SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

Annual Report 2016

Contents

Corporate Information

DIRECTORS

Executive Directors:

Lim Kia Hong
(Chairman and Chief Executive Officer)
Lim Kiah Meng *(Vice-chairman)*
Lim Hwee Hai
Lim Hwee Noi

Independent Non-executive Directors:

Lee Hiok Chuan
Ong Wui Leng
Ma Shiu Sun, Michael

COMPANY SECRETARY

Chiu Lai Chun, Rhoda

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

803
Nine Queen's Road Central
Hong Kong
Telephone: (852) 2138 3938
Fax: (852) 2138 3928

STOCK CODE

00529

INVESTOR RELATIONS

www.sisinternational.com.hk
enquiry@sis.com.hk

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)
Norton Rose Fulbright

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
DBS Bank Ltd
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
OCBC Bank
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank (Hong Kong) Ltd.
The Tokyo Star Bank, Limited
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

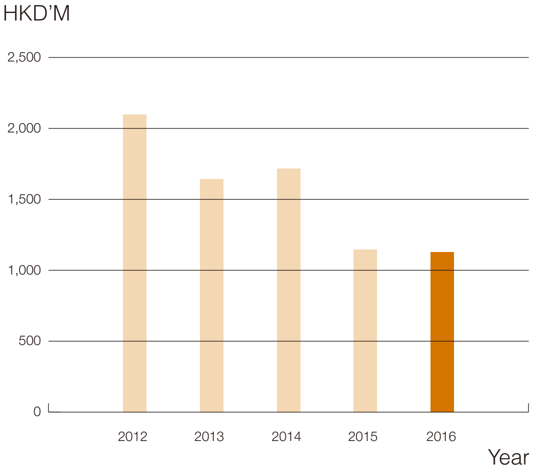
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

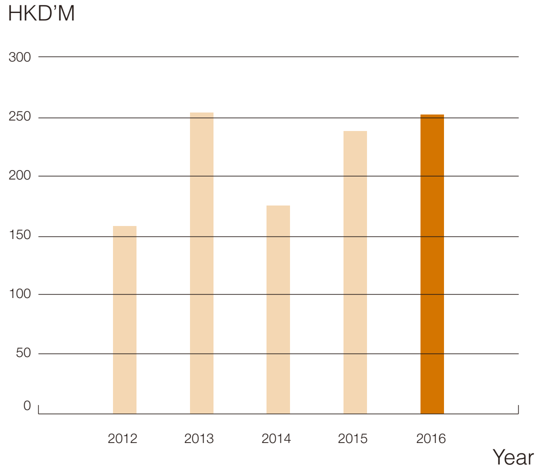
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

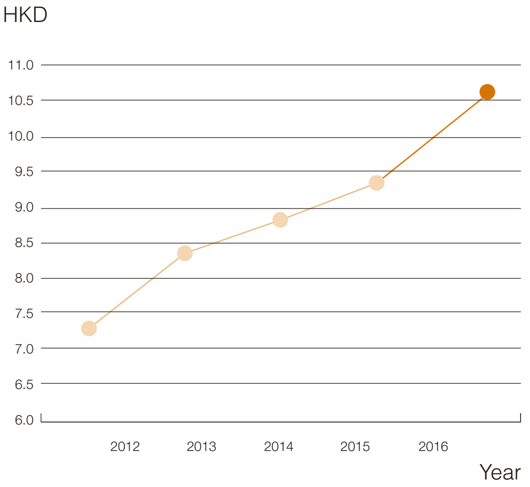
Revenue



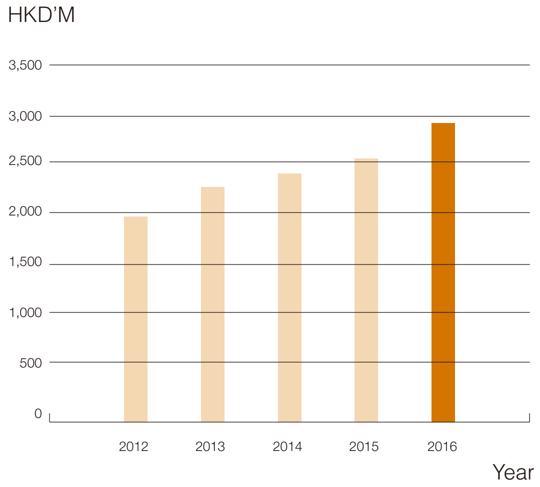
Net Profit



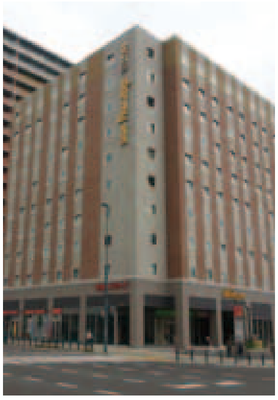
Net Asset Value Per Share

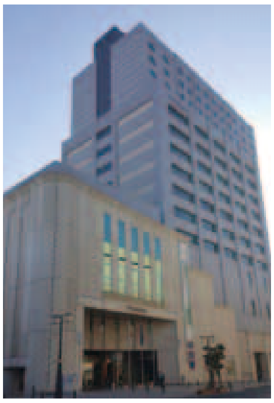


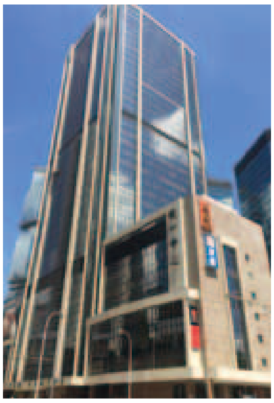
Shareholders' Equity



History & Milestones







1983

- Founded in Singapore
- Became distributor for Dyson floppy disk in 1983 and 3Com network in 1984 and started building a reseller base

1984

- Introduced AST peripherals and Tallgrass' tape drives to new IBM and Apple resellers

1987

- One of the first to distribute original software from Symantec, WordPerfect, Aldus Pagemaker, Harvard Graphics, Central Point Software

1992

- SiS listed successfully on the main board of the Hong Kong Stock Exchange (529.HK) in less than 10 years after it was founded in 1983

1997

- Sold a 80% stake in SiS Distribution Ltd. to CHS Electronics

2002

- One of the first to introduce smartphones in Asia

2004

- SiS Thailand successfully listed on Thailand Stock Exchange (SIS.TH) in less than 5 years after it was invested by SiS Group in 2000

2011

- Acquired a stake in Information Technology Consultants Limited ("ITCL"), a provider of payment gateway services and one of the leading providers of ATMs in Bangladesh
- Acquired Synergy Technologies (Asia) Ltd to form SiS mobile business
- Sold IT distribution business in Hong Kong, Singapore, Malaysia to conglomerate Jardine Matheson Group

2012

- Acquired properties in Japan
  - In 2012 Rinku Gate Tower in Osaka (the second tallest building in Japan)*
  - In 2013 five Toyoko Inn hotel properties
  - In 2014 two hotel properties in Otaru and Hakodate respectively
  - In 2015 two hotel properties in Tokyo and Kyoto respectively

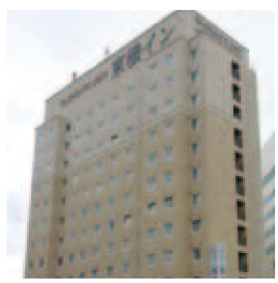
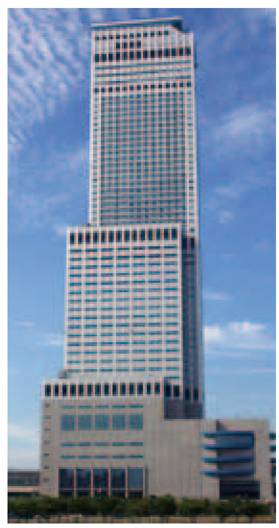
2015

- SiS Mobile Holdings Limited successfully listed on the main board of Hong Kong Stock Exchange (1362.HK)

2016

- Acquired properties in Japan
  - In 2016 seven hospitality properties in Tokyo, Osaka, Kyoto, Sapporo and Otaru respectively
- ITCL successfully listed on The Dhaka Stock Exchange and the Chittagong Stock Exchange in Bangladesh



* based on encyclopedia Wikipedia on 23 November 2012.

Message from the Chairman and CEO

Dear Shareholders,

I am pleased to present to our shareholders results of the Group for the year ended 31 December 2016. Total net profit for the year increased 6% to HK$253 million while revenue for the year slightly decreased to HK$1,128 million.

Total assets of the Group increased significantly to HK$5,665 million after a series of acquisitions of hospitality properties in Japan. Net assets value per share increased from HK$9.37 to HK$10.63.

Our unique value proposition as a value builder and value creator continue to take shape in our business segments - Real Estate investment and Investment in Businesses. The Group will continue to build, grow and unlock the value behind our businesses and investments. We believe our strategy is working on the right track.

BUSINESS REVIEW

Real Estate Investments Business

The momentum for our real estate investments continued. Total revenue from Group's real estate investment portfolio for the year increased 36% to HK$217 million and generated a segment profit excluding gains from change in fair value of HK$121 million as compared to the same period last year of HK$100 million.

During the year, the Group acquired totally seven properties in Japan and two of which are including the hotel operations.

Total consideration for all acquisitions during the year amounted to JPY12,488,948,000 (equivalent to HK$875,264,000). The total number of properties invested in Japan stood at 17 at end of 2016.

The sizeable portfolio of income generating properties with long term potential for the capital appreciation has contributed positively to the net results of the Group. Coupled with the assets appreciation in Japan and Hong Kong, the carrying value of the Group's real estate investment portfolio increased from HK$2,795 million to HK$3,724 million.

Message from the Chairman and CEO

Distribution Business

Sales revenue from distribution of storage, networking and infrastructure products continued on an upward trend. The higher contributions derived from sale of IT products offset the lower sales revenue from mobility products. The total distribution sales revenue decreased slightly from HK$986 million to HK$911 million for the year.

The challenging and difficult economic environment, the intensive competition in mobility products, falling demand from tourists coupled with weak demand in retail market in Hong Kong resulted in decrease of revenue. The revenue shortfall was further exacerbated by a recall of our major vendor's flagship mobile phone product during the last quarter 2016. The Group will continue to identify and seek new growth products to add to our stability of products we are currently distributing.

Investment in IT, Securities and Other Businesses

Our associated company, SiS Distribution (Thailand) Public Company Limited continued to perform during the year and contributed HK$23 million to the Group.

In Bangladesh, our associated company Information Technology Consultants Limited ("ITCL") was successfully listed on 10 January 2016, on both Chittagong Stock Exchange and Dhaka Stock Exchange. The dual-listed ITCL is a leading consultant and provider of financial services, payment gateway, ATM, mobile payments & banking solutions in the rapidly evolving area of electronic payments, mobile payment, e-commerce, m-commerce and internet banking. ITCL continues to gain growth and contributed HK$4.8 million to the Group's earnings during the year.

The Group's Investment Businesses include investment in securities of listed corporations, as well as securities in unlisted companies for mid to long-term period. During the year, the Group disposed of two investments engaged in distribution and medical; the proceeds of which contributed a total profit of HK$2.6 million. In addition, one of the Group's investment portfolios in IT business listed successfully in US in September 2016.

The Group will continue to explore and seek for investment opportunities to further strengthen its investment portfolio.

PROSPECT

The Directors expect to face a softer and more difficult economic environment in the near terms. Demand for IT and mobility products continue to soften. The Directors anticipate that year 2017 will be beset with much challenges and headwinds due to the uncertain global economy. However the Directors are confident that fundamentals of the Group are strong. With a strong balance sheet, an experienced management team, the Group is well positioned to explore business opportunities, strengthen our position and pursue opportunities for profitable grown during this time.

APPRECIATION

Our success would not have been possible without the dedication of our committed staff for their contributions and hard work, our customers, business partners and shareholders for their support and confidence in SiS. Despite the challenging current slow economy, the Directors are cautiously looking ahead with confidence. We have achieved impressive records of continuous profitability for the Group and will emerge an even stronger company when the economy recovers and growth returns.

LIM Kia Hong
Chairman & CEO

Hong Kong, 16 March 2017

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2016, the Group had total assets of HK$5,665,306,000 which were financed by total equity of HK$2,950,786,000 and total liabilities of HK$2,714,520,000. The Group had a current ratio of approximately 0.93 compared to that of approximately 0.97 at 31 December 2015.

As at year end 2016 the Group had HK$976,839,000 (2015: HK$844,945,000) bank deposits balances and cash of which HK$331,948,000 (2015: HK$455,029,000) was pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank loans and bonds. As at 31 December 2016, the Group had short term loans and bonds of total HK$1,101,758,000 (2015: HK$945,272,000) and long term loans and bonds of HK$1,213,463,000 (2015: HK$474,560,000). The borrowings were mainly denominated in Japanese Yen and Hong Kong Dollar, and were charged by banks at floating interest rates.

At the end of December 2016, the Group had a net cash deficit (total bank loans and bonds, less bank balances and cash and pledged deposits) of HK$1,338,382,000 (2015: HK$574,887,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 31 December 2016 was 78% (2015: 55%).

Charges on Group Assets

At the balance sheet date, the Group's had pledged deposits of HK$331,948,000 (2015: HK$455,029,000), investment properties with carrying value of HK$3,539,810,000 (2015: HK$2,288,456,000) and property, plant and equipment with carrying value of HK$177,527,000 (2015: nil) were pledged to banks to secure general banking facilities granted to the Group and for purchase of investment properties and working capital. Certain shares of subsidiaries have been pledged to the banks as at 31 December 2015 and 2016 to secure several banking facilities available to the Group.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes

The number of staff of the Group as at 31 December 2016 was 103 (2015: 94) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments and share option expenses, amounted to HK$43,787,000 (2015: HK$41,138,000) for the year ended 31 December 2016. In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year ended 31 December 2016, share options of 100,000 have been exercised and the weighted average closing share price immediately before dates of exercise of the share options were HK$3.91. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Management Discussion and Analysis

Environmental, Social and Corporate Responsibility

As a responsible company, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

Relationship with Key Stakeholders

The Group maintains strong relationship with its employees, has enhanced cooperation with its vendors and has provided high quality products and services to its customers and resellers so as to ensure sustainable development. Details of the environmental, social and governance are included in the Environmental, Social and Governance Report.

Currency Risk Management

The Group maintains a conservative approach on foreign exchange exposure management by entering into foreign currency forward contracts. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date. At 31 December 2016 the Group had no outstanding forward contracts (2015: notional amount HK$327,600,000 which were measured at fair value at the reporting date).

Contingent Liabilities

The Company's corporate guarantees extended to two banks as security for banking facilities to the Group amounted to total HK$244,000,000 (2015: HK$229,000,000).

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code (with subsequent amendments) which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the “Code”) as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Material deviations from the Code are explained in the report below.

BOARD OF DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board currently comprised of four Executive Directors, namely Messrs. Lim Kia Hong (Chairman and Chief Executive Officer), Lim Kiah Meng, Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the “INED”), namely, Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael. Messrs. Lim Kia Hong and Lim Kiah Meng, and Madam Lim Hwee Noi are brother and sister. Mr. Lim Hwee Hai is spouse of Madam Lim Hwee Noi. Biographical details of each Director and relationship between board members are set out on pages 23 to 24 of the annual report.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED has more than twenty years experience in corporate banking, corporate finance and management.

The INEDs Mr. Lee Hiok Chuan and Ms. Ong Wui Leng are not appointed with a specific term as required by Code A.4.1, but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Company’s Bye-Laws 99(B). As such, the Directors consider that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less than exacting than those in the Code.

According to the Bye-Laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding anything therein, the Chairman of the Board and Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provision in Code A.4.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the position of chairman shall be elected after the next Annual General Meeting. Also in view of the small number of the total Directors of the Company, the deviation is not material.

Corporate Governance Report

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Lim Kia Hong who is responsible for the charting of corporate strategies and direction of the Group. As Chairman of the Board, Mr. Lim provides leadership and plays a pivotal role fostering constructive dialogue between the Board, shareholders and management. As the Vice Chairman of the Board, Mr. Lim Kiah Meng plays a key role in developing operating policies and business development and ensures the effectiveness and efficiency of the business operations of the Group. According to the Bye-Laws of the Company, the position of chairman and vice-chairman shall be elected after next Annual General Meeting to be held on 26 May 2017. The deviation from the Code A.2.1 is considered acceptable.

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall made recommendation to the Board whenever they consider appropriate. During the year 2016, the Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

The Board has established three Committees. The table below provides membership information of these Committees on which certain Board members serve:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Lim Kia Hong	-	C	M
Mr. Lim Kiah Meng	-	M	M
Mr. Lee Hiok Chuan	M	M	M
Ms. Ong Wui Leng	C	M	C
Mr. Ma Shiu Sun, Michael	M	M	M

Notes:
C – Chairman of the relevant Committee
M – Member of the relevant Committee

AUDIT COMMITTEE

The Audit Committee is comprised of all INED. Ms. Ong Wui Leng was appointed as the Chairlady of the Audit Committee.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

Corporate Governance Report

The Audit Committee has met four times during the year ended 31 December 2016 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half year and annual financial results.

NOMINATION COMMITTEE

The Nomination Committee was set up with written terms of reference with effect from 28 March 2012 and is comprised of all INED and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng. Mr. Lim Kia Hong is the Chairman of the Nomination Committee.

The duties of the Nomination Committee shall be:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independency of independent non-executive directors; and
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

A meeting was held during the year ended 2016 to review and discuss the composition of the Board of the Company, and to assess the independency of independent non-executive directors.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 September 2005 and is comprised of all INED, and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng, with Ms. Ong Wui Leng as Chairlady from 27 March 2012 onwards.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. A meeting was held during the year ended 31 December 2016, and the members had reviewed the remuneration policy and determined remuneration of Directors.

Corporate Governance Report

Pursuant to Code Provision B.1.5 of the Code, details of the annual remuneration of the directors and senior management by band for the year ended 31 December 2016 are as follows:

Remuneration band	Number of individuals
HK$1 to HK$1,000,000	3
HK$1,000,000 to HK$3,000,000	1
HK$3,000,000 to HK$5,000,000	1
HK$5,000,000 to HK$7,000,000	2

Details of the remuneration of each director for the year ended 31 December 2016 are set out in note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which have been formalised into the terms of reference of the Board, a summary of which are as follows:

- develop and review the Company's policies and practices on corporate governance and make recommendation to the Board;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year 2016, the Board performed its corporate governance duties and approved the Corporate Governance Report contained in this Annual Report.

DIRECTORS' SECURITIES TRANSACTION

The Company adopted its own code of conduct regarding Directors' dealing in securities on 23 September 2005 (the "Code of Conduct") with subsequent amendments thereafter. The term of the Code of Conduct are no less exacting than the required standard set out in the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code and the Company's Code of Conduct.

Corporate Governance Report

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements which give a true and fair view of the state of affair of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 37 to 41.

AUDITORS' REMUNERATION

During the year ended 31 December 2016, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services:

	Service fee HK$'000
Audit services	2,602
Tax advisory	24
Other services	652
	3,278

ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2016:

	General Meeting	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Number of meeting during the year	(1)	(7)	(4)	(1)	(1)
Executive Directors					
Lim Kia Hong	1	7	N/A	1	1
Lim Kiah Meng	1	7	N/A	1	1
Lim Hwee Hai	1	7	N/A	N/A	N/A
Lim Hwee Noi	1	7	N/A	N/A	N/A
Independent Non-Executive Directors					
Lee Hiok Chuan	1	7	4	1	1
Ong Wui Leng	1	7	4	1	1
Ma Shiu Sun, Michael	1	7	4	1	1

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the risk management and internal control system periodically and enhance the system when necessary. The Company has internal audit functions. The internal auditors reviewed the risk management and internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct three reviews of the effectiveness of the system of the internal control and risk management of the Group during the year. The Directors considered that the systems adequate and effective.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. During the year 2016, the Company had organised a seminar regarding the latest developments in listing rules and other applicable regulatory requirement for the directors, to ensure compliance and enhance their awareness of good corporate governance practices. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials. The Company has devised a training record to assist the Directors to record the training they have undertaken.

During the year, the Directors participated in continuous professional development activities as set out below:

	Attending trainings / briefings / seminars
Executive Directors	
Lim Kia Hong	✓
Lim Kiah Meng	✓
Lim Hwee Hai	✓
Lim Hwee Noi	✓
Independent Non-Executive Directors	
Lee Hiok Chuan	✓
Ong Wui Leng	✓
Ma Shiu Sun, Michael	✓

COMPANY SECRETARY

Ms. Chiu Lai Chun, Rhoda has been appointed as company secretary of the Company since 2004. She is a Certified Public Accountant in Hong Kong. She has fulfilled the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2016.

Corporate Governance Report

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange of Hong Kong; (d) meeting with investment fund manager and investors; and (e) the Company's web-site providing an electronic means of communication.

The shareholders' meeting in 2016 was the annual general meeting held on 27 May 2016 at Kellett Room III, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2015; to re-elect directors; and approve the general mandates for the issue and repurchase of the Company's share.

During the year under review, the Company has not made any changes to its Bye-Laws. An up to date version of the Company's Bye-Laws is available on web-sites of the Company and the Stock Exchange of Hong Kong. Shareholders may refer to the Company's Bye-Laws for further details of their rights.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Bye-Laws, a special general meeting shall be convened on the written requisition of any two or more shareholders holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the Company's office.

For avoidance of doubt, a general meeting other than an annual general meeting or a meeting for the passing of special resolutions shall be called by notice in writing of not less than a period which is the longer of fourteen days and ten clear business days.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

803 Nine Queen's Road Central, Hong Kong
Fax: (852) 2138 3928
Email: enquiry@sis.com.hk

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the web-sites of the Company (www.sisinternational.com.hk) and the Stock Exchange of Hong Kong (www.hkexnews.hk) immediately after the relevant general meetings.

Environmental, Social and Governance Report

ENVIRONMENTAL

Unless otherwise specified, the environmental data covers the Group's operation in Hong Kong, Singapore and Japan.

During the year, the Group has made its best endeavours to protect the environment from its business activities and workplace. The Group also educates its employees on their awareness of promoting a green environment. The Group seeks to identify and manage environmental impacts attributable to its operation, in order to minimise these impacts if possible.

A1. Emissions

The Group invests in income generating properties or properties with the potential to appreciate in value. Most of the properties are for office and hospitality usage purposes. Properties are leased to tenants/hotel operators for stable lease income. Therefore the hospitality operation attributes greenhouse emission for the Group. The Group has taken steps to closely monitor and minimize environmental impacts in its hospitality operation.

For our 56-storey iconic building involving hospitality, office and conventional centre located in Japan, an energy system was installed by an Energy Service Company ("ESCO") in 2015 for energy saving purpose. The ESCO is engaged to monitor the effectiveness of new heat source system regularly. Electricity, heating & gas ("Energies") was saved in 2016 when compared with that of 2015.

We are also the pioneer in technology product distribution in Asia with an extensive reseller channel network representing many world renowned vendors. No generation on hazardous waste as we are not manufacturers.

Emissions of greenhouse gases by the Group were mainly contributed by the consumption of purchased electricity, heating and gas consumption in hospitality business.

2016 CO_2 Emission	**Total tonnes**
Energy indirect emission	4,043,526
Other indirect emission	42
Total greenhouse gas emission	4,043,568

Indirect emission is mainly from paper usage in offices and senior management's air travel. It amounted to 42 tonnes CO_2 for the year ended 31 December 2016.

Non-hazardous waste produced (paper waste, printer cartridges, tonner bottle) was 1,948 kg for 2016.

A2. Use of Resources

Energies consumption and water consumption were mainly attributable to its hospitality business. For 2016, total Energies consumption was 7,747 million kWh, whereas the water usage was 144,246 cubic metre.

For distribution business, goods were delivered to our resellers at original packaging. No material additional packaging materials were required.

Air conditioners, computers and office lights are switched off during non-business hours, to minimise light pollution and reduce energy consumption.

Environmental, Social and Governance Report

A3. The Environment and Natural Resources

To create a green workplace, we encourage reducing, reusing and recycling of materials to minimizing wastage in daily operations. For energy saving and greenhouse emission reduction, energy system was installed in our iconic building in Japan for energies saving, recycling bins are provided at our offices with waste paper and used toner cartridges collected for recycling. The Group encourages its employees to handle documents electronically. When the use of paper is required, documents are required to use double-sided printing. In addition, we arranged conference calls or video conference instead of face-to-face meetings where possible.

SOCIAL

B1. Employment and Labour Practices

Employment, remuneration and benefits, recruitment and promotion

The Group is always complying with the labour regulations and associated guidelines. Our full-time staffs are entitled to paternity and compassionate leaves, healthcare and mandatory provident fund in respective jurisdiction. We apply equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices. We encourage a healthy work-life balance among staffs. As at 31 December 2016, the Group had a total of 103 permanent staffs. 93% are located in Hong Kong and the remaining are located in Singapore and Japan.

To attract, motivate and retain experience staffs, we reviewed their pay packages annually with prevailing market conditions to ensure they are competitive under volatile and severe market. To create incentives for directors and senior staffs to work with commitment toward enhancing the value of the Group and its shareholders, the Company adopted share option scheme and grant share options to eligible staffs of the Group since 1992.

Workforce by gender:

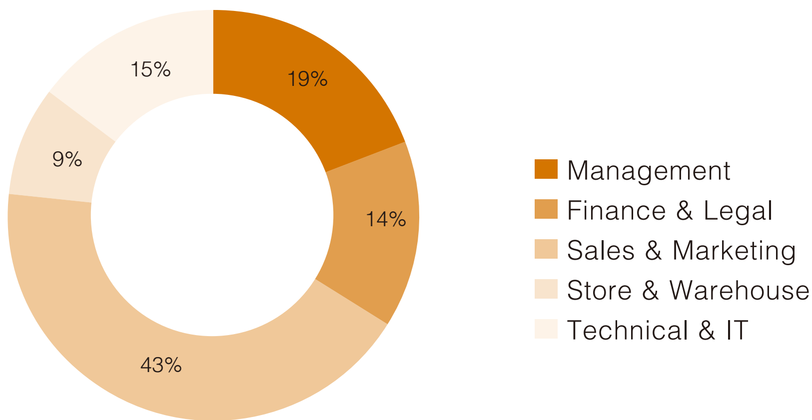
	Hong Kong	Singapore	Japan	Total
Male	54%	50%	100%	54%
Female	46%	50%	0%	46%

Workforce by age group:

	Hong Kong	Singapore	Japan	Total
Below 30	15	0	0	15
Age 31-50	69	3	0	72
Over 50	12	3	1	16
Number of staffs	96	6	1	103

Environmental, Social and Governance Report

Workforce by function:



Diversity and Equal Opportunities

The diversity of our employees provides us with a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues. At a senior management level, our board diversity policy guides the Group's approach to selection of candidates taking into account an extensive range of characteristics, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

B2. Health and Safety

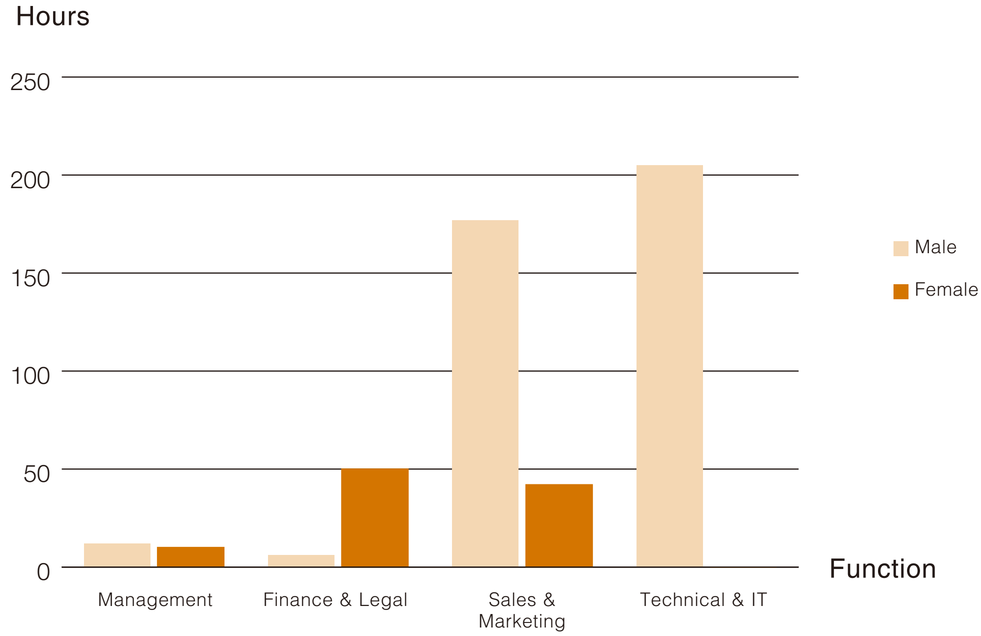
The Group provided a safe and healthy environment in the work places for all staffs. The staff turnover rate was low and there was no reported lost days caused by injury.

B3. Development and Training

As a distributor of renowned brands information technology products, mobile phones and related products, our sales force and technical staffs processes broad knowledge of networking, storage, and mobility products in order to provide the best services to our resellers. We worked closely with suppliers to keep our sales teams updating to the latest technology and features of new products. The Group understands training and development is one of the keys to success. We offer both internal and external training to our key staffs. Total training hours offered in 2016 was 514 hours for 75% staffs, average 6 hours per trained staff. Those training were focusing on product knowledge, accounting and regulatory compliance update.

Environmental, Social and Governance Report

Training hours by gender and function:



The Group also encourages and provides subsidies to employees to pursue educational or training opportunities that achieve professional development.

B4. Labour Standards

The Group has complied with relevant labour regulations, government regulations in Hong Kong, Singapore and Japan. The Group does not employ staffs who are below 18 years of age. No employee is paid less than the minimum wage specified by the government regulations. Monthly salary payments, the Mandatory Provident Fund Scheme or Central Provident Fund Scheme payment are made on time.

During recruitment process, verification of applicant's identity information is required and recruitment of child labour is strictly prohibited. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience would not be employed. The Group enters employment contract with each of its employee in accordance with relevant laws and regulations in its operating jurisdiction and also prohibits forced labour.

B5. Supply chain management

Sound supply chain management ensures the Group to sustain its business operations and development. As well as leveraging our extensive network of information technology distribution, we have maintained strong relationships with our suppliers. When selecting suppliers, the Group takes factors into account such as quality of products and functionality, price, reliability and anticipated market acceptance. The Group expects suppliers to observe the environmental, social, health and safety and governance considerations in their operations.

Currently we procured over 20 internationally renowned brands from our suppliers. 64% supplied goods domestically, the remaining was mainly supplies from USA and the PRC.

For hospitality, our hotel operators have many year of experience in hotel business. We have built strong relationships with our property assets managers, lenders, as well as accounting and tax advisors.

B6. Product responsibility

The marketing of information technology, mobility and related products to general public are usually devised by suppliers and the Group is also providing marketing services to our suppliers. During holidays and festivals, we work with our suppliers to offer products at promotional prices through print and media advertising campaigns.

Suppliers provide warranty on the products they supplied to the Group for distribution. Suppliers are responsible for providing or procuring the provision of in-warranty service to the end users. Generally the warranty provided by the suppliers has a term from one to three years. The Group also adopts following quality control policies on the products to be sold:

- Inventory management team performs a series of inspection upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and

- If any defects are identified, the relevant product will be returned to the supplier for replacement.

During the year 2016, a new mobile phone model of a renowned brand have encountered product quality issues shortly after launched in early September in Hong Kong. The products were recalled globally by middle of October 2016. The Group has worked closely with the supplier for recalling those products and the recall process was finished before end of 2016.

The Group did not receive any injury case for the products sold by company. The recalled product contributed less than 1% to the total revenue of the Group and thus financial impact to the Group was considered immaterial.

End users safety is always in the top priority. The Group takes speedy action together with our suppliers for any quality issues at all time.

The Group is committed to abide by the laws and regulations in relation to intellectual property protection. During the year, we have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products that we were distributed in 2016.

The Group is also committed to abide by the Personal Data (Privacy) Ordinance. Personal data shall be highly protected. Privacy policy and personal information collection statements in our websites demonstrate a commitment to safeguarding each personal data privacy. Employees are committed not to disclose confidential information, including information related to suppliers and customers whether orally or in writing or in any other media which are not publicly known.

Environmental, Social and Governance Report

B7. Anti-corruption

In our Code of Conduct and Whistle-blowing Policy, which defines the Group's stance on conflicts of interest, intellectual property rights, privacy and confidentiality of information, bribery, corruption and non-competition. All employees are required to adhere.

In addition, seminars would be held to update staff on any changes to regulations and to refresh their knowledge on aspects of ethical practices when applicable.

During the year, there were no incidents of corruption reported within the Group.

B8. Community

In view of the work force and size of the Group, serving the community by way of cash and in-kind donations are considered most direct and effective.

In 2016, a total donation of HK$50,000 was made to charitable organizations in Hong Kong.

Directors' Profiles

EXECUTIVE DIRECTORS

LIM Kia Hong, aged 60, brother of Mr. Lim Kiah Meng and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, is one of the co-founders of the Group. Mr. Lim graduated from University of Washington, US with a Bachelor's Degree in Business Administration. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the Group from a small privately-owned family business in Singapore to one of the leading distributors of I.T. products in the Group's key market of Hong Kong, Singapore and Thailand and a publicly listed company on the Stock Exchange of Hong Kong. He is responsible for the corporate planning, development and public relations of the Group.

Mr. Lim is also the chairman and non-executive director of SiS Mobile Holdings Limited ("SiS Mobile"), a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2004, he has also been a non-executive director of SiS Distribution (Thailand) Public Co., Ltd. ("SiS THAI"), a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of Information Technology Consultants Limited ("ITCL"), a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2016.

LIM Kiah Meng, aged 64, brother of Mr. Lim Kia Hong and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, joined the Group in 1986. He has thirty years' experience in the I.T. industry, and is responsible for the Group's operations in Hong Kong, Japan, Singapore and the PRC. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in International Management from the American Graduate School of International Management, US. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking.

Mr. Lim is also an executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2013, he has also been a non-executive director of SiS THAI, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2016.

LIM Hwee Hai, aged 67, the spouse of Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Kia Hong and Mr. Lim Kiah Meng, is one of the co-founders of the Group. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in Business Administration from the National University of Singapore. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He has over thirty years' experience in the I.T. industry and is responsible for the Group's operations in Thailand and the Asia-Pacific region.

Mr. Lim is also a non-executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2004, he has been a non-executive director of SiS THAI, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. Since 2013, Mr. Lim has also been an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2016.

Directors' Profiles

LIM Hwee Noi, aged 66, the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong, and spouse of Mr. Lim Hwee Hai, joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore. She has been a Chartered Accountant in Singapore for more than thirty years. Madam Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. She is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Hiok Chuan, aged 82, joined the Group in 1992 and is an investment consultant in Hong Kong. Mr. Lee has over forty years' experience in finance and banking in Hong Kong.

ONG Wui Leng, aged 56, joined the Group in 2004 and has more than ten years of experience in corporate banking. She also has many years of experience in corporate finance and management. Ms. Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies and completed her Master of Practising Accounting from Monash University, Australia. Since April 2013, Ms. Ong is an independent non-executive director of Hwa Hong Corporation Limited, a company whose shares are listed on the Stock Exchange of Singapore. From 1 January 2017, Ms. Ong is also an independent non-executive director of QAF Limited, a company whose shares are listed on the Stock Exchange of Singpapore.

MA Shiu Sun, Michael, aged 48, joined the Group in 2012 and holds a Bachelor of Science (Economics) from London School of Economics, University of London, a Bachelor of Laws from University of Sydney and a Postgraduate Certificate of Laws (P.C.LL) from University of Hong Kong. Mr. Ma has been a practicing lawyer for over ten years and is practicing as a partner in a Hong Kong law firm in the areas of commercial and corporate matters.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 43, 18 and 19 respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 42.

The directors now recommend the payment of final dividend of HK3.0 cents to the shareholders on the register of members on 7 July 2017, amounting to totally HK$8,327,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out on pages 6 to 9 of this Annual Report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 120. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK$681,883,000 and HK$198,539,000 on acquisition of investment properties and property, plant and equipment respectively.

The Group has revalued all its investment properties at the year end date. The increase in fair value amounted to HK$232,057,000, which had been credited to the consolidated income statement directly.

Particulars of investment properties of the Group at 31 December 2016 are set out on pages 121 to 124.

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 16 and 17 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 to the consolidated financial statements.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2016 were as follows:

	2016 HK$'000	2015 HK$'000
Contributed surplus	**29,186**	29,186
Investment reserve	**3,478**	2,506
Retained profits	**1,073,848**	1,128,444
	1,106,512	1,160,136

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

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Lim Kia Hong
Mr. Lim Kiah Meng
Mr. Lim Hwee Hai
Madam Lim Hwee Noi

Independent non-executive directors:

Mr. Lee Hiok Chuan
Ms. Ong Wui Leng
Mr. Ma Shiu Sun, Michael

In accordance with the provisions of the Company's Bye-Laws, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael retire from office and, being eligible, offer themselves for re-election.

The term of office of Mr. Lee Hiok Chuan and Ms. Ong Wui Leng, as the independent non-executive directors are the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws. Mr. Ma Shiu Sun, Michael, is appointed as an independent non-executive director for an additional period of three years to 1 February 2019 and is also subject to the retirement by rotation in accordance with the Company's Bye-Laws.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2016.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-Laws and subject to the provisions of and so far as may be permitted by the Companies' Act of Bermuda, every Director, auditor, secretary or other officer of the Company and every agent or employee of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceeding, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as officer or employee of the Company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any law for relief from liability in respect of any such act or omission in which relief is granted to him by any court of competent jurisdiction.

The Company has put in place appropriate insurance cover in respect of Directors and officers' liability throughout the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2016, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("HKEX") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long positions in ordinary shares of HK$0.10 each of the Company

Name of Director	Personal interests	Family interests	Joint interests *(Note 1)*	Corporate Interests *(Note 2)*	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kia Hong *(Note 4)*	6,933,108	504,000	–	178,640,000	186,077,108	67.04%
Lim Kiah Meng *(Note 4)*	5,403,200	450,000	534,000	178,640,000	185,027,200	66.66%
Lim Hwee Hai *(Note 3)*	4,493,200	4,751,158	–	–	9,244,358	3.33%
Lim Hwee Noi *(Note 3,4)*	4,751,158	4,493,200	–	–	9,244,358	3.33%
Lee Hiok Chuan	250,000	–	–	–	250,000	0.09%
Ong Wui Leng	250,000	–	–	–	250,000	0.09%

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

(i) Long positions in ordinary shares of HK$0.10 each of the Company (continued)

Notes:

(1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.

(2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

(3) 4,493,200 shares and 4,751,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

(4) In addition to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 304,000 shares on behalf of three beneficiaries aged below 18. Out of these 304,000 shares, 200,000 shares and 104,000 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.

(ii) Share Options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in "Share Options" below.

(iii) Long positions in the shares and underlying shares of a subsidiary of the Company

Ordinary share of HK$0.10 each of SiS Mobile Holdings Limited ("SiS Mobile"), which is listed on the Main Board of the HKEX (Stock Code: 1362)

Name of Director	Personal interests	Family interests	Joint interests *(Note 1)*	Corporate Interests *(Note 2 and 3)*	Total number of issued ordinary shares held	Percentage of the issued share capital of SiS Mobile
Lim Kia Hong *(Note 5)*	1,846,754	161,280	–	203,607,467	205,615,501	73.43%
Lim Kiah Meng *(Note 5)*	1,729,024	144,000	170,880	203,607,467	205,651,371	73.45%
Lim Hwee Hai *(Note 4)*	1,065,984	1,145,330	–	–	2,211,314	0.79%
Lim Hwee Noi *(Note 4, 5)*	1,145,330	1,065,984	–	–	2,211,314	0.79%
Lee Hiok Chuan	64,000	–	–	–	64,000	0.02%
Ong Wui Leng	64,000	–	–	–	64,000	0.02%

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

(iii) Long positions in the shares and underlying shares of a subsidiary of the Company (continued)

Notes:

(1) *Shares are jointly held by Mr. Lim Kiah Meng and his spouse.*

(2) *146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.57% by Gold Sceptre Limited.*

(3) *Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of SiS Mobile. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.*

(4) *1,065,984 shares and 1,145,330 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.*

(5) *In additional to the interests disclosed above, Mr. Lim Kiah Meng and Madam Lim Hwee Noi are trustees of an estate and are holding 97,280 shares. 64,000 shares and 33,280 shares are beneficially owned by the children of Mr. Lim Kiah Meng and Mr. Lim Kia Hong respectively, and are included in the family interests of Mr. Lim Kiah Meng and Mr. Lim Kia Hong as disclosed above.*

(iv) Share options of SiS Mobile, a subsidiary of the Company

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding at 31 December 2016
Directors and their associates:				
Lim Kia Hong				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
Lim Kiah Meng				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
Lim Hwee Hai				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	400,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	400,000
Lim Hwee Noi				
25.06.2015	26.06.2015-31.12.2015	01.01.2016-30.06.2023	2.36	200,000
25.06.2015	26.06.2015-31.12.2016	01.01.2017-30.06.2023	2.36	200,000
25.06.2015	26.06.2015-31.12.2017	01.01.2018-30.06.2023	2.36	200,000
				4,200,000

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

(v) Long positions in the shares and underlying shares of associated corporations of the Company

(a) Ordinary share of Baht 1 each of SiS Distribution (Thailand) Public Company Limited ("SiS THAI"), which is listed in the Stock Exchange of Thailand

Name of Director	Personal interests	Corporate Interests *(Note)*	Total number of issued ordinary shares held in SiS THAI	Approximate% of issued share capital of SiS THAI
Lim Kia Hong	241,875	165,616,595	165,858,470	47.36%
Lim Hwee Hai	244,687	–	244,687	0.07%

Note:
The Company indirectly holds 165,616,595 ordinary shares of the issued capital of SiS THAI. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 67.04% in the Company, therefore Mr. Lim has deemed corporate interest in SiS THAI under the SFO.

(b) Ordinary share of 10 Taka each of Information Technology Consultants Ltd. ("ITCL"), which is incorporated in Bangladesh, and is listed in The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016 (DSE stock code: ITC, CSE stock code: ITC)

Name of Director	Corporate Interests *(Note)*	Approximate % of issued share capital of ITCL
Lim Kiah Meng	46,068,298	46.05%

Note:
A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse holds 8,452,500 ordinary shares in ITCL, while the Company indirectly holds 37,615,798 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.66% in the Company, therefore Mr. Lim has deemed corporate interest of 37,615,798 shares in ITCL under the SFO.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2016.

SHARE OPTIONS

A new share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 21 May 2007 by the Company to replace the then existing share option scheme for the primary purpose of providing incentives and awards to directors and eligible employees and persons, and will expire on 20 May 2017. Under the Scheme, the Company may grant options to qualified persons, including employees and directors of the Company and its subsidiaries and associates and third parties with a view to maintain business relationship with such persons, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date when the Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within ten business days from the offer letter together with a payment of HK$10 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

The following table discloses movements in the Company's share options during the year:

				Number of share options		
Date of grant	**Vesting period**	**Exercise period**	**Exercise price** *HK$*	**Outstanding at 1 January 2016**	**Exercised during the year**	**Outstanding at 31 December 2016**
Directors and their associates:						
Lim Kia Hong						
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	50,000	–	50,000

Directors' Report

SHARE OPTIONS (CONTINUED)

				Number of share options		
Date of grant	Vesting period	Exercise period	Exercise price *HK$*	Outstanding at 1 January 2016	Exercised during the year	Outstanding at 31 December 2016
Lim Kiah Meng						
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	50,000	–	50,000
Lim Hwee Hai						
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	50,000	–	50,000
Lim Hwee Noi						
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	50,000	–	50,000
Lee Hiok Chuan						
20.08.2007	21.08.2007-18.02.2010	18.02.2010-20.05.2017	1.72	50,000	(50,000)	–
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	40,000	–	40,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	40,000	–	40,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	40,000	–	40,000
Ong Wui Leng						
20.08.2007	21.08.2007-18.02.2010	18.02.2010-20.05.2017	1.72	50,000	(50,000)	–
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	40,000	–	40,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	40,000	–	40,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	40,000	–	40,000

SHARE OPTIONS (CONTINUED)

Date of grant	Vesting period	Exercise period	Exercise price HK$	Number of share options: Outstanding at 1 January 2016	Exercised during the year	Outstanding at 31 December 2016
Ma Shiu Sun, Michael						
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	50,000	–	50,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	50,000	–	50,000
Total directors and their associates				1,090,000	(100,000)	990,000
Employees and other qualified persons:						
20.08.2007	21.08.2007-18.02.2008	18.02.2008-20.05.2017	1.72	133,332	–	133,332
20.08.2007	21.08.2007-18.02.2009	18.02.2009-20.05.2017	1.72	133,334	–	133,334
20.08.2007	21.08.2007-18.02.2010	18.02.2010-20.05.2017	1.72	133,334	–	133,334
26.06.2015	27.06.2015-31.12.2015	01.01.2016-26.06.2025	4.47	420,000	–	420,000
26.06.2015	27.06.2015-31.12.2016	01.01.2017-26.06.2025	4.47	420,000	–	420,000
26.06.2015	27.06.2015-31.12.2017	01.01.2018-26.06.2025	4.47	420,000	–	420,000
Total employees and other qualified persons				1,660,000	–	1,660,000
Total number of share options				2,750,000	(100,000)	2,650,000

Other than disclosed above, no share options were granted, forfeited or expired during the financial year.

The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised were HK$3.91.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

No rental expenses (2015: HK$792,000) were incurred during the year for the lease of premises from a related company. An executive director and his spouse have ultimate controlling interest in the related company. The transaction is regarded as De minimis transactions pursuant to Chapter 14A.33 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and exempted from announcement.

Other than as disclosed above, no transaction, arrangement and/or contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, other than the interests disclosed above in respect of Directors and chief executives, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows and the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

Long positions in ordinary shares of HK$0.10 each of the Company

Name of Shareholder	Personal interests	Family Interests *(Note 1)*	Corporate interests *(Note 2)*	Other Interests *(Note 3)*	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	700,000	1,220,000	12,900,000	–	14,820,000	5.34%
Lim Mee Hwa	1,220,000	700,000	12,900,000	–	14,820,000	5.34%
Yeoman Capital Management Pte. Ltd.	–	–	300,000	12,600,000	12,900,000	4.65%

Notes:

(1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.

(2) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in Yeoman Capital Management Pte. Ltd.

(3) Yeoman Capital Management Pte. Ltd. holds the shares of the Company as an investment manager.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was less than 30% by value of the Group's total goods sales during the year, with the largest customer accounted for less than 5%. The five largest suppliers of the Group comprised approximately 73% by value of the Group's total purchases during the year, with the largest supplier accounted for 44%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers and suppliers.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee in September 2005.

The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 39 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$50,000.

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.

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in the Corporate Governance Report of the Company.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Directors' Report

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

The Company has complied with relevant laws and regulations that have significant impact on the Company including the laws in Bermuda, the Hong Kong Companies Ordinance, SFO, and the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2016.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
SiS International Holdings Limited

LIM Kiah Meng
DIRECTOR

Hong Kong, 16 March 2017

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF SiS INTERNATIONAL HOLDINGS LIMITED
新龍國際集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 42 to 119, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements associated with determining the fair values. The investment properties are located in Hong Kong, Japan and Singapore and carried at HK$3,723,972,000 as at 31 December 2016 and represents 66% of total assets in the consolidated financial statements of the Group as at 31 December 2016. Gain from changes in fair value of investment properties of HK$232,057,000 was recognised in the consolidated statement of profit or loss for the year then ended. As disclosed in note 16 to the consolidated financial statements, all of the Group's investment properties are held at fair value based on the valuations performed by independent qualified professional valuers (the "Valuers"). The valuations of investment properties are dependent on certain key inputs that require significant judgments by the management of the Company, including unit sale rate and capitalisation rate.	Our procedures in relation to valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagement; • Assessing the reasonableness of the valuation techniques used by the management and the Valuers based on the relevant accounting requirements and industry norms; • Evaluating the reasonableness of the key inputs, including unit sale rate and capitalisation rate adopted by the management and the Valuers, on a sample basis, by comparing the key inputs to relevant market data based on our knowledge of the property markets; and • Assessing the accuracy of the rental income provided by the management to the Valuers by agreeing the rental income to the respective underlying tenancy agreements, on a sample basis.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to the use of judgements in identifying obsolete and slow moving inventories and determining the net realisable value ("NRV") which are based on conditions and the marketability of the inventories. NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. As disclosed in the consolidated statement of financial position and note 21, the carrying amount of inventories is HK$51,961,000, net of allowance on obsolete and slow moving inventories of HK$5,387,000 as at 31 December 2016.	Our procedures in relation to the valuation of the inventories included: • Obtaining an understanding of how allowance on obsolete and slow moving inventories is estimated by the management; • Testing the accuracy of the ageing of the inventories listed in the system generated report to the purchase invoices on a sample basis. • Discussing with the management on the basis of determining the NRV and evaluating the condition and marketability of the inventories; and • Assessing the sufficiency of allowance on obsolete and slow moving inventories made by the management with reference to the aged analysis and the latest transaction prices of the inventories, on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible 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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Independent Auditor's Report

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

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
16 March 2017

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	6	**1,128,417**	1,145,780
Cost of sales		**(950,589)**	(975,553)
Gross profit		**177,828**	170,227
Other income		**12,224**	14,356
Other gains and losses	7	**(28,066)**	49,003
Distribution costs		**(29,114)**	(32,364)
Administrative expenses		**(86,846)**	(95,187)
Gain from changes in fair value of investment properties	16	**232,057**	182,282
Share of results of associates		**28,214**	18,126
Listing expense	8	**–**	(196)
Finance costs	9	**(28,645)**	(24,402)
Profit before taxation		**277,652**	281,845
Income tax expense	10	**(24,919)**	(42,532)
Profit for the year	11	**252,733**	239,313
Profit for the year attributable to:			
Owners of the Company		**236,209**	240,684
Non-controlling interests		**16,524**	(1,371)
		252,733	239,313
		HK Cents	HK Cents
Earnings per share	15		
Basic		**85.1**	86.8
Diluted		**85.0**	86.7

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**252,733**	239,313
Other comprehensive income (expense):		
Items that may be reclassified to profit or loss		
Gain (loss) from changes in fair value of available-for-sale investments	**45,569**	(26,225)
Exchange realignment arising on translation of foreign operations	**10,720**	3,119
Exchange realignment arising on translation of associates and joint ventures	**(8,308)**	(16,837)
Other comprehensive income (expense) for the year	**47,981**	(39,943)
Total comprehensive income for the year attributable to:		
Owners of the Company	**287,832**	201,158
Non-controlling interests	**12,882**	(1,788)
	300,714	199,370

Consolidated Statement of Financial Position

AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	16	**3,723,972**	2,795,026
Property, plant and equipment	17	**322,611**	144,510
Interests in associates	18	**267,185**	247,279
Interests in joint ventures	19	**–**	–
Available-for-sale investments	20	**158,853**	93,821
		4,472,621	3,280,636
Current assets			
Inventories	21	**51,961**	86,572
Trade and other receivables, deposits and prepayments	22	**145,413**	104,660
Amount due from a joint venture	23	**–**	2,339
Amounts due from associates	24	**3,312**	3,185
Tax recoverable		**2,076**	393
Investments held-for-trading	25	**13,084**	11,913
Pledged deposits	26	**331,948**	455,029
Bank balances and cash	26	**644,891**	389,916
		1,192,685	1,054,007
Current liabilities			
Trade payables, other payables and accruals	27	**141,253**	96,737
Derivative financial instruments	28	**–**	5,528
Obligations under finance leases	29	**3,876**	3,655
Tax payable		**16,088**	16,560
Bank loans	30	**1,084,362**	945,272
Bonds	31	**17,396**	–
Rental deposits	33	**18,000**	16,393
		1,280,975	1,084,145
Net current liabilities		**(88,290)**	(30,138)
Total assets less current liabilities		**4,384,331**	3,250,498
Non-current liabilities			
Bank loans	30	**957,254**	343,017
Bonds	31	**256,209**	131,543
Obligations under finance leases	29	**31,816**	34,669
Deferred tax liabilities	32	**77,843**	58,370
Rental deposits	33	**110,423**	83,736
		1,433,545	651,335
Net assets		**2,950,786**	2,599,163

Consolidated Statement of Financial Position

AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	34	**27,757**	27,747
Share premium		**72,533**	72,313
Reserves		**4,952**	(47,933)
Retained profits		**2,722,737**	2,494,855
Equity attributable to owners of the Company		**2,827,979**	2,546,982
Non-controlling interests		**122,807**	52,181
Total equity		**2,950,786**	2,599,163

The consolidated financial statements on pages 42 to 119 were approved and authorised for issue by the Board of Directors on 16 March 2017 and are signed on its behalf by:

LIM KIA HONG
DIRECTOR

LIM KIAH MENG
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to the owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Investments reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Contributed surplus HK$'000 *(Note 1)*	Share options reserve HK$'000	Other reserve HK$'000 *(Note 2)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	27,709	71,488	36,729	(32,295)	933	2,860	490	–	2,268,044	2,375,958	75,282	2,451,240
Profit (loss) for the year	–	–	–	–	–	–	–	–	240,684	240,684	(1,371)	239,313
Other comprehensive income (expense) for the year	–	–	(26,225)	(13,301)	–	–	–	–	–	(39,526)	(417)	(39,943)
Total comprehensive income (expense) for the year	–	–	(26,225)	(13,301)	–	–	–	–	240,684	201,158	(1,788)	199,370
Deemed disposal of subsidiary	–	–	–	(1,219)	–	–	–	(17,558)	–	(18,777)	(37,825)	(56,602)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	12,838	12,838
Issue of shares upon exercise of share options	38	825	–	–	–	–	(213)	–	–	650	–	650
Recognition of equity settled share-based payment	–	–	–	–	–	–	1,866	–	–	1,866	3,674	5,540
Dividend recognised as distribution *(note 14)*	–	–	–	–	–	–	–	–	(13,873)	(13,873)	–	(13,873)
At 31 December 2015	27,747	72,313	10,504	(46,815)	933	2,860	2,143	(17,558)	2,494,855	2,546,982	52,181	2,599,163
Profit for the year	–	–	–	–	–	–	–	–	236,209	236,209	16,524	252,733
Other comprehensive income (expense) for the year	–	–	45,569	6,054	–	–	–	–	–	51,623	(3,642)	47,981
Total comprehensive income (expense) for the year	–	–	45,569	6,054	–	–	–	–	236,209	287,832	12,882	300,714
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	55,059	55,059
Issue of shares upon exercise of share options	10	220	–	–	–	–	(58)	–	–	172	–	172
Recognition of equity settled share-based payment	–	–	–	–	–	–	1,320	–	–	1,320	2,685	4,005
Dividend recognised as distribution *(note 14)*	–	–	–	–	–	–	–	–	(8,327)	(8,327)	–	(8,327)
At 31 December 2016	27,757	72,533	56,073	(40,761)	933	2,860	3,405	(17,558)	2,722,737	2,827,979	122,807	2,950,786

Note 1: Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition upon the Group reorganisation in preparation for the listing of the Company's shares in the year 1992.

Note 2: Other reserve represents the difference between the fair value of the consideration (net of transaction cost) and the carrying amount of the reduction in the Company's interest in SiS Mobile Holdings Limited ("SiS Mobile"), arising from the listing of SiS Mobile's shares on the Stock Exchange of Hong Kong Limited on 15 January 2015.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
Profit before taxation	277,652	281,845
Adjustments for:		
Allowance for doubtful debts	1,360	–
Allowance on obsolete and slow moving inventories	3,008	580
Amortisation of intangible assets	–	6,035
Dividend income from available-for-sale investments	(112)	(987)
Dividend income from investments held-for-trading	(645)	(587)
Depreciation of property, plant and equipment	5,093	7,641
Finance costs	28,645	24,402
Loss from changes in fair value of derivative financial instruments	40,116	2,877
Gain on disposal of available-for-sale investments	(2,618)	(37,789)
Gain from changes in fair value of investments held-for-trading	(560)	(35)
Gain from changes in fair value of investment properties	(232,057)	(182,282)
Interest income	(1,920)	(2,838)
Loss (gain) on disposal of property, plant and equipment	8	(286)
Loss on disposal of subsidiaries	24	–
Gain on deemed disposal of a subsidiary	–	(19,494)
Share of results of associates	(28,214)	(18,126)
Equity-settled share option expense	4,005	5,540
Gain on liquidation of a joint venture	(10,987)	–
Operating cash flows before movements in working capital	82,798	66,496
Decrease (increase) in inventories	31,603	(56,876)
Increase in trade and other receivables, deposits and prepayments	(42,422)	(42,297)
Decrease in amount due from a joint venture	2,065	5,748
Increase in amount due from an associate	(127)	(3,185)
Increase in rental deposit	44,207	15,890
Increase in trade payables, other payables and accruals	27,773	926
Cash from (used in) operations	145,897	(13,298)
Hong Kong Profits Tax (paid) refunded	(1,705)	407
Overseas Tax paid	(4,997)	(1,992)
Interest paid	(28,645)	(24,402)
Net cash from (used in) operating activities	110,550	(39,285)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 HK$'000	2015 HK$'000
Investing activities			
Acquisition of investment properties		(681,883)	(564,919)
Dividend received from associates		10,980	7,520
Dividend received from available-for-sale investments		112	987
Dividend received from investments held-for-trading		645	587
Interest received		1,920	2,838
Withdrawal of pledged deposits		123,081	38,493
Proceeds from disposal of investments held-for-trading		149	–
Proceeds from disposal of available-for-sale investments		9,520	64,934
Purchase of available-for-sale investments		(27,797)	(10,413)
Purchase of investment held-for-trading		(760)	(630)
Purchase of intangible assets		–	(7,977)
Purchase of property, plant and equipment		(198,539)	(5,683)
Cash outflow from deemed disposal of a subsidiary	37(a)	–	(48,756)
Cash received from the liquidation of a joint venture		10,987	–
Proceeds from disposal of property, plant and equipment		606	305
Net settlement on maturity of derivative financial instruments		(45,644)	15,905
Net cash used in investing activities		(796,623)	(506,809)
Financing activities			
Dividends paid		(8,327)	(13,873)
Decrease in bank overdrafts		–	(39,084)
Proceeds from issue of new shares		172	650
Proceeds from issue of bonds		149,643	31,814
Repayment of bonds		–	(5,782)
New bank loans raised		1,385,178	938,609
Repayment of bank loans		(627,950)	(344,219)
Repayment of finance lease obligations		(3,763)	(2,667)
Net proceeds from offer for sale of SiS Mobile's shares to non-controlling shareholders		–	30,521
Contribution from non-controlling interests		55,059	12,838
Net cash from financing activities		950,012	608,807
Net increase in cash and cash equivalents		263,939	62,713
Cash and cash equivalents at 1 January		389,916	327,583
Effect of foreign exchange rate changes		(8,964)	(380)
Cash and cash equivalents at 31 December, represented by bank balances and cash		644,891	389,916

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

The Company was 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"). Its parent is Gold Sceptre Limited and its ultimate parent is Summertown Limited, a company controlled by the executive directors of the Company. Both holding companies are incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section of the annual report.

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 43.

The consolidated financial statements are presented in Hong Kong Dollar ("HK$"), which is also the functional currency of the Company.

The Group reported net current liabilities of HK$88,290,000 as at 31 December 2016. The net current liabilities arose mainly from the long-term bank borrowings (with maturity dates over one year) amounting to HK$150,886,000 being reclassified as current liabilities as at 31 December 2016 due to the overriding right of demand clause as stipulated in the facility agreement of the bank borrowings.

The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of funds available to enable its obligation to be settled on a timely manner. In addition, the Group will be able to refinance its existing banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group's assets which have not been pledged. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
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]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
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 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets.

Key requirements of HKFRS 9 are described as follows:

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 Financial Instruments (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income ("FVTOCI") subject to fulfillment of the designation criteria.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 16 Leases (continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$40,409,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments 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. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company anticipate that the application of HKAS 7 in the future may result in more disclosures.

Other than those described above, the directors of the Company do not anticipate that the application of the new and amendments to HKFRSs will have a material impact on the results and/or the financial position of the Group.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based payment, leasing transactions that are within the scope of HKAS 17 Lease, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Asset.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates and joint ventures

An associate is an entity over which the Group has 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Where a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Service income is recognised when the services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

The Group as a lessee (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets is recognised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, amount due from a joint venture, amount due from an associate, pledged deposits and bank balances are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise investments held-for-trading and derivative financial instruments.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of a portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other income" line item in the consolidated statement of profit or loss.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or are not classified as any other categories of financial assets.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for the financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on AFS equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments reserve. For AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, bonds, bank loans and bank overdrafts) are subsequently measured at amortised cost using the effective interest method.

Effective interest basis

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset other than financial assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measureable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Share-based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserves under equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment (continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Determination of net realisable value of inventories

The cost of inventories is written down to net realisable value ("NRV") when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. When the net realisable value of an item of inventory is less than the carrying amount, the excess is written off immediately in the consolidated statement of profit or loss. The management's estimation of the NRV is primarily based on the conditions and the marketability of the inventories. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. The carrying amount of inventories is HK$51,961,000 (2015: HK$86,572,000), net of allowance on obsolete and slow moving inventories of HK$5,387,000 (2015: HK$2,379,000) as at 31 December 2016.

Estimate of fair value measurements

As described in notes 3 and 16, investment properties are stated at fair value based on the valuation performed by independent professional values. The valuers have determined the fair values using a method of valuation which involve the making of certain assumptions and the use of estimates. In relying on the valuation reports of the professional valuers, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions. The carrying amount of the investments properties at 31 December 2016 is HK$3,723,972,000 (2015: HK$2,795,026,000).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on the distribution of certain brands of mobile and IT products, property investment and securities investment. No operating segments identified by the chief decision makers have been aggregated in arriving at the reportable segments of the Group. Segment liabilities have not been presented as these are not reportable to the CODM.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the year:

	For the year ended 31 December 2016			
	Distribution of mobile and IT products HK$'000	**Property investment*** HK$'000	**Securities investment** HK$'000	**Consolidated** HK$'000
Segment revenue				
External sales	**911,254**	**217,163**	**–**	**1,128,417**
Segment profit (loss)	**(10,519)**	**353,151**	**3,935**	**346,567**
Loss on disposal of subsidiaries				**(24)**
Gain on liquidation of a joint venture				**10,987**
Loss from changes in fair value of derivative financial instruments				**(40,116)**
Share of results of associates				**28,214**
Finance costs				**(28,645)**
Other unallocated income				**3,454**
Unallocated corporate expenses				**(42,785)**
Profit before taxation				**277,652**

* During the year, the Group acquired two hotel properties and involved in its operations. However, no new operating segment is identified by the CODM as the hotel operations are not significant to the Group and therefore, the hotel operations are included in the property investment segment.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	For the year ended 31 December 2015			
	Distribution of mobile and IT products HK$'000	Property investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
Segment revenue				
External sales	986,339	159,441	–	1,145,780
Segment profit	2,704	282,752	39,398	324,854
Gain on deemed disposal of a subsidiary				19,494
Share of results of associates				18,126
Loss from changes in fair value of derivative financial instruments				(2,877)
Listing expense				(196)
Finance costs				(24,402)
Other unallocated income				648
Unallocated corporate expenses				(53,802)
Profit before taxation				281,845

The accounting policies adopted in preparing the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and corporate expenses, share of results of associates, gain on deemed disposal of a subsidiary, loss on disposal of subsidiaries, gain on liquidation of a joint venture, loss from changes in fair value of derivative financial instruments, listing expense and finance costs.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENT INFORMATION (CONTINUED)

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	At 31 December 2016			
	Distribution of mobile and IT products HK$'000	**Property investment** HK$'000	**Securities investment** HK$'000	**Consolidated** HK$'000
Segment assets	**163,272**	**4,075,834**	**171,937**	**4,411,043**
Interests in associates and joint ventures				**267,185**
Unallocated corporate assets				**987,078**
Consolidated total assets				**5,665,306**

	At 31 December 2015			
	Distribution of mobile and IT products HK$'000	Property investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
Segment assets	177,536	2,946,224	105,734	3,229,494
Interests in associates and joint ventures				247,279
Unallocated corporate assets				857,870
Consolidated total assets				4,334,643

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than bank deposits and unallocated corporate assets, interests in associates and joint ventures.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

Segment results and segment assets presented above includes the following:

	For the year ended 31 December 2016				
	Distribution of mobile and IT products HK$'000	**Property investment** HK$'000	**Securities investment** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Capital additions	**3,873**	**876,542**	**–**	**7**	**880,422**
Allowance on obsolete and slow moving inventories	**3,008**	**–**	**–**	**–**	**3,008**
Depreciation and amortisation	**1,358**	**3,454**	**–**	**281**	**5,093**
Gain from changes in fair value of investment properties	**–**	**232,057**	**–**	**–**	**232,057**

	For the year ended 31 December 2015				
	Distribution of mobile and IT products HK$'000	Property investment HK$'000	Securities investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	12,021	606,180	–	1,369	619,570
Allowance on obsolete and slow moving inventories	580	–	–	–	580
Depreciation and amortisation	11,386	1,810	–	480	13,676
Gain from changes in fair value of investment properties	–	182,282	–	–	182,282

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

Majority of the Group's revenue from external customers by geographical location of the customers are attributed to the group entities' countries of domicile (i.e. Hong Kong, Singapore, Japan and Bangladesh).

Information about the Group's revenue by geographical location of the customers and non-current assets by geographical location of assets are set out below:

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**944,751**	938,211	**1,573,891**	1,468,931
Singapore	**1,451**	3,158	**43,640**	43,804
Japan	**181,985**	130,300	**2,429,052**	1,426,788
Bangladesh	**230**	74,111	**–**	13
	1,128,417	1,145,780	**4,046,583**	2,939,536

Non-current assets excluded financial instruments, interests in associates and joint ventures.

Major customer information

During 2015, revenue from customers contributing over 10% of the total revenue of the Group is from one customer with total amount of HK$191,091,000 in relation to the segment of distribution of mobile and IT products. No customer contributed over 10% of the total revenue of the Group during 2016.

6. REVENUE

Revenue represents the net amount received and receivable for goods sold and gross rental income received and receivable from properties leased for the year. An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$000	HK$000
Distribution of mobile and IT products	**911,254**	986,339
Leasing of investment properties and hotel operations	**217,163**	159,441
	1,128,417	1,145,780

7. OTHER GAINS AND LOSSES

	2016 HK$000	2015 HK$000
Allowance for doubtful debts	(1,360)	–
Gain on deemed disposal of a subsidiary	–	19,494
Gain on liquidation of a joint venture	10,987	–
Loss on disposal of subsidiaries	(24)	–
(Loss) gain on disposal of property, plant and equipment	(8)	286
Gain on disposal of available-for-sale investments	2,618	37,789
Exchange loss, net	(723)	(5,724)
Gain from changes in fair value of investments held-for-trading	560	35
Loss from changes in fair value of derivative financial instruments	(40,116)	(2,877)
	(28,066)	49,003

8. LISTING EXPENSE

The amount represents professional fees and other expenses incurred in preparation for the listing of a subsidiary's shares.

9. FINANCE COSTS

	2016 HK$000	2015 HK$000
Interest on bank loans, overdrafts and bonds	27,393	23,514
Interest on finance leases	1,252	888
	28,645	24,402

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

10. INCOME TAX EXPENSE

	2016 HK$000	2015 HK$000
Current tax:		
Hong Kong	–	2,045
Overseas:		
Corporate tax	1,241	1,023
Withholding tax on declared dividend income	3,508	1,955
	4,749	5,023
(Over)underprovision in prior years		
Hong Kong	(43)	313
Overseas	60	53
	4,766	5,389
Deferred taxation (note 32)	20,153	37,143
	24,919	42,532

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Corporate Tax in Japan is calculated at 25.5% on the estimated assessable profit for both years. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% and 5% on dividends declared to local investors and foreign investors, respectively, in respect of profit earned by Japanese subsidiaries.

Notes to the Consolidated Financial Statements

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2016 **HK$'000**	2015 HK$'000
Profit before taxation	**277,652**	281,845
Tax at the domestic income tax rate of 16.5% (note 1)	**45,813**	46,504
Tax effect of share of results of associates	**(4,655)**	(2,991)
Tax effect of expenses not deductible for tax purposes	**13,137**	20,863
Tax effect of income not taxable for tax purposes	**(24,817)**	(30,507)
Tax effect of tax benefit of subsidiaries (note 2)	**(34,280)**	(29,135)
Tax effect of tax losses/deductible temporary differences not recognised	**4,419**	3,563
Underprovision in prior years	**17**	366
Utilisation of tax losses/deductible temporary differences previously not recognised	**(375)**	(91)
Effect of different tax rates of subsidiaries	**2,378**	(1,960)
Deferred tax on undistributed earnings of subsidiaries and an associate	**20,067**	37,143
Withholding tax on declared dividend income	**3,508**	1,955
Others	**(293)**	(3,178)
Income tax expense	**24,919**	42,532

Notes:

1. Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operations of the Group are substantially based.

2. Certain of the Group's subsidiaries were incorporated as tokutei mokuteki kaisha ("TMK"), a special purpose entity in Japan for real estate transactions. In accordance with the Asset Securitisation Act of Japan, a TMK is allowed to deduct from its taxable income the amount of dividends it declared provided that a TMK is distributing at least 90 per cent of its profits in each financial year.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

11. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**4,326**	4,684
Allowance on obsolete and slow moving inventories	**3,008**	508
Amortisation of intangible assets	**–**	6,035
Cost of inventories recognised as an expense	**871,198**	919,039
Depreciation of property, plant and equipment	**5,093**	7,641
Staff costs (note)	**61,238**	63,667
Share of tax of associates (included in share of results of associates)	**8,763**	7,103
Operating lease rentals in respect of rented premises	**6,597**	8,970
and after crediting:		
Gross rental income from investment properties	**207,529**	159,441
Less: direct operating expenses	**(71,782)**	(56,491)
Net rental income	**135,747**	102,950
Interest on bank deposits	**1,920**	2,838
Dividend income from investments held-for-trading	**645**	587
Dividend income from available-for-sale investments	**112**	987

Note: Staff costs include emoluments to directors as set out in note 12. Staff costs include retirement benefit schemes contributions for directors and other staff amounting to HK$1,713,000 (2015: HK$1,574,000).

12. DIRECTORS' EMOLUMENTS

Emoluments paid or payable to each of the directors and chief executive officer during the year are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Contributions to retirement benefit scheme HK$'000	Equity-settled share option expense HK$'000	2016 Total HK$'000
Executive directors:						
Mr. Lim Kia Hong (Chief executive officer)	246	4,347	–	68	498	5,159
Mr. Lim Kiah Meng	246	5,106	100	69	498	6,019
Mr. Lim Hwee Hai	246	3,819	–	39	498	4,602
Madam Lim Hwee Noi	126	2,162	–	37	293	2,618
	864	15,434	100	213	1,787	18,398
Independent non-executive directors:						
Mr. Lee Hiok Chuan	280	–	–	–	71	351
Ms. Ong Wui Leng	280	–	–	–	71	351
Mr. Ma Shiu Sun Michael	280	–	–	–	88	368
	840	–	–	–	230	1,070
	1,704	15,434	100	213	2,017	19,468

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Contributions to retirement benefit scheme HK$'000	Equity-settled share option expense HK$'000	2015 Total HK$'000
Executive directors:						
Mr. Lim Kia Hong (Chief executive officer)	246	4,849	1,050	55	685	6,885
Mr. Lim Kiah Meng	246	5,557	1,150	59	685	7,697
Mr. Lim Hwee Hai	246	4,100	1,050	36	685	6,117
Madam Lim Hwee Noi	126	2,183	700	36	405	3,450
	864	16,689	3,950	186	2,460	24,149
Independent non-executive directors:						
Mr. Lee Hiok Chuan	280	–	–	–	100	380
Ms. Ong Wui Leng	280	–	–	–	100	380
Mr. Ma Shiu Sun Michael	280	–	–	–	125	405
	840	–	–	–	325	1,165
	1,704	16,689	3,950	186	2,785	25,314

The performance bonus is determined by reference to the performance of the group companies and individual directors.

No directors waived any of their emoluments during the two years ended 31 December 2015 and 31 December 2016.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

13. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, four (2015: four) were directors whose emoluments are disclosed in note 12 above. The emoluments of the remaining one (2015: one) individual are as follow:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	2,304	2,035
Contributions to retirement benefit scheme	18	18
Equity-settled share option expense	175	420
	2,497	2,473

14. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2015 of 3.0 HK cents per share (2015: 5.0 HK cents per share in respect of the year ended 31 December 2014)	8,327	13,873

A final dividend of 3.0 HK cents per share amounting to HK$8,327,000 for the year ended 31 December 2016 have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$236,209,000 (2015: HK$240,684,000) and the weighted average number of ordinary shares calculated below.

	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	277,516,120	277,410,653
Effect of dilutive potential ordinary share:		
Share options issued by the Company	251,615	314,988
Weighted average number of ordinary shares for the purpose of diluted earnings per share	277,767,735	277,725,641

The computation of diluted earnings per share for the year ended 31 December 2015 and 2016 did not assume the exercise of certain share options of the Company and share options of SiS Mobile as the exercise prices of those options are higher than the average market prices of the shares of the Company and SiS Mobile for the year.

16. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At 1 January	**2,795,026**	2,015,865
Exchange realignment	**15,006**	(9,031)
Additions	**681,883**	605,910
Gain from changes in fair value recognised in profit or loss	**232,057**	182,282
At 31 December	**3,723,972**	2,795,026

An analysis of the investment properties, which are stated at fair value, by geographical location and lease term is as follows:

	2016 HK$'000	2015 HK$'000
Hong Kong		
long lease	**1,352,400**	1,250,600
medium-term lease	**79,900**	76,100
Japan		
freehold	**2,059,256**	1,248,400
medium-term lease	**192,270**	178,388
Singapore		
freehold	**16,562**	17,426
medium-term lease	**23,584**	24,112
	3,723,972	2,795,026

All of the Group's property interests, which are held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

In determining the fair value of the relevant properties, the directors of the Company have exercised their judgement to determine the appropriate valuation technique and inputs for the fair value measurements.

The fair values of the investment properties in Hong Kong, Japan and Singapore, which falls under level 3 of the fair value hierarchy, as at the end of the reporting period, have been arrived at on the basis of valuations carried out on that date by DTZ Debenham Tie Leung Ltd., CBRE KK and Knight Frank Pte. Ltd. respectively, who are independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential. There has been no change from the valuation techniques used in the prior year.

Notes to the Consolidated Financial Statements

16. INVESTMENT PROPERTIES (CONTINUED)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties located in Japan was the capitalisation rates used, which ranged from 4.6% to 6.2% (2015: 4.8% to 6.4%). An increase in the capitalisation rate used would result in a decrease in the fair value measurement of the investment properties and vice versa.

The valuation obtained for an investment property situated in Japan has been adjusted to avoid double-counting of liabilities that are recognised as separate finance lease obligation liabilities. A reconciliation between the valuation amount and the adjusted valuation is provided below.

	2016 HK$'000	2015 HK$'000
Valuation of the investment property	267,852	258,244
Recognised finance lease obligation	35,692	38,324
Fair value of the investment property	303,544	296,568

One of the key inputs used in valuing the investment properties located in Hong Kong and Singapore was the unit sale rate, which ranged from HK$4,800 to HK$28,000 and Singapore Dollar ("SGD") 900 to SGD1,500 respectively (2015: HK$4,800 to HK$26,000 and SGD900 to SGD1,500 respectively). The unit sale rate takes into account of market comparables and the location and other individual factors such as road frontage, size of property etc. The higher the unit sale rate, the higher the fair value and vice versa.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Land and building in Hong Kong under long lease HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2015	–	138,888	11,297	55,535	2,387	208,107
Exchange realignment	–	–	30	661	(117)	574
Additions	–	–	1,898	2,416	1,369	5,683
Disposals	–	–	(196)	(4,905)	(959)	(6,060)
Deemed disposal of a subsidiary	–	–	(3,120)	(48,252)	–	(51,372)
At 31 December 2015	–	138,888	9,909	5,455	2,680	156,932
Exchange realignment	(14,813)	–	–	(60)	(55)	(14,928)
Additions	193,381	–	3,208	1,950	–	198,539
Disposals	–	–	(1,238)	(1,220)	(183)	(2,641)
At 31 December 2016	178,568	138,888	11,879	6,125	2,442	337,902
DEPRECIATION						
At 1 January 2015	–	1,333	4,579	9,072	2,111	17,095
Exchange realignment	–	–	7	48	(117)	(62)
Provided for the year	–	429	2,621	4,043	548	7,641
Eliminated on disposals	–	–	(188)	(4,894)	(959)	(6,041)
Deemed disposal of a subsidiary	–	–	(1,437)	(4,774)	–	(6,211)
At 31 December 2015	–	1,762	5,582	3,495	1,583	12,422
Exchange realignment	(127)	–	(6)	(21)	(43)	(197)
Provided for the year	1,686	430	1,561	1,135	281	5,093
Eliminated on disposals	–	–	(987)	(857)	(183)	(2,027)
At 31 December 2016	1,559	2,192	6,150	3,752	1,638	15,291
CARRYING VALUES						
At 31 December 2016	177,009	136,696	5,729	2,373	804	322,611
At 31 December 2015	–	137,126	4,327	1,960	1,097	144,510

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Hotel properties	3% – 4%
Leasehold land and building	2% or over the term of the lease, whichever is shorter
Leasehold improvements	15% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	10% – 33%
Motor vehicles	20%

During the year, the Group acquire the trust beneficial interest of two hotel properties for a consideration of JPY2,701,217,000 (approximately HK$193,381,000).

18. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Cost of investment in associates		
Listed overseas	163,151	75,927
Unlisted overseas	219	87,443
Share of post-acquisition profits and reserves, net of dividend received	103,815	83,909
	267,185	247,279
Fair value of associates	412,592	239,843

Details of the principal associates at the end of the reporting period are as follows:

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company 2016	2015	Principal activities
SiS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	47.3%	47.3%	Distribution of mobile and IT products and provision of services
Information Technology Consultants Limited ("ITCL")	Limited company	Bangladesh	Ordinary	37.6%	37.6% (Note)	Provision of financial services and mobile banking solutions

Note: With the issuances of ITCL's share to the public in December 2015, the Company's equity interest in ITCL has been diluted from 43.6% to 37.6%, resulting in a loss in control over ITCL. Accordingly, the investment in ITCL was reclassified as interest in associate as at 31 December 2015. Detail set out in note 37.

18. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of the material associate is set out below:

SiS Distribution (Thailand) Public Company Limited

	2016 HK$'000	2015 HK$'000
Total assets	1,060,667	940,560
Total liabilities	(690,561)	(602,585)
Net assets	370,106	337,975
Group's share of net assets	175,031	159,835
Total revenue	4,060,842	4,078,988
Total profit for the year	49,478	38,329
Group's share of the total profit for the year	23,399	18,126

	2016 HK$'000	2015 HK$'000
Aggregate information of associate that is not individually material		
The Group's share of profit from operations	4,815	–

The Group has discontinued recognising its share of losses of certain associates. The amounts of unrecognised share of (losses) profit of these associates, extracted from the management accounts of the relevant associates, both for the year and cumulatively, are as follows:

	2016 HK$'000	2015 HK$'000
Unrecognised share of (loss) profit of associates for the year	(21)	876
Accumulated unrecognised share of losses of associates	(768)	(747)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

19. INTERESTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Cost of investments	153	12,832
Share of post-acquisition loss and reserves	(153)	(3,789)
	–	9,043
Less: impairment allowance	–	(9,043)
	–	–

Details of the joint ventures at the end of the reporting period are as follows:

Name of company	Form of business	Country of incorporation/ operation	Proportion of capital held indirectly by the Company 2016	2015	Principal activities
Hangxin Electronic Industrial Co. Ltd. ("Hangxin") 杭州杭鑫電子工業有限公司	Limited company	PRC	–	25.6%	Manufacture of electronic products
Disteck Service Pte Ltd ("Disteck Service") (formerly known as SiS Inflexionpoint Pte Ltd)	Limited company	Singapore	25%	25%	Distribution of IT products

Hangxin and Disteck Service are jointly controlled by the Group and the other equity-holders by virtue of contractual arrangements amongst equity-holders. All major decisions on the relevant activities of Hangxin and Disteck Service require unanimous consent from all the equity-holders. During the year 2016, Hangxin was liquidated and HK$10,987,000 was refunded to the Group.

The summarised financial information of the joint ventures, that are not individually material.

	2016 HK$'000	2015 HK$'000
The Group's share of loss and other comprehensive expense	–	–

20. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Equity securities		
Listed overseas, at fair value	91,929	22,517
Unlisted, at cost	65,624	70,004
Club debentures, unlisted, at cost	1,300	1,300
	158,853	93,821

The fair values of listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

The unlisted equity securities represent investment in entities involve in IT related business and development of hospitality business and held for strategic and capital appreciation purposes. The unlisted equity securities are measured at cost less impairment, if any, because the range of reasonable fair value estimates is so broad that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	57,348	88,951
Less: allowance on obsolete and slow moving inventories	(5,387)	(2,379)
	51,961	86,572

During the year, an allowance on obsolete and slow moving inventories of HK$3,008,000 (2015: reversal of allowance on obsolete and slow moving inventories of HK$580,000) have been recognised and included in cost of sales. The reversal made in 2015 relates to an allowance no longer required on the subsequent sale of certain inventories which indicated that the circumstance that previously caused inventories to be written down below cost no longer exists.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK$'000	2015 HK$'000
Trade receivables	88,338	75,307
Less: allowance for doubtful debts	(801)	–
	87,537	75,307
Consumption tax receivable	16,563	3,014
Deposits, prepayments and other receivables	41,313	26,339
	145,413	104,660

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows credit period range from 30 to 90 days to its trade customers. No credit period is granted to the customers for renting of properties. Rent is payable on presentation of a demand note. No interest is charged on overdue debts.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2016 HK$'000	2015 HK$'000
Within 30 days	44,548	44,923
31 to 90 days	28,553	23,322
91 to 120 days	3,830	3,793
Over 120 days	10,606	3,269
	87,537	75,307

Included in the trade receivable balance are debts with total carrying amount of HK$29,298,000 (2015: HK$22,434,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and past payment history of the debtors and settlement after the end of the reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The aging of these trade receivables which are past due but not impaired are as follows:

	2016 HK$000	2015 HK$'000
Overdue:		
Within 30 days	15,292	15,325
31 to 90 days	6,041	6,124
91 to 120 days	1,451	59
Over 120 days	6,514	926
	29,298	22,434

Movement in the allowance for doubtful debts deducted from the trade receivable are as follows:

	2016 HK$'000	2015 HK$'000
Balance at beginning of reporting period	–	7,581
Impairment losses recognised	1,360	–
Amounts written off as uncollectible	(559)	–
Deemed disposal of a subsidiary	–	(7,581)
Balance at end of the reporting period	801	–

The allowance for doubtful debts is provided on individually impaired trade debtors which have either been in severe financial difficulties or defaulted payments.

23. AMOUNT DUE FROM A JOINT VENTURE

The amount is unsecured, interest free and allows credit terms of 30 days.

24. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

25. INVESTMENTS HELD-FOR-TRADING

	2016 HK$'000	2015 HK$'000
Equity securities		
Listed overseas, at fair value	13,084	11,913

The fair values are determined based on the quoted market bid prices available on the relevant exchange.

26. PLEDGED DEPOSITS/BANK BALANCES

Pledged deposits and bank balances comprise of short-term bank deposits which carry interest at market rates ranging from 0.01% to 0.81% (2015: 0.09% to 0.42%) per annum.

Pledged deposits that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amounted to HK$180,515,000 (2015: HK$307,749,000).

27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Trade payables	47,432	21,895
Accrued staff costs	16,408	24,879
Other payables and accruals	77,413	49,963
	141,253	96,737

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Trade payables that are denominated in United States Dollar, currency other than the functional currencies of the relevant group entities amounted to HK$30,989,000 (2015: HK$16,541,000).

The following is an aged analysis of the trade payables, based on the invoice date, at the end of the reporting period.

	2016 HK$'000	2015 HK$'000
Within 30 days	31,280	20,402
31 to 90 days	8,534	1,185
91 to 120 days	470	–
Over 120 days	7,148	308
	47,432	21,895

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 HK$'000	2015 HK$'000
Foreign currency forward contracts	–	(5,528)

The terms of the foreign currency forward contracts are listed out as below:

2015

Buy	Sell	Maturity	Contract rates
USD34,000,000	JPY4,136,060,000	8 January to 3 October 2016	JPY117.07 to JPY125.43
USD1,000,000	CNY6,725,000	12 August 2016	CNY6.725
USD7,000,000	THB260,320,000	4 August to 11 August 2016	THB36.8 to THB37.6

29. OBLIGATIONS UNDER FINANCE LEASES

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes as:		
Current liabilities	3,876	3,655
Non-current liabilities	31,816	34,669
	35,692	38,324

During the year ended 31 December 2015, the Group acquired an equipment under finance leases with a lease term of 10 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.80% to 3.56%.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

29. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

	Minimum lease payments		Present value minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Obligations under finance lease payable:				
Within one year	**4,883**	4,743	**3,876**	3,655
Within a period of more than one year but not more than two years	**4,883**	4,743	**3,992**	3,765
Within a period of more than two years but not more than than five years	**14,650**	14,230	**12,713**	11,988
Within a period of more than five years	**15,870**	20,159	**15,111**	18,916
	40,286	43,875	**35,692**	38,324
Less: Future finance charges	**(4,594)**	(5,551)	**N/A**	N/A
	35,692	38,324	**35,692**	38,324
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(3,876)**	(3,655)
Amount due for settlement after 12 months			**31,816**	34,669

30. BANK LOANS

	2016 HK$'000	2015 HK$'000
Secured	1,973,116	1,257,789
Unsecured	68,500	30,500
	2,041,616	1,288,289
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year*	933,476	819,455
More than one year but not more than two years*	20,213	12,123
More than two years but not more than five years*	357,506	36,369
More than five years*	579,535	294,525
	1,890,730	1,162,472
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)		
– repayable more than one year, but not exceeding two years*	13,370	5,670
– repayable more than two years, but not exceeding five years*	40,111	17,012
– repayable more than five years*	97,405	103,135
	150,886	125,817
	2,041,616	1,288,289
Less: Amounts due within one year shown under current liabilities	(1,084,362)	(945,272)
Amounts shown under non-current liabilities	957,254	343,017

* The amounts due are based on schedule repayment dates set out in the loan agreements.

The bank loans bear interest at variable market interest rates, which are based on London Interbank Offer Rate, Singapore Interbank Offer Rate or JPY London Interbank Offer Rate ("Interbank Rate") plus a margin, ranging from 0.40% to 1.90% per annum (2015: Interbank Rate plus 0.40% to 1.90% per annum).

Bank loans that are denominated in Japanese Yen, currency other than the functional currencies of the relevant group entities amounted to JPY24,673,765,000 (equivalent to HK$1,635,871,000) (2015: JPY13,699,395,000 (equivalent to HK$882,241,000)). All other bank loans are denominated in Hong Kong Dollar.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

31. BONDS

Bonds with aggregate principal amount of JPY4,126,771,000 (equivalent to HK$273,605,000) (2015: JPY2,042,601,000 (equivalent to HK$131,543,000)) will mature during 1 March 2017 to 30 July 2024. The bonds are all denominated and settled in Japanese Yen, bear interest at rates ranging from JPY Interbank Rate plus 1.07% to 1.90% (2015: JPY Interbank Rate plus 1.25% to 1.90%) per annum, payable quarterly.

32. DEFERRED TAXATION

The followings are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Allowances for doubtful debts/ inventories HK$'000	Tax losses HK$'000	Undistributed earnings of subsidiaries and an associate HK$'000	Others HK$'000	Total HK$'000
At 1 January 2015	(8,171)	1,356	8,114	(22,285)	(25)	(21,011)
(Charge) credit to profit or loss	(937)	–	937	(37,143)	–	(37,143)
Exchange realignment	–	–	–	(216)	–	(216)
At 31 December 2015	**(9,108)**	**1,356**	**9,051**	**(59,644)**	**(25)**	**(58,370)**
(Charge) credit to profit or loss	**(818)**	**–**	**732**	**(20,067)**	**–**	**(20,153)**
Exchange realignment	**–**	**–**	**–**	**680**	**–**	**680**
At 31 December 2016	**(9,926)**	**1,356**	**9,783**	**(79,031)**	**(25)**	**(77,843)**

At the end of the reporting period, the Group has unrecognised deductible temporary differences of HK$43,541,000 (2015: HK$45,539,000) and unutilised tax losses of HK$208,492,000 (2015: HK$173,485,000). A deferred tax asset has been recognised in respect of the tax losses of HK$59,290,000 (2015: HK$54,855,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$156,202,000 (2015: HK$118,630,000) and the deductible temporary differences due to the unpredictability of future assessable profit streams. All tax losses can be brought forward indefinitely.

33. RENTAL DEPOSITS

The amount recognised represents the rental deposits received under operating leases.

34. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2016	2015	**2016 HK$'000**	2015 HK$'000
Authorised	**350,000,000**	350,000,000	**35,000**	35,000
Issued and fully paid				
At beginning of year	**277,466,666**	277,088,887	**27,747**	27,709
Exercise of share options	**100,000**	377,779	**10**	38
At end of year	**277,566,666**	277,466,666	**27,757**	27,747

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of bank borrowings, net of cash and cash equivalents and equity, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Available-for-sale investments	**158,853**	93,821
Investments held-for-trading	**13,084**	11,913
Loans and receivables (including cash and cash equivalents)	**1,110,825**	935,023
	1,282,762	1,040,757
Financial liabilities		
Derivative financial instruments	**–**	5,528
Financial liabilities stated at amortised cost	**2,421,407**	1,492,155
	2,421,407	1,497,683

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives

The Group's financial instruments include available-for-sale investments, derivative financial instruments, investments held-for-trading, trade and other receivables, pledged deposits, trade and other payables, amounts due from joint venture and an associate, bank balances, bonds and bank loans. Details of the financial instruments are disclosed in the respective notes.

The management monitors and manages the financial risk of the Group through internal risk assessment. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates and equity prices.

(i) Currency risk

Certain purchase of goods of the Group are denominated in United States Dollar. Certain bank balances are denominated in United States Dollar, Australian Dollar, Singapore Dollar, New Zealand Dollar, Malaysian Riggit, Japanese Yen and Renminbi, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollar	**451,719**	460,911	**30,836**	16,280
Australian Dollar	**13,164**	11,829	**–**	–
Singapore Dollar	**60,634**	27,890	**8,626**	259
Malaysian Riggit	**–**	4,235	**898**	188
Japanese Yen	**9,135**	8,338	**649,669**	395,095
Renminbi	**3,183**	3,801	**–**	–

The Group currently does not have comprehensive currency hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should the need arise.

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following analysis indicates the change in the Group's pre-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk at that date, and all other variables are held constant.

	2016		2015	
	Increase (decrease) in foreign exchange rates %	Increase (decrease) in pre-tax profit HK$'000	Increase (decrease) in foreign exchange rates %	Increase (decrease) in pre-tax profit HK$'000
Non-derivative financial instruments				
United States Dollar	1.5	6,313	1.5	6,669
	(1.5)	(6,313)	(1.5)	(6,669)
Australian Dollar	10.0	1,316	10.0	1,183
	(10.0)	(1,316)	(10.0)	(1,183)
Singapore Dollar	5.0	2,600	5.0	1,382
	(5.0)	(2,600)	(5.0)	(1,382)
Malaysian Riggit	5.0	(45)	5.0	202
	(5.0)	45	(5.0)	(202)
Japanese Yen	10.0	(64,053)	10.0	(38,676)
	(10.0)	64,053	(10.0)	38,676
Renminbi	5.0	159	5.0	190
	(5.0)	(159)	(5.0)	(190)
Derivative financial instruments				
Japanese Yen	–	–	5.0	(200)
	–	–	(5.0)	200

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Market risk (continued)

(ii) Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective listed equity securities classified as held-for-trading investments had been 10% (2015: 10%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by HK$1,308,000 (2015: HK$1,191,000) as a result of the changes in fair value of held-for-trading investments.

If the price of the respective listed equity securities classified as available-for-sale investments had been 10% (2015: 10%) higher/lower, the Group's available-for-sale investments and investment reserve would increase/decrease by HK$9,193,000 (2015: HK$2,252,000). However, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost requires recognising impairment loss in profit or loss. As such, the Group's post-tax profit for the year would decrease by the amount of impairment loss recognised.

(iii) Interest rate risk

The balances comprising pledged deposits, bonds and bank loans carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure should the needs arise.

Sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would decrease/increase by HK$8,280,000 (2015: HK$4,028,000). The analysis is prepared assuming the amounts of pledged deposits, bank loans and bonds outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year end exposure does not reflect the exposure during the year.

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated certain staff for credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers, the Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong which accounted for majority of the trade receivables at 31 December 2016.

The Group has concentration of credit risk on loans and receivable of which 88% (2015: 90%) are liquid funds deposited with several banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-standings.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flow.

	Weighted average interest rate	On demand or within 3 months	3–12 months	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016								
Non-derivative financial liabilities								
Trade and other payables	N/A	106,186	-	-	-	-	106,186	106,186
Bank loans	1.29	1,061,588	33,844	31,258	241,390	738,226	2,106,306	2,041,616
Bonds	1.27	1,337	4,012	6,475	233,067	129,814	374,705	273,605
Sub-total		1,169,111	37,856	37,733	474,457	868,040	2,587,197	2,421,407
Obligation under finance leases	2.97	1,221	3,662	4,883	14,650	15,870	40,286	35,692
Rental deposits	N/A	12,749	5,251	32,530	6,113	71,780	128,423	128,423
		1,183,081	46,769	75,146	495,220	955,690	2,755,906	2,585,522

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Liquidity risk(continued)

	Weighted average interest rate %	On demand or within 3 months HK$'000	3–12 months HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December HK$'000
2015								
Non-derivative financial liabilities								
Trade and other payables	N/A	72,323	–	–	–	–	72,323	72,323
Bank loans	1.18	938,122	14,460	19,022	55,625	304,148	1,331,377	1,288,289
Bonds	1.74	259	776	2,311	6,934	137,855	148,135	131,543
Sub-total		1,010,704	15,236	21,333	62,559	442,003	1,551,835	1,492,155
Obligation under finance leases	2.97	1,186	3,557	4,743	14,230	20,159	43,875	38,324
Rental deposit	N/A	577	15,816	15,257	2,856	65,623	100,129	100,129
		1,012,467	34,609	41,333	79,645	527,785	1,695,839	1,630,608
Derivative financial instruments								
Foreign currency forward contracts								
– cash inflows		(31,200)	(296,400)	–	–	–	(327,600)	(327,600)
– cash outflows		30,888	302,240	–	–	–	333,128	333,128
		(312)	5,840	–	–	–	5,528	5,528

Bank loans with a repayment on demand clause are included in the “on demand or within 3 months” time band in the above maturity analysis. As at 31 December 2016, the aggregate amounts of these bank loans amounted to HK$164,257,000 (2015: HK$131,487,000). The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the bank within the next twelve months from the end of the reporting period.

36. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives (continued)

Liquidity risk(continued)

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2016						
Bank borrowings with a repayment on demand clause	**13,370**	**19,057**	**55,514**	**101,987**	**189,928**	**164,257**
2015						
Bank borrowings with a repayment on demand clause	5,670	6,436	19,078	108,312	139,496	131,487

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

36. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value measurements recognised in the consolidated statement of financial position

At 31 December 2016

	Fair value hierarchy Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Listed securities classified as investments held-for-trading	**13,084**	**–**	**13,084**
Listed securities classified as available-for-sale investments	**14,767**	**77,162**	**91,929**
Total	**27,851**	**77,162**	**105,013**

At 31 December 2015

	Fair value hierarchy Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Listed securities classified as investments held-for-trading	11,913	–	11,913
Listed securities classified as available-for-sale investments	22,517	–	22,517
Derivative financial instruments – Foreign currency forward contracts	–	(5,528)	(5,528)
Total	34,430	(5,528)	28,902

The fair value of listed securities is determined with reference to quoted market bid price from relevant stock exchanges.

The fair value of foreign currency forward contracts are measured at the present value of future cash flows estimated using quoted forward exchange rates, which is observable at the end of the reporting period.

There were no transfers between Levels 1, 2 and 3 during the year.

36. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

37. DEEMED DISPOSALS OF A SUBSIDIARY AND PARTIAL INTERESTS IN A SUBSIDIARY

(a) Deemed disposal of ITCL

With the issuance of ITCL's share to the public in December 2015, the Company's equity interest in ITCL has been diluted from 43.6% to 37.6%, resulting in a loss in control over ITCL. Accordingly, the investment in ITCL was reclassified as interest in associate.

The assets and liabilities of ITCL were deconsolidated from the Group's consolidated statement of financial position and the interest in ITCL has been accounted for as an associate using equity method. The fair value of the 37.6% retained interest in ITCL at the date on which the control was lost is regarded as the cost on initial recognition of the investment in ITCL as an associate.

	2015 HK$'000
Fair value of interest retained	87,224

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

37. DEEMED DISPOSALS OF A SUBSIDIARY AND PARTIAL INTERESTS IN A SUBSIDIARY (CONTINUED)

(a) Deemed disposal of ITCL (continued)

Analysis of assets and liabilities over which control was lost:

	2015 HK$'000
Non-current assets	
Property, plant and equipment	45,161
Intangible assets	46,537
Goodwill	11,509
Current assets	
Inventories	44,604
Trade and other receivables, deposits and prepayments	59,370
Bank balances and cash	48,756
Current liabilities	
Trade payables, other payables and accruals	(48,432)
Tax payable	(189)
Bank loan	(47,308)
Non-current liabilities	
Bank loan	(5,155)
Net assets disposal of	154,853

Deemed gain on disposal of ITCL

	2015 HK$'000
Net assets disposed of	(154,853)
Fair value of retained interest	87,224
Non-controlling interests	85,904
Cumulative exchange difference in respect of the net assets of ITCL reclassified from equity to profit or loss on loss of control ITCL	1,219
Gain on deemed disposal	19,494
Net cash outflow arising on disposal	
Cash and cash equivalents of ITCL deemed disposed of	48,756

37. DEEMED DISPOSALS OF A SUBSIDIARY AND PARTIAL INTERESTS IN A SUBSIDIARY (CONTINUED)

(b) Deemed disposal of partial interests in SiS Mobile Holdings Limited ("SiS Mobile")

With the listing of the shares of SiS Mobile on the Stock Exchange on 15 January 2015,

(i) an amount of HK$23,519,000 was capitalised by the issuance of 235,190,000 ordinary shares of HK$0.10 each from SiS Mobile to the Company;

(ii) 88,757,333 ordinary shares of SiS Mobile of HK$0.10 each were declared by the Company as a special dividend by way of distribution in specie to the Company's qualifying shareholders; and

(iii) 44,800,000 ordinary shares of HK$0.10 each were issued by SiS Mobile at HK$0.82 per share to the public for a total gross proceeds of HK$36,736,000.

With the issuance of SiS Mobile's shares to the public and the Company's qualifying shareholders, the Company's equity interest in SiS Mobile has been diluted from 100% to 52.30%. Although there is a reduction in the equity interest in SiS Mobile, the Company is still able to exercise control over SiS Mobile and the effect of the reduction in the Company's interest in SiS Mobile of HK$17,558,000, being the difference between the fair value of consideration of HK$30,521,000 (net of issue expense of HK$6,215,000) and the non-controlling interest in SiS Mobile of HK$48,079,000, has been recognised directly in reserves.

38. OPERATING LEASES

The Group as lessee

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

	2016 **HK$'000**	2015 HK$'000
Within one year	**4,550**	7,061
In the second to fifth years inclusive	**5,338**	9,074
Over five years	**30,521**	30,305
	40,409	46,440

The Group has entered into agreements with unrelated third parties for leases of their land for a period of 52 years (2015: 52 years).

38. OPERATING LEASES (CONTINUED)

The Group as lessor

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

	2016 HK$'000	2015 HK$'000
Within one year	165,128	138,485
In the second to fifth year inclusive	426,500	325,127
More than five years	1,007,836	937,060
	1,599,464	1,400,672

The Group has entered into agreements with the tenants for the leasing activities of the properties in Japan for a period of 5 to 50 years (2015: 20 to 50 years). The remaining leases are negotiated between the Group and the tenants with majority terms of 2 to 5 years.

39. SHARE OPTION SCHEME

(a) SiS International Holdings Limited

Pursuant to the share option scheme (the "Scheme") adopted by the Company on 21 May 2007, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of shares of the Company in issue, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company's issued share capital, without prior approval from the Company's shareholders. HK$10.00 is payable by each eligible participant to the Company on acceptance of an offer of options.

Share options were granted on 20 August 2007 to certain directors and employees of the Group and directors of an associate at an exercise price of HK$1.72 per share and at a cash consideration of HK$10.00 per grantee.

During the year ended 31 December 2015, share options were granted by the Company on 26 June 2015 to certain directors and employees of the Group and third parties at an exercise price of HK$4.47 per share and at a cash consideration of HK$10.00 per grantee.

The fair values of the options determined at the date of grant in 2015 using the Binomial model was approximately HK$3,695,000.

39. SHARE OPTION SCHEME (CONTINUED)

(a) SiS International Holdings Limited (continued)

The Group recognised an expense of HK$1,320,000 for the year ended 31 December 2016 (2015: HK$1,866,000) in relation to the share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The following assumptions used to calculate the fair values of share options were:

Grant date share price	HK$4.39
Exercise price	HK$4.47
Expected life	10 years
Expected volatility	40.35%
Dividend yield	1.14%
Risk-free interest rate	1.84%
Sub-optimal	1.80 to 1.83

Details of the share options outstanding as at 31 December 2016 are as follows:

Number of share options	Vesting period	Exercise period	Exercise price
133,332	21 August 2007–18 February 2008	18 February 2008–20 May 2017	HK$1.72
133,334	21 August 2007–18 February 2009	18 February 2009–20 May 2017	HK$1.72
133,334	21 August 2007–18 February 2010	18 February 2010–20 May 2017	HK$1.72
750,000	27 June 2015–31 December 2015	1 January 2016–26 June 2025	HK$4.47
750,000	27 June 2015–31 December 2016	1 January 2017–26 June 2025	HK$4.47
750,000	27 June 2015–31 December 2017	1 January 2018–26 June 2025	HK$4.47

The movements in the shares options during the two years ended 31 December 2015 and 31 December 2016 are as follows:

Grantee	Outstanding at 1 January 2015	Granted during 2015	Exercised during 2015	Outstanding at 1 January 2016	Exercised during the year	Outstanding at 31 December 2016
Directors	277,779	990,000	(177,779)	**1,090,000**	**(100,000)**	**990,000**
Employees and others	600,000	1,260,000	(200,000)	**1,660,000**	**–**	**1,660,000**
	877,779	2,250,000	(377,779)	**2,750,000**	**(100,000)**	**2,650,000**

No options were lapsed during the two years ended 31 December 2015 and 31 December 2016.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

39. SHARE OPTION SCHEME (CONTINUED)

(a) SiS International Holdings Limited (continued)

No options were granted during the year ended 31 December 2016.

At 31 December 2016, the number of options which remained outstanding under the Scheme was 2,650,000 (2015: 2,750,000) which, if exercised in full, represents 1% (2015: 1%) of the enlarged capital of the Company.

(b) SiS Mobile Holdings Limited

Pursuant to the share option scheme adopted by SiS Mobile on 16 December 2014, SiS Mobile may grant options to qualified persons, including employees and directors of SiS Mobile, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of SiS Mobile.

During the year ended 31 December 2015, share options were granted by SiS Mobile on 25 June 2015 to its directors, certain employees and eligible persons of the Group. The total number of shares in respect of which options may be granted under the scheme is not permitted to exceed 10% of shares of SiS Mobile in issue, without prior approval from SiS Mobile shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of SiS Mobile issued share capital, without prior approval from SiS Mobile shareholders. HK$100 is payable by each grantee to SiS Mobile on acceptance of an offer of options.

The following assumptions used to calculate the fair values of share options at the date of options granted were:

Grant date share price	HK$2.17
Exercise price	HK$2.36
Expected life	8 years
Expected volatility	54.75%
Dividend yield	0%
Risk-free interest rate	1.64%
Sub-optimal	1.80 to 1.83

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on its directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

39. SHARE OPTION SCHEME (CONTINUED)

(b) SiS Mobile Holdings Limited (continued)

Details of the share options outstanding as at 31 December 2016 are as follows:

No. of share options	Vesting period	Exercise period	Exercise price
2,630,000	25.6.2015–31.12.2015	1.1.2016–30.6.2023	HK$2.36
2,630,000	25.6.2015–31.12.2016	1.1.2017–30.6.2023	HK$2.36
2,630,000	25.6.2015–31.12.2017	1.1.2018–30.6.2023	HK$2.36

Grantee of SiS Mobile	Outstanding at 1 January 2015	Granted on 25 June 2015	Reclassification during 2015 *(Note (i))*	Outstanding at 31 December 2015 and 2016
Directors	–	6,690,000	(300,000)	**6,390,000**
Employees and others	–	1,200,000	300,000	**1,500,000**
	–	7,890,000	–	**7,890,000**

Note:

(i) An executive director resigned and became an employee of SiS Mobile on 15 December 2015.

No options were exercised, lapsed or forfeited during the year ended 31 December 2016 and 2015. No options were granted during the year ended 31 December 2016.

40. RETIREMENT BENEFIT SCHEMES

The Group participates in defined contribution schemes which are registered under Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000 in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes monthly 5% of the employees' monthly salaries costs or HK$1,500, whichever the lower, to the scheme.

Employees of the Group's subsidiaries incorporated in Singapore are members of pension schemes operated by the local government. The subsidiaries contributions to the pension schemes are ranging from 6.5% to 16% of the employees' monthly salaries.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

41. PLEDGE OF ASSETS

At the end of the reporting period,

(a) The Group's investment properties with carrying values of HK$3,539,810,000 (2015: HK$2,288,456,000) and property, plant and equipment of carrying values of HK$177,527,000 (2015: nil) were under legal charge to secure general banking facilities available to the Group.

(b) Bank deposits of HK$331,948,000 (2015: HK$455,029,000) were pledged to secure bank loans drawn during the year.

(c) Certain shares of subsidiaries have been pledged to the banks as at 31 December 2015 and 2016 to secure several banking facilities available to the Group.

42. RELATED PARTY TRANSACTIONS

The Group provides management service to an associate from which service income earned during the year amounted to HK$2,534,000 (2015: HK$2,552,000). The amount due from the associate at 31 December 2016 for the services provided included in trade and other receivables amounted to HK$446,000 (2015: HK$368,000).

During the year ended 31 December 2015, rental expenses of HK$792,000 were incurred for the lease of premises from a related company. One executive director and his spouse have ultimate controlling interest in the related company.

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 12. The remuneration of directors are determined by the Remuneration Committee having regard to the Group's operating result, performance of individuals and market trends.

Notes to the Consolidated Financial Statements

43. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2016 %	2015 %	
Direct subsidiaries:					
SiS Distribution Limited	British Virgin Islands	US$45,001	100	100	Investment holding
SiS Hospitality Holdings Limited	Cayman Islands	HK$0.1	100	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
SiS Mobile Holdings Limited	Cayman Islands	HK$28,000,000	52.3	52.3	Investment holding
SiS Tech Ventures Corp.	British Virgin Islands	US$1	100	100	Investment holding
Indirect subsidiaries:					
Computer Zone Limited	Hong Kong	HK$2	100	100	Property investment
Ever Wealthy Limited	Hong Kong	HK$1	100	100	Investment holding
Faith Prosper Ltd.	British Virgin Islands	US$1	100	100	Investment holding
Gain Best Limited	Hong Kong	HK$1	100	100	Property investment
Gold Kite Limited	Hong Kong	HK$1	100	100	Investment holding
Qool Bangladesh Limited	Bangladesh	TK1,000,000	99	99	Investment holding
Qool Labs Pte. Ltd.	Singapore	S$2	100	100	Distribution of IT and communication products
Qool International Limited	Hong Kong	HK$1	52.3	52.3	Distribution of mobile phone products
QR Capital Limited	Hong Kong	HK$1	100	100	Property investment

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2016 %	2015 %	
SiS Asia Pte. Ltd.	Singapore	S$2	100	100	Investment holding, provision of hardware, software and corporate management services
SiS Assets Pte. Ltd	Singapore	S$1	100	100	Investment holding
SiS Capital Limited	Hong Kong	HK$1	100	100	Investment holding
SiS Capital (Bangladesh) Pte Ltd.	Singapore	S$2	100	100	Investment holding
SiS China Limited	Hong Kong	HK$2	100	100	Property investment
SiS HK Limited	Hong Kong	HK$400,000	100	100	Investment holding
SiS International Limited	Hong Kong	HK$1	100	100	Distribution of IT products and provision of services
SiS Japan Inn TMK	Japan	JPY150,000	100	100	Property investment
SISJP9 Tokutei Mokuteki Kaisha	Japan	JPY198,250,000	100	100	Property investment
SISJP10 Tokutei Mokuteki Kaisha	Japan	JPY232,500,000	100	100	Property investment
SiS Netrepreneur Ventures Corp.	British Virgin Islands	US$1	100	100	Investment holding
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S$2	100	100	Investment holding
Synergy Technologies (Asia) Limited	Hong Kong	HK$5,000,000	52.3	52.3	Distribution of mobile phone and related products

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2016 %	2015 %	
Tokutei Mokuteki Kaisha SSG8	Japan	JPY470,000,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG13	Japan	JPY200,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG23	Japan	JPY200,000	70	N/A	Property investment
Tokutei Mokuteki Kaishi SSG28	Japan	JPY200,000	100	N/A	Property investment

Except for the bonds stated in note 31, none of the subsidiaries had issued any debt securities during the year nor held at the end of the year.

The directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests as at 31 December 2016 and 2015.

Name of subsidiary	Place of incorporation or registration/ operation	Proportion of nominal value of issued capital held by the Company		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016 %	2015 %	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
SiS Mobile Holdings Limited ("SiS Mobile")	Hong Kong	52.3	52.3	(3,685)	306	51,060	50,139
Tokutei Mokuteki Kaisha SSG23 ("TMK SSG23")	Japan	70.0	–	20,834	–	61,944	–
				17,149	306	113,004	50,139

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

Summarised financial information in respect of SiS Mobile as at 31 December 2016 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2016 HK$'000	31.12.2015 HK$'000
Non-current assets	**20**	124
Current assets	**137,721**	157,270
Current liabilities	**37,667**	52,281
Equity attributable to owners of the Company	**49,014**	54,974
Non-controlling interests	**51,060**	50,139

	Year ended 31.12.2016 HK$'000	Year ended 31.12.2015 HK$'000
Revenue	**615,997**	832,452
Expenses	**(623,721)**	(831,811)
(Loss) profit for the year	**(7,724)**	641
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	**(4,039)**	335
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the non-controlling interests	**(3,685)**	306
(Loss) profit and total comprehensive (expense) income for the year	**(7,724)**	641
Net cash from (used in) operating activities	**74,405**	(78,018)
Net cash used in investing activities	**(56)**	(16)
Net cash (used in) from financing activities	**(30,500)**	56,021

43. PRINCIPAL SUBSIDIARIES (CONTINUED)

Summarised financial information in respect of TMK SSG23 as at 31 December 2016 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2016 HK$'000
Non-current assets	**450,177**
Current assets	**66,633**
Current liabilities	**26,370**
Non-current liabilities	**283,947**
Equity attributable to owners of the Company	**144,549**
Non-controlling interests	**61,944**

	Year ended 31.12.2016 HK$'000
Revenue	**32,065**
Other income	**49,949**
Expenses	**(12,568)**
Profit for the year	**69,446**
Profit and other comprehensive income for the year attributable to owners of the Company	**48,612**
Profit and other comprehensive income for the year attributable to owners of the non-controlling interests	**20,834**
Profit and other comprehensive income for the year	**69,446**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

44. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Assets		
Interest in subsidiaries	**1,295,880**	1,223,629
Bank balances and cash	**99,362**	57,457
Other assets	**12,502**	11,498
	1,407,744	1,292,584
Liabilities		
Payables and accruals	**(21,087)**	(24,717)
Other liabilities	**–**	(5,528)
Bank borrowings	**(175,585)**	–
	(196,672)	(30,245)
Net assets	**1,211,072**	1,262,339
Share capital	**27,757**	27,747
Share premium	**72,533**	72,313
Reserves (Note below)	**1,110,782**	1,162,279
Total equity	**1,211,072**	1,262,339

44. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement in reserves are presented below:

	Investments reserve HK$'000	Share options reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2015	60	490	29,186	1,149,706	1,179,442
Loss for the year	–	–	–	(7,389)	(7,389)
Other comprehensive expense for the year	2,446	–	–	–	2,446
Total comprehensive expense for the year	2,446	–	–	(7,389)	(4,943)
Issue of shares upon exercise of share option	–	(213)	–	–	(213)
Recognition of equity settled share-based payment	–	1,866	–	–	1,866
Dividend recognised as distribution	–	–	–	(13,873)	(13,873)
At 31 December 2015	2,506	2,143	29,186	1,128,444	1,162,279
Loss for the year	**–**	**–**	**–**	**(46,269)**	**(46,269)**
Other comprehensive expense for the year	**972**	**–**	**–**	**–**	**972**
Total comprehensive expense for the year	**972**	**–**	**–**	**(46,269)**	**(45,297)**
Issue of shares upon exercise of share option	**–**	**(58)**	**–**	**–**	**(58)**
Recognition of equity settled share-based payment	**–**	**1,320**	**–**	**–**	**1,320**
Dividend recognised as distribution	**–**	**–**	**–**	**(8,327)**	**(8,327)**
At 31 December 2016	**3,478**	**3,405**	**29,186**	**1,073,848**	**1,109,917**

45. NON-CASH TRANSACTION

There was no such non-cash transaction during the year ended 31 December 2016.

During the year ended 31 December 2015, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK$40,991,000.

Financial Summary

RESULTS

	For the year ended 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Revenue	2,098,168	1,643,902	1,716,868	1,145,780	**1,128,417**
Profit before taxation	130,066	266,234	185,603	281,845	**277,652**
Income tax expense	(2,465)	(11,146)	(9,736)	(42,532)	**(24,919)**
Gain on disposal of subsidiaries constituting discontinued operations	31,742	–	–	–	**–**
Profit for the year	159,343	255,088	175,867	239,313	**252,733**
Attributable to:					
Owners of the Company	159,343	254,368	176,174	240,684	**236,209**
Non-controlling interests	–	720	(307)	(1,371)	**16,524**
	159,343	255,088	175,867	239,313	**252,733**

ASSETS AND LIABILITIES

	At 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Total assets	2,508,657	3,334,635	3,625,787	4,334,643	**5,665,306**
Total liabilities	(480,124)	(1,013,263)	(1,174,547)	(1,735,480)	**(2,714,520)**
Net assets	2,028,533	2,321,372	2,451,240	2,599,163	**2,950,786**
Attributable to:					
Owners of the Company	2,028,533	2,245,258	2,375,958	2,546,982	**2,827,979**
Non-controlling interests	–	76,114	75,282	52,181	**122,807**
	2,028,533	2,321,372	2,451,240	2,599,163	**2,950,786**

Particulars of Investment Properties

AT 31 DECEMBER 2016

Name of property and location	Lease terms	Use
Investment properties		
Singapore		
#11-07/23 Maxwell House 20 Maxwell Road Singapore	Long-term lease	Commercial
#01-08 23 Dalvey Estate Singapore	Freehold	Residential
#03-07 23 Dalvey Estate Singapore	Freehold	Residential
Hong Kong		
8th Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long-term lease	Commercial
8th Floor Nine Queen's Road Central Hong Kong	Long-term lease	Commercial
6 Carparking spaces and carport basement Nine Queen's Road Central Hong Kong	Long-term lease	Commercial
23rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
33rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
Unit 1, 11th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office

Particulars of Investment Properties

AT 31 DECEMBER 2016

Name of property and location	Lease terms	Use
Unit 5, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 6, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Unit 6, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Unit 7, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Flat B, 7th Floor, Ming Kung Mansion Kam Din Terrence 22 Tai Koo Shing Road Hong Kong	Long-term lease	Residential
Japan		
Dormy Inn Premium Otaru No. 123 Inaho, 3-chome Otaru-shi, Hokkaido Japan	Freehold	Hotel
First Cabin Tsukiji 11-10, 2-chome, Tsukiji Chuo-ku, Tokyo Japan	Freehold	Hotel
Hakodate Rich Hotel Goryokaku 35-3, Goryokaku-chu Hakodate-shi, Hokkaido Japan	Freehold	Hotel

Particulars of Investment Properties

AT 31 DECEMBER 2016

Name of property and location	Lease terms	Use
Otaru Grand Hotel Classic 8-25, 1-Chome, Ironai Otaru City, Hokkaido Japan	Freehold	Hotel
Piece Hostel Kyoto 21-1, Higashisannocho Higashikujo Kyoto City, Kyoto Japan	Freehold	Hostel
Piece Hostel Sanjo 531, Asakuracho Tominokoji-dori Sanjo-Sagaru Nakagyo-ku Kyoto City, Kyoto Japan	Freehold	Hostel
Rinku Gate Building Tower 1 Rinku-Oraikita Izumisaho, Osaka Japan	Freehold	Commercial and hotel
Sapporo Odori Koen Hotel 2, 8-chome, Odorinishi Chuo-ku Sapporo, Hokkaido Japan	Freehold	Hotel
SK Kashiwa Building 14-1, Suehirocho Kashiwa City, Chiba Japan	Freehold	Commercial and hotel
The b'Kyoto Sanjo 49-1, Nichome Sanjo-dori Ohashi-higashi Higashiyama-ku, Kyoto-shi Kyoto Japan	Freehold	Hotel
Toyoko Inn Kanazawa Kenrokuen Korinbo 2-4-28, Korinbo Kanazawa City, Ishikawa Japan	Freehold	Hotel

Particulars of Investment Properties

AT 31 DECEMBER 2016

Name of property and location	Lease terms	Use
Toyoko Inn Naha Asahi-bashi Ekimae 1-20, 2 chome, Kume Naha City, Okinawa Japan	Freehold	Hotel
Toyoko Inn Niigata Furumachi 1168-2, 7 Bancho, Kamiokawamaedori Chuo-Ku Niigata City, Niigata Japan	Freehold	Hotel
Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1 1-1 Akashicho Hiratsuka City, Kanagawa Japan	Freehold and medium-term lease	Hotel
Toyoko Inn Tokushima Ekimae 1-5, Ryogokuhoncho Tokushima City, Tokushima Japan	Freehold	Hotel