, rod and wire materials for construction, strips and related products, including deformed steel bar, round steel bars and steel rolls.

12. DISCONTINUED OPERATIONS (continued)

(a) Discontinued operations of steel manufacturing and trading segment (continued)

As at 31 December 2015, the discussion and negotiation for the disposal were in progress and Fame Risen has been classified as a disposal group held for sale and as discontinued operations.

On 4 January 2016, the Company announced that it entered into an agreement regarding the Disposal of Fame Risen. A circular containing information on the Disposal of Fame Risen was despatched to the shareholders on 25 February 2016. A special general meeting of the Company was convened on 14 March 2016 and the relevant resolution approving the Disposal of Fame Risen was passed by the shareholders at the meeting.

The results of Fame Risen for the year are presented below:

	2016 ***HK$'000***	2015 *HK$'000*
Other income and gains	**–**	292
Other expense	**–**	(1,753)
Administrative expenses	**(2)**	(2,631)
Share of losses of associates	**(44,456)**	(8,750)
Loss before tax from the discontinued operations	**(44,458)**	(12,842)
Income tax credit	**2,135**	437
Loss from the discontinued operations	**(42,323)**	(12,405)
Gain on disposal *(note 33)*	**42,709**	–
Reclassification of translation reserve from other comprehensive income to the statement of consolidated profit or loss upon disposal of a subsidiary	**155,523**	–
Reclassification of other reserve to profit or loss upon disposal of a subsidiary	**13,050**	–
	211,282	–
Profit/(loss) from the discontinued operations	**168,959**	(12,405)
Attributable to:		
Owners of the Company	**168,959**	(12,405)

12. DISCONTINUED OPERATIONS (continued)

(a) Discontinued operations of steel manufacturing and trading segment (continued)

The major classes of assets and liabilities of Fame Risen classified as held for sale as at 31 December are as follows:

	2015
	HK$'000
ASSETS	
Investments in associates	2,211,562
Cash and cash equivalents	1,709
Assets of Fame Risen classified as held for sale	2,213,271
LIABILITIES	
Deferred tax liabilities	18,349
Amount due to the Group	27,536
Liabilities of Fame Risen classified as held for sale	45,885
Net assets directly associated with Fame Risen	2,167,386
Shareholder's Loan from Fame Risen*	27,536
Assets of Fame Risen	2,213,271
Assets classified as held for sale on the consolidated statement of financial position	2,240,807

* According to the agreement on Disposal of Fame Risen, the Company also disposed of the Shareholder's Loan from Fame Risen, being the total amount due from and owing by Fame Risen to the Group as at the date of completion. As at 31 December 2015, the carrying amount of the Shareholder's Loan from Fame Risen was HK$27,536,000.

The net cash flows incurred by Fame Risen are as follows:

	2016	2015
	HK$'000	*HK$'000*
Operating activities	**(2)**	(4,071)
Financing activities	**–**	(71,674)
Net cash outflows	**(2)**	(75,745)

12. DISCONTINUED OPERATIONS (continued)

(a) Discontinued operations of steel manufacturing and trading segment (continued)

Earnings/(loss) per share amounts for the abovementioned discontinued operations are stated below:

	2016	2015
	HK$'000	*HK$'000*
Basic from the discontinued operations	**HK1.32 cents**	(HK0.10 cents)

The calculation of basic earnings/(loss) per share from the discontinued operations is based on:

	2016	2015
Profit/(loss) (HK$'000)		
Profit/(loss) attributable to ordinary equity holders of the Company from the discontinued operations	**168,959**	(12,405)
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 14)*	**12,778,880**	12,778,880

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

(b) Disposal of heat energy supply segment

On 27 May 2015, the Company entered into an agreement to dispose of the entire issued capital of Spread International Group Limited (the "Spread International") and its subsidiaries (collectively as the "Disposal Group") and a shareholder's loan owing by the Group due from the Disposal Group ("Shareholder's Loan") to a third party (the "Disposal of Spread International").

Spread International holds a 100% equity interest in Achieve (China) Limited ("Achieve"). Spread International and Achieve acted solely as an investment holding company. Achieve holds a 49% equity interest in Tianjin Heating Development Company Limited ("Tianjin Heating").

Tianjin Heating and its subsidiaries are engaged in the production and supply of heat energy, installation, engineering and maintenance of heating systems and management of heating pipes, covering a vast area of heat energy supply within the municipality of Tianjin.

12. DISCONTINUED OPERATIONS (continued)

(b) Disposal of heat energy supply segment (continued)

Particulars of the Disposal Group are as follows:

Name of subsidiary	Legal form of business	Place of incorporation or registration/ place of operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of issued share/registered capital attributable to the Company Direct %	Indirect %	Principal activities
Spread International Group Limited	Corporation	British Virgin Islands	US$100	–	100	Investment holding
Achieve (China) Limited	Corporation	Hong Kong	HK$1	–	100	Investment holding
Tianjin Heating Development Company Limited (天津市供熱發展有限公司)[i]	Sino-foreign owned enterprise	The PRC/ Mainland China	RMB50,000,000	–	49	Heat energy supply in Tianjin, the PRC
Tianjin Baosheng Heating Investment Company Limited (天津市寶勝熱能投資有限公司)[ii]	Limited enterprise	The PRC/ Mainland China	RMB20,000,000	–	26.95	Heat energy supply in Tianjin, the PRC
Tianjin Meijiang Heating Company Limited (天津市梅江供熱有限公司)[ii]	Limited enterprise	The PRC/ Mainland China	RMB66,000,000	–	25.98	Heat energy supply in Tianjin, the PRC

(i) Tianjin Heating is accounted for as a subsidiary of the Group because the Group has the power to control the board of directors and to govern the financial and operating policies of Tianjin Heating. Through an entrustment agreement dated 30 June 2008 entered into between one wholly-owned subsidiary of the Group and a shareholder of Tianjin Heating who holds a 5% equity interest in Tianjin Heating, the Group has the right to exercise all the power as a shareholder of a 5% equity interest, and the Group is entitled to an extra right to appoint one director to the board of directors of Tianjin Heating. Together with the Group's original right to appoint directors to the board of directors of Tianjin Heating as the shareholder holding a 49% equity interest, the Group is entitled to appoint up to six directors out of nine directors to the board of directors of Tianjin Heating. Tianjin Heating applies the principle of simple majority to pass a board resolution.

(ii) Tianjin Baosheng Heating Investment Company Ltd. and Tianjin Meijiang Heating Company Ltd. ("Meijiang Heating") are subsidiaries of Tianjin Heating, a non-wholly-owned subsidiary of the Group, and accordingly are accounted for as subsidiaries by virtue of the Group's control over them.

12. DISCONTINUED OPERATIONS (continued)

(b) Disposal of heat energy supply segment (continued)

The disposal of Disposal Group was completed on 28 October 2015. The results of discontinued operations for year are presented below:

	2015 *HK$'000*
Revenue	180,498
Cost of sales	(192,919)
Gross loss	(12,421)
Other income and gains	8,505
Other expenses	(538)
Administrative expenses	(40,515)
Finance costs	(145)
Share of losses of an associate	(4)
Loss before tax from the discontinued operations	(45,118)
Income tax credit	5,066
Loss after tax from the discontinued operations	(40,052)
Gain on disposal *(note 33)*	58,772
Reclassification of translation reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of subsidiaries	22,146
	80,918
Profit from the discontinued operations	40,866
Attributable to:	
Owners of the Company	64,582
Non-controlling interests	(23,716)
	40,866

The net cash flows incurred by the Disposal Group are as follows:

	2015 *HK$'000*
Operating activities	(9,319)
Investing activities	(64,705)
Financing activities	(17,348)
Net cash outflow	(91,372)

Earnings per share:

Basic from the discontinued operations	HK0.51 cents

12. DISCONTINUED OPERATIONS (continued)

(b) Disposal of heat energy supply segment (continued)

The calculation of basic earnings per share from the discontinued operations is based on:

	2015
Profit (HK$'000)	
Profit attributable to ordinary equity holders of the Company from the discontinued operations	64,582
Number of shares ('000)	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 14)*	12,778,880

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2015.

13. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2015: Nil).

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of 12,778,880,000 (2015: 12,778,880,000) shares in issue during the year.

The calculation of basic loss per share is based on:

	2016 **HK$'000**	2015 HK$'000
Loss		
(Loss)/profit attributable to ordinary equity holders of the Company		
From continuing operations	**(298,309)**	(72,520)
From discontinued operations	**168,959**	52,177
Loss attributable to ordinary equity holders of the Company	**(129,350)**	(20,343)
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**12,778,880**	12,778,880

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

15. PROPERTY, PLANT AND EQUIPMENT

	Heat supply facilities HK$'000	Hotel properties HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
As at 31 December 2014	781,790	3,739,166	201,879	18,886	18,838	9,162	53,552	4,823,273
Additions	806	3,092	–	78	884	548	12,559	17,967
Transfers	6,823	–	37,048	–	–	–	(43,871)	–
Disposals	–	–	–	(26)	(497)	(23)	–	(546)
Exchange differences on translation	(30,159)	(368,798)	(9,739)	(10)	(763)	(253)	(1,218)	(410,940)
Disposal of subsidiaries	(759,260)	–	(169,037)	–	(10,443)	(6,275)	(20,232)	(965,247)
As at 31 December 2015	–	3,373,460	60,151	18,928	8,019	3,159	790	3,464,507
Additions	–	2,754	–	298	–	180	–	3,232
Transfers	–	94	–	–	–	–	(94)	–
Disposals	–	–	–	–	–	(18)	(199)	(217)
Exchange differences on translation	–	(108,736)	(4,754)	(3)	(467)	(17)	(14)	(113,991)
As at 31 December 2016	–	3,267,572	55,397	19,223	7,552	3,304	483	3,353,531
Accumulated depreciation								
As at 31 December 2014	(202,072)	(11,657)	(42,017)	(10,129)	(12,301)	(5,476)	–	(283,652)
Charge for the year	(41,132)	(37,223)	(9,499)	(7,304)	(1,958)	(1,308)	–	(98,424)
Disposals	–	–	–	20	447	20	–	487
Exchange differences on translation	9,000	1,095	2,023	10	540	170	–	12,838
Disposal of subsidiaries	234,204	–	38,464	–	5,861	4,191	–	282,720
As at 31 December 2015	–	(47,785)	(11,029)	(17,403)	(7,411)	(2,403)	–	(86,031)
Charge for the year	–	(37,165)	(1,928)	(1,098)	(137)	(362)	–	(40,690)
Disposals	–	–	–	–	–	16	–	16
Exchange differences on translation	–	3,295	953	3	597	17	–	4,865
As at 31 December 2016	–	(81,655)	(12,004)	(18,498)	(6,951)	(2,732)	–	(121,840)
Impairment loss								
As at 31 December 2014	(49,728)	–	–	–	–	–	–	(49,728)
Exchange differences on translation	1,846	–	–	–	–	–	–	1,846
Disposal of subsidiaries	47,882	–	–	–	–	–	–	47,882
As at 31 December 2015	–	–	–	–	–	–	–	–
Charge for the year	–	(6,580)	–	–	–	–	–	(6,580)
Exchange differences on translation	–	322	–	–	–	–	–	322
As at 31 December 2016	–	(6,258)	–	–	–	–	–	(6,258)
Net carrying amount								
As at 31 December 2016	–	3,179,659	43,393	725	601	572	483	3,225,433
As at 31 December 2015	–	3,325,675	49,122	1,525	608	756	790	3,378,476

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land is included in hotel properties. The analysis of land is stated as follows:

Analysis of land:

	2016	2015
	HK$'000	*HK$'000*
In Hong Kong, held on lease expiring over 50 years	**420,793**	421,252
In France, freehold	**2,004,359**	2,083,811
	2,425,152	2,505,063

At 31 December 2016, certain of the Group's hotel properties with a net carrying amount of approximately HK$3,179,471,000 (2015: approximately HK$3,325,675,000) were pledged to secure general banking facilities granted to the Group (note 27).

16. GOODWILL

	Total *HK$'000*
At 1 January 2015:	
Cost	**391,414**
Accumulated impairment	**(49,105)**
Exchange realignment	**(12,392)**
Net carrying amount	**329,917**
Cost at 1 January 2015, net of accumulated impairment	**329,917**
Disposal of subsidiaries – cost	**(49,105)**
Disposal of subsidiaries – impairment	**49,105**
Exchange realignment	**(37,857)**
At 31 December 2015	**292,060**
At 31 December 2015:	
Cost	**342,309**
Exchange realignment	**(50,249)**
Net carrying amount	**292,060**
Cost at 1 January 2016, net of accumulated impairment	**292,060**
Impairment during the year	**(295,362)**
Exchange realignment	**3,302**
At 31 December 2016	**–**
At 31 December 2016:	
Cost	**342,309**
Accumulated impairment	**(295,362)**
Exchange realignment	**(46,947)**
Net carrying amount	**–**

16. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to hotel business in France cash-generating unit (the French Hotel CGU"). As the result of the lingering threat of terrorist attacks in Europe, the goodwill had shown indication of impairment. As at 1 January 2016, carrying amount of goodwill allocated to the French Hotel CGU was HK$292,060,000.

The recoverable amount of the French Hotel CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 6.9% (2015: 7.0%). The growth rate used to extrapolate the cash flows beyond the five-year period is 2.0% (2015: 2.0%), which was the same as the long term average growth rate of the hotel industry in France.

Assumptions were used in the value in use calculation of the French Hotel CGU for the year. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Average daily rate per room and occupancy rate – The basis used to determine average daily rate per room and occupancy rate are based on historical experience achieved, increased for expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the unit.

Long term average growth rate – The basis used to determine long term average growth rate is the inflation rate forecast in France.

Terminal capitalisation rate – The basis used to determine terminal capitalisation rate is the recent pan-European transactions.

The values assigned to the key assumptions on average daily rate per room and occupancy rate are consistent with past performance and expectation on market development. Discount rate, long term average growth rate and terminal capitalisation rate are consistent with external information sources.

The recoverable amount of French Hotel CGU was HK$2,538,347,000. Accordingly, the Group recognised full impairment on goodwill of HK$295,362,000 and an impairment of HK$6,580,000 on items of property, plant and equipment for the year ended 31 December 2016 (2015: nil).

17. OTHER INTANGIBLE ASSETS

	Existing fee contract HK$'000	Existing construction contracts HK$'000	Operating rights HK$'000	Software HK$'000	Total HK$'000
Cost					
As at 1 January 2015	297,566	6,227	133,344	426	437,563
Disposal of subsidiaries	(286,518)	(5,995)	(128,393)	–	(420,906)
Exchange differences on translation	(11,048)	(232)	(4,951)	(13)	(16,244)
As at 31 December 2015	–	–	–	413	413
Additions	–	–	–	125	125
Exchange differences on translation	–	–	–	(22)	(22)
As at 31 December 2016	**–**	**–**	**–**	**516**	**516**
Amortisation					
As at 1 January 2015	(24,797)	(6,227)	(48,152)	(15)	(79,191)
Provided for the year	–	–	(6,090)	(72)	(6,162)
Disposal of subsidiaries	23,876	5,995	52,308	–	82,179
Exchange differences on translation	921	232	1,934	1	3,088
As at 31 December 2015	–	–	–	(86)	(86)
Provided for the year	–	–	–	(59)	(59)
Exchange differences on translation	–	–	–	7	7
As at 31 December 2016	**–**	**–**	**–**	**(138)**	**(138)**
Impairment					
As at 1 January 2015	(272,769)	–	–	–	(272,769)
Disposal of subsidiaries	262,642	–	–	–	262,642
Exchange differences on translation	10,127	–	–	–	10,127
As at 31 December 2015	–	–	–	–	–
Exchange differences on translation	–	–	–	–	–
As at 31 December 2016	–	–	–	–	–
Net carrying amount					
As at 31 December 2016	**–**	**–**	**–**	**377**	**377**
As at 31 December 2015	–	–	–	327	327

18. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Food and beverages	**1,141**	1,297

19. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**15,521**	10,954

Hotel operation revenue is normally settled by cash or credit card. For travel agents and certain corporate customers, the credit period is generally one month. There is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**9,996**	6,820
1 to 3 months	**5,480**	4,087
Over 3 months	**45**	47
	15,521	10,954

No impairment allowance is necessary in respect of trade receivables because there has not been a significant change in credit quality and the balances are considered fully recoverable.

20. LOANS RECEIVABLE

	2016	2015
	HK$'000	*HK$'000*
Loans receivable	**63,000**	–

The Group's loans receivable, which arise from the money lending business of providing mortgage loans in Hong Kong, are denominated in Hong Kong dollars.

Loans receivable are secured by collaterals providing by customers, bear interest and are repayable within fixed terms agreed with the customers.

As at 31 December 2016, loans receivable are neither past due or impaired.

21. OTHER RECEIVABLES AND PREPAYMENTS

	2016 HK$'000	2015 HK$'000
Tax prepayments	**5,601**	54
Input tax of value added tax	**15,969**	10,046
Prepayments	**1,881**	1,956
Interest receivables	**194**	–
Deposits and other receivables	**4,003**	3,391
	27,648	15,447

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The Group's interest receivables, which arise from the money lending business of providing mortgage loans in Hong Kong, are denominated in Hong Kong dollars. Interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**559,035**	349,469
Pledged deposits	**(19,314)**	(20,080)
Cash and cash equivalents	**539,721**	329,389

As at 31 December 2016 and 2015, the pledged deposits represented the time deposits pledged to secure repayment of interests arising from interest-bearing bank borrowings.

As at 31 December 2016, the cash and bank balances of the Group denominated in RMB amounted to HK$34,322,000 (2015: HK$33,578,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months in Hong Kong and Mainland China depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of these assets approximate to their fair values.

23. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 month	6,229	14,104

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

24. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables	9,132	14,853
Other tax payables	14,438	5,258
Accruals	7,977	5,286
Interest payable	7,344	7,185
	38,891	32,582

Other payables are non-interest-bearing and have no significant balances with aging over one year.

25. AMOUNTS DUE TO A RELATED COMPANY

	2016 HK$'000	2015 HK$'000
Interest payable to Most Honour Limited (i)	–	20,537

(i) Most Honour Limited, a company wholly-owned by Mr. Du Shuang Hua, who in turn is a shareholder deemed to be interested in approximately 5.54% of the issued share capital of the Company. The loan was denominated in US dollars with an amount of US$239,265,600 (equivalent to approximately HK$1,854,308,000), which is secured by the shares of Crown Value Limited, bears interest at 4% per annum. As mentioned in note 33, the loan was net-off against consideration upon disposal of steel manufacturing and trading segment.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 Liabilities *HK$'000*	2015 Liabilities *HK$'000*
Interest rate swaps	**29,973**	26,915
Portion classified as current portion	**(9,736)**	(8,312)
Non-current portion	**20,237**	18,603

Interest rate swaps – cash flow hedges

At 31 December 2016 and 2015, the Group had an interest rate swap agreement in place with a notional amount of EUR175,000,000 whereby it received interest at a variable rate equal to the Europe Interbank Offered Rate ("EURIBOR") on the notional amount and paid interest at a fixed rate of 0.516%.

The swap is designated as a hedging instrument to hedge the exposure to changes in future cash outflows of interests arising from its 5-year secured loan (note 27). The secured loan and the interest rate swap agreement have the same critical terms. The hedge of the interest rate swap was assessed to be effective, and a net loss of HK$4,544,000 (2015: HK$3,646,000) was included in the hedging reserve as follows:

	2016 *HK$'000*	2015 *HK$'000*
Total fair value loss included in the hedging reserve	**15,622**	13,117
Deferred tax on fair value loss	**(4,374)**	(4,372)
Reclassified from other comprehensive income and recognised in the statement of profit or loss *(note 7)*	**(11,327)**	(7,648)
Deferred tax on reclassification to profit or loss	**3,172**	2,549
Effect on deferred tax of decrease in rate	**1,451**	–
Net loss on cash flow hedges	**4,544**	3,646

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Bank loans-secured (ii)	**One month HIBOR+2.36%**	**2017**	**12,000**	One month HIBOR+2.36%	2016	12,000
Non-current						
Other secured bank loans (ii)	**One month HIBOR+2.36%**	**24 March 2020**	**125,000**	One month HIBOR+2.36%	24 March 2020	137,000
Other loans-secured						
Three months EURIBOR+2.2% (i)	**0.516%+2.2%***	**14 October 2019**	**1,387,426**	0.516%+2.2%*	14 October 2019	1,444,201
			1,512,426			1,581,201
			1,524,426			1,593,201

* Includes effects of a related interest rate swap as disclosed in note 26 to the financial statements.

	2016 ***HK$'000***	2015 *HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year	**12,000**	12,000
In the second year	**12,000**	12,000
In the third to fifth years, inclusive	**1,500,426**	1,569,201
	1,524,426	1,593,201

(i) On 13 October 2014, the Group borrowed EUR175,000,000 loans from Societe Generale Corporate & Investment Banking which will be repaid on 14 October 2019 bearing interest at three months EURIBOR plus 2.2%. The loans were pledged by the Group's hotel property situated in France, which had an aggregate carrying value of HK$2,662,440,000 as at 31 December 2016 (2015: HK$2,805,923,000).

(ii) On 27 March 2014, the Group borrowed loans of HK$170,000,000 from The Hong Kong and Shanghai Banking Corporation Limited which will be repayable by 71 equal monthly instalments of HK$1,000,000, commencing one month after drawdown plus a final instalment of HK$99,000,000. The Group had repaid HK$12,000,000 in 2016 (2015: HK$12,000,000). The loans were pledged by the Group's hotel property situated in Hong Kong, which had an aggregate carrying value of HK$517,301,000 as at 31 December 2016 (2015: HK$519,752,000).

28. LOANS FROM A RELATED COMPANY

	2016 HK$'000	2015 HK$'000
Most Honour Limited (i)	–	1,854,308
Less: Current portion of loans from related companies	–	(1,854,308)
	–	–

(i) The amount is a loan from Most Honour Limited, a company wholly-owned by Mr. Du Shuang Hua, who in turn is a shareholder deemed to be interested in approximately 5.54% of the issued share capital of the Company. The loan was denominated in US dollars with an amount of US$239,265,600 (equivalent to approximately HK$1,854,308,000), which is secured by the shares of Crown Value, bears interest at 4% per annum and is repayable after two years. As mentioned in note 33, the loan was set-off against consideration upon disposal of steel manufacturing and trading segment.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustments from acquisition of subsidiaries HK$'000	Others HK$'000	Total HK$'000
As at 1 January 2016	365,905	6,602	372,507
Deferred tax credited to loss from continuing operations *(note 11)*	(53,102)	(528)	(53,630)
Exchange differences on translation	(9,219)	(226)	(9,445)
Gross deferred tax liabilities at 31 December 2016	303,584	5,848	309,432

29. DEFERRED TAX (continued)

Deferred tax assets

	Cash flow hedges HK$'000	Losses available for offsetting against future taxable profits HK$'000	Fair value adjustments from acquisition of subsidiaries HK$'000	Total HK$'000
As at 1 January 2016	**8,972**	**31,276**	**5,062**	**45,310**
Deferred tax charged to loss from continuing operations *(note 11)*	**–**	**(7,556)**	**(555)**	**(8,111)**
Deferred tax charged to other comprehensive loss	**(249)**	**–**	**–**	**(249)**
Exchange differences on translation	**(331)**	**(823)**	**–**	**(1,154)**
Gross deferred tax assets at 31 December 2016	**8,392**	**22,897**	**4,507**	**35,796**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

	HK$'000
Deferred tax assets recognised in the consolidated statement of financial position at 31 December 2016	**29,948**
Net deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2016	**303,584**

29. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value adjustments from acquisition of subsidiaries *HK$'000*	Deferred revenue *HK$'000*	Withholding tax *HK$'000*	Others *HK$'000*	Total *HK$'000*
As at 1 January 2015	451,655	117,758	19,934	6,780	596,127
Deferred tax charged/ (credited) to loss from continuing operations *(note 11)*	(2,096)	–	–	601	(1,495)
Deferred tax charged/ (credited) to profit from discontinued operations *(note 11)*	2,226	(10,746)	(437)	–	(8,957)
Disposal of subsidiaries *(note 33)*	(45,395)	(102,896)	–	–	(148,291)
Deferred tax liabilities included in the liabilities associated with assets held for sale *(note 11)*	–	–	(18,349)	–	(18,349)
Exchange differences on translation	(40,485)	(4,116)	(1,148)	(779)	(46,528)
Gross deferred tax liabilities at 31 December 2015	365,905	–	–	6,602	372,507

29. DEFERRED TAX (continued)

Deferred tax assets

	Cash flow hedges *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Fair value adjustments from acquisition of subsidiaries *HK$'000*	Impairment of items of property, plant and equipment *HK$'000*	Others *HK$'000*	Total *HK$'000*
As at 1 January 2015	8,080	45,212	18,301	8,064	3,052	82,709
Deferred tax credited/(charged) to loss from continuing operations *(note 11)*	–	(8,768)	681	–	–	(8,087)
Deferred tax credited to profit from discontinued operations *(note 11)*	–	–	(1,338)	(520)	(1,596)	(3,454)
Disposal of subsidiaries *(note 33)*	–	–	(15,660)	(7,258)	(1,381)	(24,299)
Deferred tax credited to other comprehensive loss *(note 29)*	1,823	–	–	–	–	1,823
Exchange differences on translation	(931)	(5,168)	3,078	(286)	(75)	(3,382)
Gross deferred tax assets at 31 December 2015	8,972	31,276	5,062	–	–	45,310

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

	HK$'000
Deferred tax assets recognised in the consolidated statement of financial position at 31 December 2015	38,708
Net deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2015	365,905

29. DEFERRED TAX (continued)

Deferred tax assets have not been recognised in respect of the following items:

	2016 HK$'000	2015 HK$'000
Tax losses arising in Hong Kong (i)	**151,088**	133,936
Tax losses arising in Mainland China (ii)	**8,559**	8,691
Tax losses arising in Luxembourg (iii)	**657**	657
	160,304	143,284

(i) The Group has tax losses arising in Hong Kong of HK$151,088,000 (2015: HK$133,936,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

(ii) The Group has tax losses arising in Mainland China of HK$8,559,000 (2015: HK$8,691,000) that will expire in one to five years for offsetting against future taxable profits of the entities.

(iii) The Group has tax losses arising in Luxembourg of HK$657,000 (2015: HK$657,000) that are available indefinitely for offsetting against future taxable profits of the entities in which the losses arose.

Deferred tax assets have not been recognised in respect of the above tax losses and deductible temporary differences, arose in certain subsidiaries as they have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. In this regard, for the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those associates established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. ISSUED CAPITAL

	Number of shares		Issued capital	
	2016 '000	2015 '000	**2016 HK$'000**	2015 HK$'000
Ordinary shares of HK$0.10 each	**–**	–	**–**	–
Authorised:				
At beginning and end of year	**20,000,000**	20,000,000	**2,000,000**	2,000,000
Issued and fully paid:				
At beginning and end of year	**12,778,880**	12,778,880	**1,277,888**	1,277,888

31. SHARE OPTION SCHEME

Pursuant to a resolution passed on 17 May 2012 (the "Effective Date"), the Company adopted a new share option scheme (the "2012 Option Scheme"), which is for the purpose of providing incentives or rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest. Under the 2012 Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Pursuant to the 2012 Option Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the 2012 Option Scheme and any other share option schemes of the Company shall not exceed 30% of the share in issue from time to time. The subscription price for shares in respect of any options granted under the 2012 Option Scheme will be a price determined by the board of the directors of the Company, in its absolute discretion, but in any case will not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a trading day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant, provided that for the purpose of calculating the subscription price, where the shares have been listed on the Stock Exchange for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before such listing. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

No eligible participant shall be granted an option if the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of the proposed grant to such eligible participant would exceed 1% of the shares of the Company for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in a general meeting with the proposed eligible participant and his associates abstaining from voting.

An option may be exercised in accordance with the terms of the 2012 Option Scheme at any time during a period as the Board may in its absolute discretion determine which shall not be more than 10 years from the date of grant of the option and subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option.

Up the date of this report, the Company has not granted any share options under the 2012 Option Scheme.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 46 of the financial statements.

33. DISPOSAL OF A SUBSIDIARY

As detailed in note 12, the Group disposed of Fame Risen during the year.

	15 April 2016
	HK$'000
Net assets disposed of:	
Investment in an associate	**2,169,620**
Cash and cash equivalents	**1,707**
Deferred tax liabilities	**(16,233)**
Amount due to the Group	**(27,536)**
	2,127,558
Consideration	**2,383,148**
Less: Disposal related expenses	**(8,784)**
Less: PRC taxation regarding the disposal	**(176,561)**
Disposal of Shareholder's Loan from Fame Risen	**(27,536)**
Net proceeds received	**2,170,267**
Gain on the Disposal of Fame Risen	**42,709**

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

	2016
	HK$'000
Consideration	**2,383,148**
Disposal related expenses paid	**(8,784)**
Income tax paid	**(176,561)**
Set-off against the outstanding loan of the Group due to a related company	**(1,854,308)**
Set-off against the outstanding loan interest of the Group due to a related company	**(41,619)**
Cash and bank balances disposed of	**(1,707)**
Net inflows of cash and cash equivalents in respect of the disposal of a subsidiary	**300,169**

The consideration of HK$2,383,148,000 was determined after negotiations between the Company and Intelligent Wealth.

34. PENSION SCHEME AND OTHER RETIREMENT BENEFITS

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of 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.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total pension cost charged to the consolidated statement of profit or loss is approximately HK$342,000 (2015: HK$336,000).

There is no provision under the MPF Scheme and the Scheme whereby forfeited contributions may be used to reduce future contributions.

35. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank borrowings and loans from related companies, which are secured by the assets of the Group, are included in notes 27 and 28, respectively, to the financial statements.

36. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to three years.

At 31 December 2016, the Group had total future minimum commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2016	2015
	HK$'000	*HK$'000*
Within one year	**1,428**	359
In the second to fifth years, inclusive	**1,626**	–
	3,054	359

37. COMMITMENTS

Credit commitments

The Group's irrevocable credit commitments at the end of the reporting period are as follows:

	2016	2015
	HK$'000	*HK$'000*
Irrevocable credit commitments	**50,000**	–

38. CONTINGENT LIABILITIES

As of 31 December 2016, the Group had no contingent liabilities.

39. RELATED PARTY TRANSACTIONS

(a) Related party transactions:

Other than the loans from related companies as disclosed in note 12(a) to the financial statements, the Group entered into the following transactions with related parties:

	Note	**2016** **HK$'000**	2015 HK$'000
Continuing operations:			
Interest expense to Most Honour Limited [1]	7	**21,082**	75,203
Discontinued operations:			
Purchase of coal from Tianjin Jinre Logistics[2]		**–**	61,205
Purchase of raw materials from Tianjin Jinbin[2]		**–**	19,211
Purchase of heat meters from Tianjin Jinre[2]		**–**	2,981
Heat energy supply service conducted by Tianjin Jinbin on behalf of the Group[3]			
– Revenue		**–**	43,168
– Cost of sales		**–**	31,572
Management fee to Tianjin Jinre Co., Ltd. [4]		**–**	21,757

(1) The amount is a loan from Most Honour Limited, a company wholly-owned by Mr. Du Shuang Hua, who in turn is a shareholder deemed to be interested in approximately 5.54% of the issued share capital of the Company. The loan was denominated in US dollars with an amount of US$239,265,600 (equivalent to approximately HK$1,854,308,000), which is secured by the shares of Crown Value, bears interest at 4% per annum and is repayable after two years. As mentioned in note 33, the loan was set-off against consideration upon disposal of the steel manufacturing and trading segment.

(2) The purchases from Tianjin Jinre Logistics and Tianjin Jinbin were made according to the published prices and conditions offered by them to their major customers.

(3) According to agreements entered into between Tianjin Jinbin and Meijiang Heating on 1 September 2014 and 2013, Tianjin Jinbin will provide part of the heat supply service on behalf of Meijiang Heating, being responsible for collecting related service income and paying the cost and operating expenses on behalf of Meijiang Heating, and Meijiang Heating would settle the net result incurred by Tianjin Jinbin under this arrangement by the end of the next May when the heat energy supply period ends. According to the requirements of HKAS 18, Meijiang Heating is acting as a principal in this arrangement and has recognised the revenue, cost and expenses incurred in the years ended 31 December 2015 and 2014 in their financial statements.

(4) The management fee was based on a certain percentage of heat energy supply income which was in accordance with a management fee agreement.

39. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

The remuneration of key management during the year was as follows:

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**7,280**	10,680
Pension scheme contributions	**44**	54
Total compensation paid to key management personnel	**7,324**	10,734

Further details of directors' remuneration are included in note 9 to the financial statements.

(c) Outstanding balances with related parties

Details of the balances with an associate and related companies as at the end of the reporting period are set out in notes 25 and 28 to the financial statements.

Having due regard to the substance of the relationships, the directors are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2016

Financial assets

	Loans and receivables HK$'000
Trade receivables	**15,521**
Loans receivable	**63,000**
Financial assets included in other receivables and prepayments	**4,197**
Pledged time deposits	**19,314**
Cash and cash equivalents	**539,721**
	641,753

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Derivatives designated as hedge instruments in hedge relationship *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade payables	–	6,229	6,229
Derivative financial instruments	29,973	–	29,973
Financial liabilities included in other payables and accruals	–	16,476	16,476
Interest-bearing bank and other borrowings	–	1,524,426	1,524,426
	29,973	1,547,131	1,577,104

2015

Financial assets

	Loans and receivables *HK$'000*
Trade receivables	10,954
Financial assets included in other receivables and prepayments	13,491
Pledged time deposits	20,080
Cash and cash equivalents	329,389
	373,914

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Derivatives designated as hedge instruments in hedge relationship *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade payables	–	14,104	14,104
Derivative financial instruments	26,915	–	26,915
Financial liabilities included in other payables and accruals	–	14,853	14,853
Amounts due to related companies	–	20,537	20,537
Interest-bearing bank and other borrowings	–	1,593,201	1,593,201
Loans from related companies	–	1,854,308	1,854,308
	26,915	3,497,003	3,523,918

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities				
Derivative financial instruments	**29,973**	26,915	**29,973**	26,915

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, trade receivables, trade and bills payables, financial assets included in other receivables and prepayments, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, amounts due from/to related companies, interest-bearing bank borrowings and current portion of loans from related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed approximate to their carrying amounts.

The Group enters into derivative financial instruments with creditworthy financial institutions. Derivative financial instruments, mainly interest rate swaps, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Derivative financial instruments	**–**	**29,973**	**–**	**29,973**

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	26,915	–	26,915

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Management reviews and agrees policies for managing each of these risks, which are summarised below. The Group's accounting policies in relation to financial instruments are set out in note 2.4 to the financial statements.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's credit risk arises from cash and cash equivalents, trade receivables, loans receivable, interest receivables and deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amount of these balances represents the Group's maximum exposure to credit risk in relation to financial assets

Most of the Group's sales arising from hotel business are settled in cash or in credit card by its customers. Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that trade receivables are followed up on a timely basis. Management does not expect any losses from non-performance by these counterparties.

For money lending business, the Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. The Group holds collateral against loans receivable and interest receivables in the form of mortgages over property. Majority of the collateral are residential properties, commercial properties and industrial properties and all of the collaterals are located in Hong Kong. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

The Group generally grants loans with a loan-to-value ratio of no more than 70% of the value in the valuation report of the property for first property mortgage, and where it is subordinate property mortgage, the aggregate lending from all lenders to the customer should not exceed 70% of the value of the underlying property. The directors meet regularly to review the loan-to-value ratio. The directors consider that the credit risk arising from loans and interest receivables is significantly mitigated by the property held as collateral, with reference to the estimated market value of the property. The Group generally maintains at all time each individual loan and interest receivables amount to be less than 70% of the total fair value of the corresponding collateral at estimated selling price.

Liquidity risk

The Group's treasury department closely monitors the Group's cash flow positions on a regular basis to ensure the cash flows of the Group are positive. The Group aims to maintain flexibility in funding by keeping committed credit lines available, obtaining debentures from specific entities and borrowing loans from banks.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2016					
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Longer than 5 years *HK$'000*	Total *HK$'000*
Trade payables	–	6,229	–	–	–	6,229
Derivative financial instruments	–	984	5,859	23,130	–	29,973
Financial liabilities included in other payables and accruals	–	16,476	–	–	–	16,476
Interest-bearing bank borrowings	6,990	13,924	42,482	1,591,500	–	1,654,896
	6,990	37,613	48,341	1,614,630	–	1,707,574

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2015					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Longer than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	14,104	–	–	–	14,104
Derivative financial instruments	–	711	7,601	18,603	–	26,915
Financial liabilities included in other payables and accruals	–	20,029	–	–	–	20,029
Amounts due to related companies	20,537	–	–	–	–	20,537
Interest-bearing bank borrowings	6,922	13,997	42,096	1,703,120	–	1,766,135
Loans from related companies	552	6,714	1,900,752	–	–	1,908,018
	28,011	55,555	1,950,449	1,721,723	–	3,755,738

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain most of its interest-bearing borrowings at fixed interest rates. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2016, after taking into account the effect of the interest rate swaps, approximately 91% (2015: 96%) of the Group's interest-bearing borrowings bore interest at fixed rates.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2016			
Hong Kong dollar	**100**	**(1,370)**	**(15,872)**
Hong Kong dollar	**(100)**	**1,370**	**11,876**
2015			
Hong Kong dollar	100	(1,490)	(12,969)
Hong Kong dollar	(100)	1,490	15,915

* Excluding retained profits

Foreign currency risk

The Group has foreign currency risk as some monetary assets and liabilities are not denominated in the functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currencies exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

2016	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit before tax *HK$'000*
If US$ weakens against HKD	**5%**	**(543)**
If US$ strengthens against HKD	**(5%)**	**543**
If RMB weakens against HKD	**5%**	**–**
If RMB strengthens against HKD	**(5%)**	**–**
If EUR weakens against HKD	**5%**	**(222)**
If EUR strengthens against HKD	**(5%)**	**222**

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

2015	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit before tax *HK$'000*
If US$ weakens against HKD	5%	93,738
If US$ dollar strengthens against HKD	(5%)	(93,738)
If RMB weakens against HKD	5%	(21,365)
If RMB strengthens against HKD	(5%)	21,365
If EUR weakens against RMB	5%	(58)
If EUR strengthens against RMB	(5%)	58

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings include interest-bearing bank and other borrowings and loans from a related company. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	**2016** **HK$'000**	2015 *HK$'000*
Total borrowings			
Interest-bearing bank and other borrowings	*27*	**1,524,426**	1,593,201
Loans from a related company	*28*	**–**	1,854,308
		1,524,426	3,447,509
Total assets		**3,922,103**	6,327,545
Gearing ratio		**38.9%**	54.5%

43. EVENTS AFTER THE REPORTING PERIOD

Save as signing of a memorandum of understanding in relation to the possible issue of convertible bonds in the range of HK$1,000 million to HK$2,000 million ("Issue of Convertible Bonds") as disclosed by the announcement of the Company dated 26 March 2017, there was no other material subsequent event requiring disclosure occurred.

To the date of approval of the financial statements, no formal agreement has been reached and the terms and conditions of Issue of Convertible Bonds are yet to be agreed.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,001**	1,001
Total non-current assets	**1,001**	1,001
CURRENT ASSETS		
Amounts due from subsidiaries	**1,966,890**	2,462,842
Other receivables and prepayments	**1,107**	1,088
Cash and cash equivalents	**304,469**	119,248
	2,272,466	2,583,178
Assets of a disposal company classified as held for sale	**–**	568,124
Total current assets	**2,272,466**	3,151,302
CURRENT LIABILITIES		
Amounts due to subsidiaries	**251,230**	406,010
Other payables and accruals	**1,670**	1,916
Loan from a related company	**–**	1,854,308
Amount due to a related company	**–**	20,537
Total current liabilities	**252,900**	2,282,771
NET CURRENT ASSETS	**2,019,566**	868,531
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,020,567**	869,532
Net assets	**2,020,567**	869,532
EQUITY		
Share capital	**1,277,888**	1,277,888
Reserves	**742,679**	(408,356)
Total equity	**2,020,567**	869,532

Approved on behalf of the board of directors:

Xue Jian
Director

Law Wing Chi, Stephen
Director

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium *HK$'000*	Translation reserve *HK$'000*	(Accumulated losses)/ retained profits *HK$'000*	Total *HK$'000*
At 1 January 2015	1,027,637	23,350	(1,166,989)	(116,002)
Total comprehensive loss for the year	–	–	(292,354)	(292,354)
At 31 December 2015 and 1 January 2016	1,027,637	23,350	(1,459,343)	(408,356)
Total comprehensive income for the year	–	–	1,151,035	1,151,035
At 31 December 2016	1,027,637	23,350	(308,308)	742,679

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the result and of the assets, liabilities and non-controlling interests of Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**276,587**	329,737	88,688	757,490	658,998
(LOSS)/PROFIT BEFORE TAX	**(174,552)**	(31,401)	63,796	(73,274)	(1,116,924)
Income tax credit/(expense)	**45,202**	(12,658)	41,785	(23,699)	37,039
(LOSS)/PRFOIT FOR THE YEAR	**(129,350)**	(44,059)	105,581	(96,973)	(1,079,885)

ASSETS, LIABILITIES AND NON-CONTROLLING INTEREST

TOTAL ASSETS	**3,922,103**	6,327,545	7,961,825	3,806,601	3,679,805
TOTAL LIABILITIES	**(1,903,347)**	(3,959,661)	(4,903,184)	(789,498)	(913,769)
NON-CONTROLLING INTERESTS	**–**	–	(305,088)	(306,968)	(289,895)
	2,018,756	2,367,884	2,753,553	2,710,135	2,476,141