



Oriental Explorer Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0430)



Annual
Report
2016

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Chi Yung, Kenneth (*Chairman*)
Mr. Lau Michael Kei Chi
(*Vice-Chairman and Managing Director*)

Independent Non-executive Directors

Mr. Wong Yim Sum
Mr. Lee Siu Man, Ervin
Mr. Tsui Ka Wah
Mr. Lo Yick Wing (Resigned on 26 May 2016)

AUDIT COMMITTEE

Mr. Wong Yim Sum (*Chairman*)
Mr. Lee Siu Man, Ervin
Mr. Tsui Ka Wah
Mr. Lo Yick Wing (Resigned on 26 May 2016)

REMUNERATION COMMITTEE

Mr. Tsui Ka Wah (*Chairman*)
Mr. Lau Chi Yung, Kenneth
Mr. Lau Michael Kei Chi
Mr. Wong Yim Sum
Mr. Lee Siu Man, Ervin
Mr. Lo Yick Wing (Resigned on 26 May 2016)

NOMINATION COMMITTEE

Mr. Lau Chi Yung, Kenneth (*Chairman*)
Mr. Lau Michael Kei Chi
Mr. Wong Yim Sum
Mr. Lee Siu Man, Ervin
Mr. Tsui Ka Wah
Mr. Lo Yick Wing (Resigned on 26 May 2016)

COMPANY SECRETARY

Mr. Lau Kwok Yin

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank J. Safra Sarasin Ltd, Hong Kong Branch
Bank of China
East West Bank, Hong Kong Branch

SOLICITORS

Cheung Tong & Rosa Solicitors
Ng and Fang Solicitors & Notaries

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 22-28, 25/F
Tower A, Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the “Board”) of Oriental Explorer Holdings Limited (the “Company”), I am pleased to present the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016.

REVIEW OF OPERATION

During the year under review, the Group recorded a net profit of approximately HK\$63 million (2015: loss of HK\$21 million). This was primarily attributable to the gain of approximately HK\$26 million from the fair value gains on the Group's derivative financial instruments, and dividend income of approximately HK\$23 million on the Group's equity investments for the year ended 31 December 2016.

The share of profits of the associate was approximately HK\$36 million for the year ended 31 December 2016 (2015: HK\$31 million). Included therein (as disclosed in the Company's announcement dated 24 June 2016) was a deferred tax credit of approximately HK\$38 million credited to the profit or loss account for an investment property in Mainland China.

The equity investments recorded fair value losses of approximately HK\$18 million (2015: loss of HK\$53 million), and derivative financial instruments recorded fair value gains of approximately HK\$26 million (2015: loss of HK\$26 million). The Group's rental income in Hong Kong recorded a slight increase of approximately 6%. Equity investments recorded dividend income of approximately HK\$23 million (2015: HK\$14 million).

PROPERTY INVESTMENT

Hong Kong

The Group's investment properties in Hong Kong mainly comprise of office, industrial and residential units. The Group's investment property portfolio contributed stable rental revenue of approximately HK\$4 million in 2016 (2015: HK\$4 million).

FINANCIAL INVESTMENTS

Worldwide economy and stocks market were volatile in 2016.

As of 31 December 2016, the Group held approximately HK\$612 million (2015: HK\$511 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity and bonds investments were held by the Group in long-term for investment purpose and receiving dividend income.

The Group's equity investments recorded a net fair value losses of approximately HK\$18 million (2015: loss of HK\$53 million) when marking the investment portfolios to market valuation as of 31 December 2016, along with dividend income of approximately HK\$23 million (2015: HK\$14 million).

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

The equity investments held by the Group as at 31 December 2016 were as follows:

Stock Code	Company Name	Number of shares held as at 31 December 2016 '000	Percentage of shareholding as at 31 December 2016 %	Fair value gain/(loss) for the year ended 31 December 2016 HK\$'000	Dividend income for the year ended 31 December 2016 HK\$'000	Fair value/ carrying amount as at 31 December 2016 HK\$'000
5	HSBC Holdings plc	2,900	0.01	1,210	6,132	180,509
2800	Tracker Fund of Hong Kong	8,120	0.22	(9,340)	6,201	179,452
2828	Hang Seng H-Share Index ETF	1,332	0.28	(15,484)	4,699	125,741
2388	BOC Hong Kong (Holdings) Limited	1,500	0.01	6,075	2,901	41,625
3988	Bank of China Limited	9,800	0.01	(196)	2,028	33,712
857	PetroChina Co. Ltd.	2,378	0.01	1,664	129	13,744
941	China Mobile Ltd.	100	0.00	(530)	269	8,220
2318	Ping An Insurance (Group) Co. of China Ltd.	200	0.00	(840)	130	7,760
2628	China Life Insurance Co. Ltd.	300	0.00	(1,455)	149	6,060
	Other listed securities [#]			894	280	15,542
				<u>(18,002)</u>	<u>22,918</u>	<u>612,365</u>

[#] Other listed securities mainly represented the Group's investment in 14 companies whose shares were mainly listed on the Main Board of The Stock Exchange of Hong Kong Limited. The carrying value of each of these investments represented less than 1% of the total assets of the Group as at 31 December 2016.

As at 31 December 2016, the equity investments mainly represented listed securities in Hong Kong. The board of Directors (the "Board") acknowledges that the performance of the equity investments may mainly be affected by worldwide economy and the degree of volatility in the Chinese and Hong Kong stock markets, and susceptible to other external factors that may affect their values. In order to mitigate possible financial risk related to the equity investments, the management will closely monitor the performance of respective equity investments and the changes of market condition. The Company will adjust the Company's portfolio of investments as the Board considers appropriate.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 31 December 2016, Call Rich Investments Limited, an associate of the Group of which the Group owned 25.04% equity interests had completed distribution in specie of its 60% shareholding in Corncentre Investments Limited ("Corncentre") to its shareholders. Accordingly, the Group had received 15.024% of shares of Corncentre. Corncentre was an investment holding company which owned, indirectly through its wholly-owned subsidiary, a property project in the Mainland China. After the completion of the distribution in specie, the Group directly held 15.024% equity interest in Corncentre and ceased to have significant influence. Details were disclosed in the Company's announcement dated 31 December 2016.

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2016.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and when appropriate hedge its currency risk.

As of 31 December 2016, the Group had not entered into any financial instrument for foreign currency hedging purpose.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments of approximately HK\$612 million (2015: HK\$511 million) as of 31 December 2016. The Group's cash and cash equivalents as of 31 December 2016 amounted to approximately HK\$152 million (2015: HK\$158 million).

As of 31 December 2016, the Group had total bank and other borrowings amounting to approximately HK\$366 million (2015: HK\$264 million), which were secured by legal charges on the Group's certain equity investments. The Group's bank borrowings were mainly arranged on a floating rate basis. The bank and other borrowings of the Group as at 31 December 2016 was repayable within 1 year or on demand.

Taking into account the total liquid assets of approximately HK\$765 million and total interest-bearing bank and other borrowings of approximately HK\$366 million, the Group was debt-free as at 31 December 2016.

CONTINGENT LIABILITY

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

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2016, the Group had approximately 12 employees in Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$6 million (2015: HK\$6 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), their performance, experience and the prevailing market condition are considered mainly. In addition to salaries, provident fund scheme, discretionary bonuses and tuition/training subsidies are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his own remuneration.

PROSPECT

The US Federal Reserve had increased the interest rate again in December 2016 and March 2017. As Hong Kong dollar is pegged to the US dollar, Hong Kong may follow to increase its interest rate in the future. These may exert pressure on price on equity investments held by the Group, particular in high-yield equity investments. Besides, the slowdown in growth of Chinese economy may have a significant impact on Hong Kong's rental market.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

The investment properties (particularly the small-sized residential units) in Hong Kong had recorded increase in market value in 2016. On 4 November 2016, the Hong Kong government announced that the Stamp Duty Ordinance would be amended to increase the ad valorem stamp duty rates for residential property transactions to a flat rate of 15%. Facing the new government policy and with the conditions for potential interest rate increase, investment properties in Hong Kong held by the Group might record decrease in market value as compared to the increase in previous years.

Mainland China's economic growth has slowed down, with the Chinese government targeting an approximately 6.5% GDP growth rate for 2017. In addition to the potential depreciation of Renminbi, retreat of foreign investments from Mainland China and intensive competition in rental business in Mainland China, these may exert pressure on the revenue from provision of hotel-serviced villas, apartments and property management services in Mainland China. Despite of Mainland China's possible slower than expected economic growth, inflationary pressure on salaries, utilities expenses, properties renovation and quality enhancement expenses remains a key challenge to the Group.

On 1 May 2016, the final phase of the transition from the Business Tax to Value Added Tax regime took effect and became applicable to the real estate sector, among other industries. The Group had taken appropriate measures to ensure a smooth transition to the new tax regime.

The worldwide economy (especially Chinese and Hong Kong's economy) is performing more and more volatile, with regard to uncertainties brought by policy-driven markets. The Group will adopt its usual prudent capital and funding management to meet the challenges ahead, while strengthening the rental and property development businesses, and seizing further investment opportunities.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events subsequent to the reporting date are set out in Note 35 to the consolidated financial statements.

ACKNOWLEDGEMENT

On behalf of the Board and management team, I would like to thank our shareholders who have extended to us their trust and have been patient with our efforts on exploring business opportunities. Again, I would like to thank my fellow directors and staff for their loyalty and efforts during the past year. I believe that we will create greater value to our investors in the future.

Lau Chi Yung, Kenneth
Chairman

Hong Kong, 30 March 2017

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAU Chi Yung, Kenneth, aged 57, joined the Group in 1995. He is the Chairman of the Company. He is also the Chairman and Director of Multifield International Holdings Limited (Stock Code: 898) (“Multifield International”), whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

Mr. LAU Michael Kei Chi, aged 63, joined the Group in 2003. He is the Vice-Chairman and Managing Director of the Company. He is also the Vice-Chairman and Managing Director of Multifield International and is the elder brother of Mr. Lau Chi Yung, Kenneth.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Yim Sum, aged 51, joined the Group as an Independent Non-executive Director in 2004. He is practicing as a Certified Public Accountant, and is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA). He is the Director of Conpak CPA Limited, a firm of Certified Public Accountants in Hong Kong. He has extensive experience in the finance and auditing fields. He is also an Independent Non-executive Director of Multifield International.

Mr. LEE Siu Man, Ervin, aged 61, joined the Group as an Independent Non-executive Director in 2009. He is a Registered Architect and Authorized Person in Hong Kong. He is a member of the Hong Kong Institute of Architects, and the founder and Managing Director of Fotton-ELA Architects Ltd. and Ervin & Lloyds Engineering Ltd. which provide comprehensive services including architecture, civil, structural and geotechnical engineering, town planning, and estate surveying and construction in the building and development field. He is also an Independent Non-executive Director of Multifield International.

Mr. TSUI Ka Wah, aged 64, joined the Group as an Independent Non-executive Director in 2010. He has 28 years of banking experience with the United States and local banks, and has held various management positions in corporate, retail and private banking. Until 2009, he was the President of Great China Region for a U.S. bank, overseeing operations in Taiwan, the People’s Republic of China (the “PRC”) and Hong Kong. Since August 2013, he has held the position of Chief Executive Officer of SME Credit Company Limited. Mr. Tsui holds a Bachelor Degree and a Master Degree of Business Administration from the Chinese University of Hong Kong. He is also an Independent Non-executive Director of Multifield International, Southeast Asia Properties & Finance Limited (Stock Code: 252) and Grand Ming Group Holdings Limited (Stock Code: 1271) respectively, whose shares are listed on the main board of the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

Ms. SIU Wai King, Donna, aged 52, joined the Group in 1992. She is the General Manager of the Group. She is responsible for the Group’s Hong Kong property business and headquarter’s operations and has over 20 years’ experience in property business.

Mr. LI Ying Leung, aged 46, joined the Group in 2014. He is the Manager of the Accounting Department of the Group. He holds a Bachelor Degree, and is a member of the HKICPA. He has over 15 years’ experience in auditing and accounting.

Mr. LAU Kwok Yin, aged 32, joined the Group in 2012. He is the Company Secretary of the Company. He holds a Bachelor Degree, and is a member of the HKICPA and a Chartered Financial Analyst charterholder. He has over 5 years’ experience in secretarial, finance and banking operations.

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 1 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate. This summary does not form any part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
REVENUE	35,621	(55,663)	114,242	21,708	62,854
Cost of sales	<u>(796)</u>	<u>(754)</u>	<u>(696)</u>	<u>(634)</u>	<u>(547)</u>
Gross profit/(loss)	34,825	(56,417)	113,546	21,074	62,307
Other income and gains	14,189	13,462	19,493	25,170	40,488
Selling and distribution expenses	–	–	–	–	(99)
Operating and administrative expenses	(8,476)	(7,910)	(10,556)	(5,872)	(5,486)
Finance costs	(2,480)	(234)	(821)	(1,613)	(2,185)
Share of profits and losses of associates	36,499	30,606	5,249	4,270	2,583
Loss on distribution of assets from an associate	<u>(11,177)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
PROFIT/(LOSS) BEFORE TAX	63,380	(20,493)	126,911	43,029	97,608
Income tax expense	<u>(191)</u>	<u>(252)</u>	<u>(424)</u>	<u>(261)</u>	<u>(260)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>63,189</u>	<u>(20,745)</u>	<u>126,487</u>	<u>42,768</u>	<u>97,348</u>
Attributable to:					
Owners of the Company	63,189	(20,745)	126,487	42,768	97,348
Non-controlling interests	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>63,189</u>	<u>(20,745)</u>	<u>126,487</u>	<u>42,768</u>	<u>97,348</u>

REPORT OF THE DIRECTORS

ASSETS AND LIABILITIES

	As at 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Total assets	1,118,029	1,016,198	766,772	754,398	643,678
Total liabilities	(377,226)	(309,898)	(24,272)	(130,854)	(160,357)
	<u>740,803</u>	<u>706,300</u>	<u>742,500</u>	<u>623,544</u>	<u>483,321</u>

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 are set out in the section headed “Chairman’s Statement and Management Discussion and Analysis” on page 3 to 6 of the annual report and forms part of the “Report of the Directors”.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group’s environmental impact. The Company also strives to implement recycling and reducing measures in office premises where applicable.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus employee management focuses on recruiting and growing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group’s corporate strategy.

The Group also understands that maintaining long-term good relationship with business partners is also one of the primary objectives of the Group. Accordingly, our management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in Note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the share capital and share option scheme of the Company during the year are set out in Notes 25 and 26 to the consolidated financial statements, respectively.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 27 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As of 31 December 2016, the Company's share premium account, in the amount of approximately HK\$498,761,000 (2015: HK\$498,761,000), may be distributed in the form of fully paid bonus shares. Under the Companies Act of Bermuda, the contributed surplus of the Company, in the amount of approximately HK\$88,380,000 as at 31 December 2016 (2015: HK\$88,380,000), is distributable to shareholders in certain circumstances, as prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

DIRECTORS

The directors of the Company (the "Director(s)") during the year and up to the date of this report were:

Executive Directors

Mr. Lau Chi Yung, Kenneth *(Chairman)*
 Mr. Lau Michael Kei Chi *(Vice-Chairman and Managing Director)*

Independent Non-executive Directors

Mr. Wong Yim Sum
 Mr. Lee Siu Man, Ervin
 Mr. Tsui Ka Wah
 Mr. Lo Yick Wing (Resigned on 26 May 2016)

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

In accordance with the Company's bye-laws, Mr. Wong Yim Sum and Mr. Tsui Ka Wah will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Brief biography of the Directors and senior management of the Group are set out on page 7 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transactions disclosed in Note 31 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any material contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company and each of their respective associates, in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Long position in ordinary shares of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	1,729,540,999*	64.06

REPORT OF THE DIRECTORS

Long position in ordinary shares of associated corporation – Multifield International, an intermediate holding company of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of associated corporation %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	2,797,055,712*	66.91

* *The above shares are ultimately controlled by Power Resources Holdings Limited which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.*

The interests of the directors in the share options of the Company are separately disclosed in Note 26 to the consolidated financial statements.

Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the year.

Save as disclosed above, as of 31 December 2016, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations" above and in the share option schemes disclosures in Note 26 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

So far as was known to the Directors, as of 31 December 2016, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

REPORT OF THE DIRECTORS

Long positions in ordinary shares of the Company

Name of Shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Limitless Investment Limited	Directly beneficially owned	1,729,540,999#	64.06
Multifield International Holdings (B.V.I.) Limited	Interest of controlled corporation	1,729,540,999#	64.06
Multifield International	Interest of controlled corporation	1,729,540,999#	64.06
Lucky Speculator Limited	Interest of controlled corporation	1,729,540,999#	64.06
Desert Prince Limited	Interest of controlled corporation	1,729,540,999#	64.06
Power Resources Holdings Limited	Interest of controlled corporation	1,729,540,999#	64.06

Power Resources Holdings Limited was deemed to have a beneficial interest in 1,729,540,999 ordinary shares of the Company by virtue of its indirect interests in Lucky Speculator Limited, Desert Prince Limited, Multifield International, Multifield International Holdings (B.V.I.) Limited and Limitless Investment Limited.

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

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in Note 31 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total issued share capital was held by the public as of the date of this report.

AUDITORS

The financial statements for the years ended 31 December 2014, 2015 and 2016 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

CHANGES IN THE INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to rule 13.51B(1) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”), changes in the information of directors of the Company since the date of the annual report 2015 of the Company required to be disclosed in this report is as follow:

- The Director’s fees of Mr. Lo Yick Wing, Mr. Wong Yim Sum, Mr. Lee Siu Man, Ervin and Mr. Tsui Ka Wah have been revised to HK\$7,000 per month, with effective from 1 April 2016.

REPORT OF THE DIRECTORS

CHANGE OF DIRECTORS

Due to other business commitments, Mr. Lo Yick Wing tendered his resignation as an independent non-executive director, a member of audit committee, a member of nomination committee and a member of remuneration committee of the Company on and with effect from 26 May 2016.

ON BEHALF OF THE BOARD

Lau Chi Yung, Kenneth
Chairman

Hong Kong
30 March 2017

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency and accountability to all shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has applied the principles and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016, save as disclosed below.

Under code provisions A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subjected to re-election; and (ii) all directors appointed to fill a causal vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

The code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. Mr. Lee Siu Man, Ervin the independent non-executive director was unable to attend the annual general meeting of the Company held on 26 May 2016 due to his other business commitments.

BOARD COMPOSITION AND BOARD PRACTICE

The Board is mandated to promote the success of the Company by providing leadership and supervising control of the Group’s business.

Currently, the Board comprises of two executive Directors and three independent non-executive Directors. The positions of chairman and managing director are held by separate individuals. The chairman provides leadership for the board and the managing director, supported by the management team, provides planning and implementation. The Board, led by Mr. Lau Chi Yung, Kenneth is responsible for the approval and monitoring of the Group’s overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of Group; and oversight of management. The chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the company secretary, the chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

To implement the strategies and plans approved by the Board, executive directors and senior management meet on a regular basis to review the performance of the Group and make financial and operational decisions.

Under the Listing Rules, every listed issuer is required to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of independent non-executive directors represents more than one-third of the total board members.

Save as Mr. Lau Michael Kei Chi is the elder brother of Mr. Lau Chi Yung, Kenneth, the members of the Board have no financial, business, family or other material/relevant relationships with one another.

CORPORATE GOVERNANCE REPORT

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Consideration was given to the independence of Mr. Wong Yim Sum who have served on the Board for more than 12 years.

Each of the independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The brief biography of the Directors are set out on page 7.

The Board has scheduled regular meetings per year and meets more frequently as and when required to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. The Director can attend meetings in person or through other means of electronic communication. During the financial year ended 31 December 2016, the attendance of individual Director to the Board meeting and general meeting is summarized below:

	Number of meetings attended/held	
	Board meetings	General meeting
Executive Directors		
Mr. Lau Chi Yung, Kenneth	17/17	1/1
Mr. Lau Michael Kei Chi	17/17	1/1
Independent Non-executive Directors		
Mr. Wong Yim Sum	14/14	1/1
Mr. Lee Siu Man, Ervin	13/14	0/1
Mr. Tsui Ka Wah	14/14	1/1
Mr. Lo Yick Wing (Resigned on 26 May 2016)	9/9	1/1

The company secretary keeps the Board minutes of the Company for inspection by the Directors and all Directors have full access to information of the Company.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in December 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee has set measurable objectives based on talents, skills, regional and industry experience, background, gender and other qualities to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2016. The interests held by individual Directors in the Company's securities as of 31 December 2016 are set out in the "Report of the Directors" on pages 8 to 14.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance from the Finance Department, which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

The statement of the external auditors of the Company, HLB Hodgson Impey Cheng Limited, with regard to its reporting responsibilities on the Group's consolidated financial statements, is set out in the Independent Auditors' Report included in this annual report.

The Directors confirm that, to the best of their knowledge, having made an reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Group not to continue as a going concern.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

Briefings were organised for Directors in 2016 to update the Directors on the environmental, social and governance reporting, Listing Rules Compliance, accounting and tax updates, and directors' duties were given to the Directors.

During the year, according to the records provided by the Directors, a summary of training is as follows:

Type of continuous professional development programmes

Executive Directors

Mr. Lau Chi Yung, Kenneth	A, B
Mr. Lau Michael Kei Chi	A, B

Independent Non-executive Directors

Mr. Wong Yim Sum	A, B
Mr. Lee Siu Man, Ervin	A, B
Mr. Tsui Ka Wah	A, B
Mr. Lo Yick Wing (Resigned on 26 May 2016)	A, B

Notes:

- A: reading materials and seminars on corporate governance and regulatory updates
- B: reading materials and seminars on directors' duties, environmental, social and governance reporting, Listing Rules Compliance update, accounting and tax update, and other applicable legal and regulatory requirements

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lau Chi Yung, Kenneth serves as the Chairman of the Company, and the role of Chief Executive Officer of the Company is served by our Managing Director, Mr. Lau Michael Kei Chi. They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Company, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Managing Director is responsible for the day-to-day management of the Company's business and the effective implementation of corporate strategy and policies.

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the Listing Rules. The Audit Committee's terms of reference includes those specific duties as set out in the code provision C.3.3 of the Code. Pursuant to its terms of reference, the Audit Committee is required, amongst other things, to consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve their remuneration, to review the interim and annual financial statements, to review the Group's financial controls, internal controls and risk management system, the effectiveness of the Group's internal audit function and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response. The Audit Committee should meet at least twice each year and when the need arises. Details of the attendance of Audit Committee meetings are as follows:

Members	Number of meetings attended/held
Mr. Wong Yim Sum (<i>Chairman</i>)	4/4
Mr. Lee Siu Man, Ervin	3/4
Mr. Tsui Ka Wah	4/4
Mr. Lo Yick Wing (Resigned on 26 May 2016)	2/2

In the presence of the representatives of the Company's independent external auditors, the Group's audited consolidated financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

The accounts for the year ended 31 December 2016 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be reappointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

REVISION OF THE TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The terms of references of audit committee were revised on 22 August 2016 to reflect the additional responsibilities of the audit committee arising from the Stock Exchange of Hong Kong Limited's amendments to risk management and internal control under the Code applicable to listed companies with an accounting period beginning on or after 1 January 2016.

REMUNERATION COMMITTEE

The main responsibilities of the Remuneration Committee are to consider and recommend to the Board the Company's remuneration policy and structure and to review and determine the remuneration and compensation packages of the executive directors and senior management of the Company. The Remuneration Committee reviews and proposes the management's remuneration proposals with reference to considerations factors such as the Group's performance and profitability, directors' experience, responsibilities and time commitment, existing market environment, salaries paid by comparable companies, employment conditions elsewhere in the Group, and considers the reasonableness on remuneration based on performance.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee set up on 16 September 2005 comprises two executive Directors and three independent non-executive Directors. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Tsui Ka Wah (<i>Chairman</i>)	1/1
Mr. Lau Chi Yung, Kenneth	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Wong Yim Sum	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Lo Yick Wing (Resigned on 26 May 2016)	0/0

NOMINATION COMMITTEE

The role of Nomination Committee set up on 28 March 2012 is to advise on and propose to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. A newly appointed director must retire and be re-elected at the first general meeting after his appointment. At each annual general meeting, one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring director shall be eligible for re-election. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Lau Chi Yung, Kenneth (<i>Chairman</i>)	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Wong Yim Sum	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Tsui Ka Wah	1/1
Mr. Lo Yick Wing (Resigned on 26 May 2016)	1/1

The Nomination Committee periodically reviews the structure, size and composition of the Board, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include identifying individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors.

Most Nomination Committee members are independent non-executive directors.

REMUNERATION OF MEMBERS OF SENIOR MANAGEMENT BY BAND

Pursuant to paragraph B.1.5 of the Code, the remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out in Note 9 to the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the overall responsibility for maintaining a sound and effective system of internal controls and risk management. The Board has identified the top risks of the Group and determined how much risk the Board is willing to take to achieve the Group's strategic objectives. During year 2016, an in-house internal audit department had been set up. In addition, the Group established a risk management system. Each business unit is required to identify and manage risks on a day-to-day basis as the first line of defence. Internal auditor, as the second line of defence, provides independent and objective assurance on the overall effectiveness of the internal control and risk management system.

The audit committee had reviewed the adequacy and effectiveness of the Group's risk management and internal controls system based on the review report audit undertaken by the internal auditor. The Board, through the review by the audit committee, considers that the Group's internal control and risk management system is effective and adequate.

CORPORATE GOVERNANCE REPORT

There are inherent limitations in any systems of risk management and internal control and accordingly the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are also procedures including pre-clearance on dealing in the Group's securities by designated Directors, notification of regular blackout period and securities dealing restrictions to Directors and relevant employees, and dissemination of information for specified purpose and on a need-to-know basis have been implemented to guard against possible mishandling of inside information within the Group.

BUSINESS MODEL AND STRATEGY

The Group has the mission to maintain long term profitability and assets growth with adoption of flexible business model and strategy and prudential risk and capital management framework. The Board has played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group in serving customers well with premium service quality; the Group's business strategic drive for business expansion and opportunities; and the Group's setting of strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets. Details of the Group's Business Review and financial review in the year 2016 are set out in the "Chairman's Statement and Management Discussion and Analysis" section of this annual report.

AUDITORS' REMUNERATION

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

For the year ended 31 December 2016, the auditors of the Company received approximately HK\$210,000 for audit service and Nil for tax and consultancy services.

COMPANY SECRETARY

As at 31 December 2016, the company secretary of the Company, Mr. Lau Kwok Yin fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year ended 31 December 2016. His biography is set out in the "Brief Biography of Directors and Senior Management" section of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a Special General Meeting (the "SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

CORPORATE GOVERNANCE REPORT

Procedures for directing shareholders' enquiries to the Board

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

Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's principal place of business in Hong Kong at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

INVESTOR RELATIONS AND COMMUNICATION

The Company establishes different communication channels with shareholders and investors. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) the Company replies to enquiries from shareholders timely; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

In fact, the Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. A separate resolution is proposed for each substantially separate issue at the AGM.

INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

To the shareholders of Oriental Explorer Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Oriental Explorer Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 26 to 80, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

Refer to Note 15 to the consolidated financial statements.

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 estimates associated with determining the fair value.

As at 31 December 2016, the Group had investment properties at a carrying amount of approximately HK\$191,010,000, with a gain arising on change in fair value of investment properties amounting to approximately HK\$10,320,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

All of the Group's investment properties are stated at fair value based on valuations performed by an independent qualified professional valuer not connected with the Group.

The valuations were based on the direct comparison approach which involved the use of estimates and assumptions including recent sales price of similar properties with adjustments for any difference in location and condition of the properties.

Our key procedures in relation to the valuation of investment properties included:

- Communicating with the management about the valuation techniques adopted by the valuer, obtaining the valuation reports for all properties measured at fair value, and assessing the relevance and reasonableness of valuation techniques used by the valuer;
- Evaluating the appropriateness of the key input data used in the determination of fair value; comparing the key inputs to supporting evidence such as recent sale transaction on the market;
- Engaging an auditors' expert to assist our assessment on the appropriateness of the methodologies and the reasonableness of the assumptions and key input data adopted in the valuation; and
- Evaluating the independent qualified professional valuer's competence, capabilities and objectivity and reviewing their terms of engagement with the Group.

Carrying amount of equity investments at fair value through profit or loss

Refer to Note 19 to the consolidated financial statements.

We identified the carrying amount of equity investments at fair value through profit or loss as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the impact on revenue.

As at 31 December 2016, the Group had listed equity investments at a carrying amount of approximately HK\$612,365,000 classified as level 1 financial instruments (measured based on quoted bid prices in an active market).

Our key procedures in relation to the existence, valuation and completeness of the Group's portfolio of listed equity investments included:

- Assessing the processes in place to record investment transactions and to value the portfolio;
- Agreeing the pricing of the listed investments to externally quoted prices; and
- Agreeing the listed investment holdings to independently received third party custodian confirmations.

INDEPENDENT AUDITORS' REPORT

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 auditors' 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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.

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

AUDITORS' 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 auditors' report that includes our opinion. This report is made 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 judgement 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.

INDEPENDENT AUDITORS' REPORT

- 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.
- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
REVENUE	5	35,621	(55,663)
Cost of sales		<u>(796)</u>	<u>(754)</u>
Gross profit/(loss)		34,825	(56,417)
Other income and gains	5	142	6,165
Foreign exchange differences, net		3,727	(753)
Fair value gains on investment properties, net		10,320	8,050
Operating and administrative expenses		(8,476)	(7,910)
Finance costs	7	(2,480)	(234)
Share of profits of an associate		36,499	30,606
Loss on distribution of assets from an associate		<u>(11,177)</u>	<u>–</u>
PROFIT/(LOSS) BEFORE TAX	6	63,380	(20,493)
Income tax expense	10	<u>(191)</u>	<u>(252)</u>
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>63,189</u>	<u>(20,745)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		–	(1,177)
Reclassification adjustments for gains included in the consolidated statement of profit or loss		–	(5,914)
– gain on disposal		<u>–</u>	<u>(7,091)</u>
Share of other comprehensive expense of an associate		(9,859)	(8,357)
Reclassification of exchange fluctuation reserve to profit or loss upon distribution of assets from an associate		(18,821)	–
Exchange differences on translation of foreign operations		<u>(6)</u>	<u>(7)</u>
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR		<u>(28,686)</u>	<u>(15,455)</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>34,503</u>	<u>(36,200)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	<u>HK2.34 cents</u>	<u>HK(0.77) cents</u>

Details of dividends are disclosed in Note 11 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>13</i>	149	232
Prepaid land lease payments	<i>14</i>	391	400
Investment properties	<i>15</i>	191,010	180,690
Investment in an associate	<i>16</i>	2,117	125,221
Club debenture		670	670
Available-for-sale investments	<i>17</i>	<u>158,706</u>	<u>38,960</u>
Total non-current assets		<u>353,043</u>	<u>346,173</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables	<i>18</i>	800	646
Equity investments at fair value through profit or loss	<i>19</i>	612,365	511,110
Pledged deposits	<i>20</i>	69	65
Cash and cash equivalents	<i>20</i>	<u>151,752</u>	<u>158,204</u>
Total current assets		<u>764,986</u>	<u>670,025</u>
TOTAL ASSETS		<u>1,118,029</u>	<u>1,016,198</u>
CURRENT LIABILITIES			
Other payables and accruals	<i>21</i>	6,230	14,845
Derivative financial instruments	<i>22</i>	–	26,308
Interest-bearing bank and other borrowings	<i>23</i>	365,645	263,585
Tax payable		<u>3,818</u>	<u>3,818</u>
Total current liabilities		<u>375,693</u>	<u>308,556</u>
NET CURRENT ASSETS		<u>389,293</u>	<u>361,469</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>742,336</u>	<u>707,642</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	<i>24</i>	<u>1,533</u>	<u>1,342</u>
Total non-current liabilities		<u>1,533</u>	<u>1,342</u>
Net assets		<u><u>740,803</u></u>	<u><u>706,300</u></u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>25</i>	27,000	27,000
Reserves	<i>27</i>	<u>713,803</u>	<u>679,300</u>
Total equity		<u><u>740,803</u></u>	<u><u>706,300</u></u>

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2016

	Attributable to owners of the Company						Total equity HK\$'000
	Issued capital HK\$'000 (Note 25)	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2015	27,000	498,761	546	7,091	36,450	172,652	742,500
Loss for the year	-	-	-	-	-	(20,745)	(20,745)
Other comprehensive expense for the year:							
Changes in fair value of available-for-sale investments	-	-	-	(7,091)	-	-	(7,091)
Share of other comprehensive expense of an associate	-	-	-	-	(8,357)	-	(8,357)
Exchange differences on translation of foreign operations	-	-	-	-	(7)	-	(7)
Total comprehensive expense for the year	-	-	-	(7,091)	(8,364)	(20,745)	(36,200)
At 31 December 2015	<u>27,000</u>	<u>498,761*</u>	<u>546*</u>	<u>-*</u>	<u>28,086*</u>	<u>151,907*</u>	<u>706,300</u>
At 1 January 2016	27,000	498,761	546	-	28,086	151,907	706,300
Profit for the year	-	-	-	-	-	63,189	63,189
Other comprehensive expense for the year:							
Share of other comprehensive expense of an associate	-	-	-	-	(9,859)	-	(9,859)
Reclassification to profit or loss upon distribution of assets from an associate	-	-	-	-	(18,821)	-	(18,821)
Exchange differences on translation of foreign operations	-	-	-	-	(6)	-	(6)
Total comprehensive (expense)/income for the year	-	-	-	-	(28,686)	63,189	34,503
At 31 December 2016	<u>27,000</u>	<u>498,761*</u>	<u>546*</u>	<u>-*</u>	<u>(600)*</u>	<u>215,096*</u>	<u>740,803</u>

* These reserve accounts comprise the consolidated reserves of approximately HK\$713,803,000 (2015: HK\$679,300,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	63,380	(20,493)
Adjustments for:		
Finance costs	2,480	234
Share of profits of an associate	(36,499)	(30,606)
Loss on distribution of assets from an associate	11,177	–
Interest income	(9)	(5,618)
Dividend income from listed investments	(22,918)	(13,697)
Dividend income from unlisted investments	–	(400)
Depreciation	87	160
Changes in fair value of investment properties	(10,320)	(8,050)
Recognition of prepaid land lease payments	9	8
Fair value losses on equity investments at fair value through profit or loss, net	18,002	53,174
Fair value (gains)/losses on derivative financial instruments	(26,308)	26,308
Fair value gains on available-for-sale investments (transfer from equity on disposal)	–	(5,914)
	(919)	(4,894)
(Increase)/decrease in prepayments, deposits and other receivables	(147)	12
Increase in equity investments at fair value through profit or loss	(119,257)	(289,869)
(Decrease)/increase in other payables and accruals	(8,642)	8,546
	(128,965)	(286,205)
Cash used in operations	(128,965)	(286,205)
Dividends received from listed investments	22,918	13,697
Dividends received from unlisted investments	–	400
Interest received	–	5,587
	(106,047)	(266,521)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in pledged deposits	(4)	18,210
Dividend income from an associate	–	6,761
Proceeds from disposal of available-for-sale investments	–	96,464
Purchases of available-for-sale investments	–	(2,496)
Purchases of items of property, plant and equipment	(4)	–
Interest received	2	31
	(6)	118,970
Net cash flows (used in)/from investing activities	(6)	118,970

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest-bearing bank borrowings		–	(13,065)
Net change in short-term revolving loans		102,060	263,585
Interest paid		(2,453)	(234)
		<hr/>	<hr/>
Net cash flows from financing activities		99,607	250,286
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(6,446)	102,735
Cash and cash equivalents at beginning of year		158,204	55,476
Effect of foreign exchange rate changes, net		(6)	(7)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR		151,752	158,204
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<i>20</i>	1,752	158,204
Non-pledged deposits with original maturity of less than three months when acquired	<i>20</i>	150,000	–
		<hr/>	<hr/>
Cash and cash equivalents		151,752	158,204
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION

Oriental Explorer Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- property investment; and
- trading of securities and investment holding.

In the opinion of the directors, the holding company of the Company is Limitless Investment Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Keen2learn.com International Limited	Hong Kong	HK\$2	–	100	Property investment
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$20,000,000	–	100	Investment holding
Linkful Management Services Limited	Hong Kong	HK\$2	–	100	Provision of management services
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	–	100	Investment holding
Linkful Properties Company Limited	Hong Kong/ Mainland China	HK\$2	–	100	Investment holding and property holding

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Linkful Secretarial Services Limited	Hong Kong	HK\$10,000	–	100	Property investment
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	100	–	Investment holding
Power Earning Limited	Hong Kong	HK\$1	–	100	Property investment
Snowdon Worldwide Limited	British Virgin Islands	US\$1	–	100	Investment holding
珠海市能豐商務 服務有限公司 (Note (i))	Mainland China	HK\$120,000	–	100	Provision of property consultant services

Note:

- (i) The subsidiary is registered as a wholly-foreign owned enterprise under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value.

These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts²</i>
HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferral Tax Assets for Unrealised Losses¹</i>

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued an amendment to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018. During the year ended 31 December 2016, the Group performed a preliminary assessment on the impact of the adoption of HKFRS 15.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

The Group's investment in an associate is stated in the statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

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

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

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

Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

- (b) the party is an entity where any of the following conditions applies;
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	5% or over the lease terms, if shorter
Furniture, fixtures, office and computer equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles	20% – 25%

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

Leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and bank balances, other receivables, loans receivable, and quoted and unquoted financial instruments.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

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

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as OCI in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss and other comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss and other comprehensive income in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss and other comprehensive income as revenue in accordance with the policies set out for “Revenue recognition” below.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for foreseeable futures or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income.

Derecognition of financial assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from OCI and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in OCI.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

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

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

The Group’s financial liabilities include other payables and accruals, derivative financial instruments, and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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

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

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

- (a) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (b) dividend income, when the shareholders' right to receive payment has been established;
- (c) rental income from property letting, on a time proportion basis over the lease terms;
- (d) income from the sale of debt investments on the trade date;
- (e) realised fair value gains or losses on securities trading on a trade date basis, whilst unrealised fair value gains or losses, on change in fair value at the end of the reporting period; and
- (f) fair value gains or losses on derivative financial instruments, on change in fair value at the end of the reporting period.

Share-based payments

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

The cost of equity-settled transactions with employees for grant is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option pricing model.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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

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

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

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The only obligation of the group with respect to the central pension scheme is to pay the ongoing contributions under the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Employment Ordinance long service payments

Certain of the Group’s employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

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

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

Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollar at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollar at the weighted average exchange rates for the year.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Fair values of financial instruments

Financial instruments such as equity and debt instruments are carried at the statement of financial position at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty (continued)

Estimation of fair value of investment properties

As described in Note 15 to the consolidated financial statements, the investment properties were revalued at the end of the reporting period based on the appraised market value provided by an independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three (2015: three) reportable operating segments as follows:

- (a) the property investment segment mainly comprises rental income from investment properties;
- (b) the trading and investment segment includes the trading of securities and investment income from securities investment and investment holding; and
- (c) the corporate and others segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax from operations except that interest income from loans and receivables, fair value gains/losses on investment properties, share of profits and losses of an associate, finance costs and other gains are excluded from such measurement.

Segment assets exclude pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, and deferred tax liabilities as these liabilities are managed on a group basis.

There are no sales or other transactions between the operating segments during the year (2015: Nil).

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4. OPERATING SEGMENT INFORMATION (continued)

Years ended 31 December 2016 and 2015

	Property investment		Trading and investments		Corporate and others		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment revenue:								
Revenue from external customers	<u>4,397</u>	<u>4,135</u>	<u>31,224</u>	<u>(60,198)</u>	<u>-</u>	<u>400</u>	<u>35,621</u>	<u>(55,663)</u>
Segment results	<u>3,442</u>	<u>3,250</u>	<u>33,299</u>	<u>(62,873)</u>	<u>(6,665)</u>	<u>(5,457)</u>	<u>30,076</u>	<u>(65,080)</u>
<i>Reconciliation:</i>								
Interest income from loans and receivables							9	31
Other gains							133	6,134
Fair value gains on investment properties, net	10,320	8,050	-	-	-	-	10,320	8,050
Finance costs							(2,480)	(234)
Share of profits of an associate	36,499	30,606	-	-	-	-	36,499	30,606
Loss on distribution of assets from an associate	(11,177)	-	-	-	-	-	(11,177)	-
Profit/(loss) before tax							<u>63,380</u>	<u>(20,493)</u>
	Property investment		Trading and investments		Corporate and others		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment assets	<u>191,096</u>	<u>180,771</u>	<u>733,215</u>	<u>512,230</u>	<u>39,780</u>	<u>39,707</u>	<u>964,091</u>	<u>732,708</u>
<i>Reconciliation:</i>								
Unallocated assets							151,821	158,269
Investment in an associate	-	125,221	-	-	2,117	-	2,117	125,221
Total assets							<u>1,118,029</u>	<u>1,016,198</u>
Segment liabilities	<u>1,164</u>	<u>1,140</u>	<u>87</u>	<u>34,856</u>	<u>2,504</u>	<u>5,157</u>	<u>3,755</u>	<u>41,153</u>
<i>Reconciliation:</i>								
Unallocated liabilities							373,471	268,745
Total liabilities							<u>377,226</u>	<u>309,898</u>
Other segment information:								
Depreciation and amortisation	-	-	-	-	96	168	96	168
Fair value gains on investment properties, net	10,320	8,050	-	-	-	-	10,320	8,050
Fair value losses on equity investments at fair value through profit or loss, net	-	-	(18,002)	(53,174)	-	-	(18,002)	(53,174)
Fair value gains/(losses) on derivative financial instruments	-	-	26,308	(26,308)	-	-	26,308	(26,308)
Capital expenditure*	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>

* Capital expenditure consists of additions to property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers are all generated from Hong Kong. No single external customer accounted for 10% or more of the total revenue for the years ended 31 December 2016 and 2015.

	Hong Kong		Mainland China		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<u>191,159</u>	<u>180,922</u>	<u>391</u>	<u>400</u>	<u>191,550</u>	<u>181,322</u>

The non-current asset information above is based on the locations of assets and excludes financial instruments.

5. REVENUE, OTHER INCOME AND GAINS

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

	2016 HK\$'000	2015 HK\$'000
Revenue		
Rental income from property letting	4,397	4,135
Fair value losses on equity investments at fair value through profit or loss, net	(18,002)	(53,174)
Fair value gains/(losses) on derivative financial instruments	26,308	(26,308)
Dividend income from listed investments	22,918	13,697
Dividend income from unlisted investments	–	400
Interest income from available-for-sale investments	–	5,587
	<u>35,621</u>	<u>(55,663)</u>
Other income and gains		
Interest income from loans and receivables	9	31
Fair value gains on available-for-sale investments (transfer from equity on disposal)	–	5,914
Others	133	220
	<u>142</u>	<u>6,165</u>

NOTES TO FINANCIAL STATEMENTS

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6. PROFIT/(LOSS) BEFORE TAX

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

	2016 HK\$'000	2015 HK\$'000
Depreciation	87	160
Amortisation of prepaid land lease payments	9	8
Auditors' remuneration – audit service	210	210
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	796	754
Foreign exchange differences, net	<u>(3,727)</u>	<u>753</u>
Employee benefit expense (including directors' and chief executive's remuneration (Note 8)):		
Salaries, wages and other benefits	6,010	5,478
Pension scheme contributions (defined contribution scheme) (Note)	<u>160</u>	<u>121</u>
Total staff costs	<u>6,170</u>	<u>5,599</u>

Note:

At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2015: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK\$'000	2015 HK\$'000
Interest on bank loans and other loans	<u>2,480</u>	<u>234</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of directors' and chief executive's remuneration for the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Fees	<u>279</u>	<u>312</u>
Other emoluments:		
Salaries, allowances and benefits in kind	2,760	2,970
Pension scheme contributions	<u>18</u>	<u>18</u>
	<u>2,778</u>	<u>2,988</u>
	<u>3,057</u>	<u>3,300</u>

NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees paid to the independent non-executive directors during the year were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Mr. Wong Yim Sum	82	78
Mr. Lee Siu Man, Ervin	82	78
Mr. Tsui Ka Wah	82	78
Mr. Lo Yick Wing (Resigned on 26 May 2016)	33	78
	279	312
	279	312

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

(b) Executive directors and chief executive

	Fees		Salaries, allowances and benefits in kind		Pension scheme contributions		Total remuneration	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Executive directors:								
Mr. Lau Chi Yung, Kenneth	-	-	2,760	2,970	18	18	2,778	2,988
Mr. Lau Michael Kei Chi <i>(Chief executive)</i>	-	-	-	-	-	-	-	-
	-	-	2,760	2,970	18	18	2,778	2,988
	-	-	2,760	2,970	18	18	2,778	2,988

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

9. FIVE HIGHEST PAID EMPLOYEES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,350	1,236
Pension scheme contributions	62	57
	1,412	1,293
	1,412	1,293

NOTES TO FINANCIAL STATEMENTS

31 December 2016

9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2016	2015
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, in which the Group operates.

	2016 HK\$'000	2015 HK\$'000
Deferred tax (Note 24)	<u>191</u>	<u>252</u>

No provision for Hong Kong profits tax and PRC corporate income tax have been made for both years as the Group did not generate any assessable profits arising in Hong Kong and Mainland China.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the applicable rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

	2016 HK\$'000	2015 HK\$'000
Profit/(loss) before tax	<u>63,380</u>	<u>(20,493)</u>
Tax at the applicable tax rate	10,458	(3,381)
Profits attributable to an associate	(6,022)	(5,050)
Income not subject to tax	(28,067)	(10,522)
Expenses not deductible for tax	23,134	18,745
Tax losses utilised from previous periods	(20)	–
Tax losses not recognised	<u>708</u>	<u>460</u>
Tax charge at the Group's effective rate	<u>191</u>	<u>252</u>

The share of tax expense attributable to an associate amounting to approximately HK\$6,022,000 (2015: HK\$5,050,000) is included in "Share of profits of an associate" in the consolidated statement of profit or loss and other comprehensive income.

11. DIVIDENDS

The directors do not recommend the declaration of a final dividend for the year ended 31 December 2016 (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK\$63,189,000 (2015: loss for the year of approximately HK\$20,745,000), and the weighted average number of ordinary shares of 2,700,000,000 (2015: 2,700,000,000) in issue during the year.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Furniture, fixtures, office and computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2016				
At 31 December 2015 and at 1 January 2016:				
Cost	746	4	5,430	6,180
Accumulated depreciation	(746)	(4)	(5,198)	(5,948)
Net carrying amount	<u>–</u>	<u>–</u>	<u>232</u>	<u>232</u>
At 1 January 2016, net of accumulated depreciation				
Addition	–	4	–	4
Depreciation provided during the year	–	–	(87)	(87)
At 31 December 2016, net of accumulated depreciation	<u>–</u>	<u>4</u>	<u>145</u>	<u>149</u>
At 31 December 2016:				
Cost	746	8	5,430	6,184
Accumulated depreciation	(746)	(4)	(5,285)	(6,035)
Net carrying amount	<u>–</u>	<u>4</u>	<u>145</u>	<u>149</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings <i>HK\$'000</i>	Furniture, fixtures, office and computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2015				
At 1 January 2015:				
Cost	746	4	5,430	6,180
Accumulated depreciation	<u>(707)</u>	<u>(4)</u>	<u>(5,077)</u>	<u>(5,788)</u>
Net carrying amount	<u>39</u>	<u>–</u>	<u>353</u>	<u>392</u>
At 1 January 2015, net of accumulated depreciation	39	–	353	392
Depreciation provided during the year	<u>(39)</u>	<u>–</u>	<u>(121)</u>	<u>(160)</u>
At 31 December 2015, net of accumulated depreciation	<u>–</u>	<u>–</u>	<u>232</u>	<u>232</u>
At 31 December 2015:				
Cost	746	4	5,430	6,180
Accumulated depreciation	<u>(746)</u>	<u>(4)</u>	<u>(5,198)</u>	<u>(5,948)</u>
Net carrying amount	<u>–</u>	<u>–</u>	<u>232</u>	<u>232</u>

14. PREPAID LAND LEASE PAYMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Carrying amount at 1 January	400	408
Recognised during the year	<u>(9)</u>	<u>(8)</u>
Carrying amount at 31 December	<u>391</u>	<u>400</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

15. INVESTMENT PROPERTIES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Carrying amount at 1 January	180,690	172,640
Net gain from fair value adjustments	<u>10,320</u>	<u>8,050</u>
Carrying amount at 31 December	<u><u>191,010</u></u>	<u><u>180,690</u></u>

The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., car parking spaces, commercial properties, residential properties and industrial properties, based on the nature, characteristics and risk of each property.

The fair value of the Group's investment properties situated in Hong Kong at 31 December 2016 had been arrived at based on a valuation carried out on that date by Roma Appraisals Limited, the independent professional qualified valuer not connected to the Group.

The fair value of the Group's investment properties were revalued by Roma Appraisals Limited on 31 December 2016. The valuation was determined using the direct comparison method by making reference to comparable market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. There has been no change from the valuation techniques used in the prior year.

The key input was the market price per square feet. The valuation takes into account the characteristics which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

Management reviews the valuation performed by the independent valuer for financial reporting purposes on a yearly basis. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of investment properties equate the highest and best use.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in Note 29 to the consolidated financial statements.

Further particulars of the Group's investment properties are included on page 84.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
2016				
Car parking spaces	–	4,500	–	4,500
Commercial properties	–	98,000	–	98,000
Residential properties	–	37,300	–	37,300
Industrial properties	–	51,210	–	51,210
	–	191,010	–	191,010
2015				
Car parking spaces	–	4,500	–	4,500
Commercial properties	–	90,000	–	90,000
Residential properties	–	36,700	–	36,700
Industrial properties	–	49,490	–	49,490
	–	180,690	–	180,690

During the year ended 31 December 2016, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

16. INVESTMENT IN AN ASSOCIATE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Share of net assets	<u>2,117</u>	<u>125,221</u>

Particulars of the Group's associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group %	Principal activities
Call Rich Investments Limited ("Call Rich")	12,520 ordinary shares of US\$1 each	British Virgin Islands	25.04	Investment holding

The Group's shareholdings in the associate's equity shares are indirectly held by the Company through wholly-owned subsidiaries.

The Group's associate is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Group's associate extracted from their financial statements:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current assets	9,675	169,106
Non-current assets	–	1,105,458
Current liabilities	(170)	(33,148)
Non-current liabilities	–	(484,903)
Non-controlling interests	<u>(1,049)</u>	<u>(256,428)</u>
Net assets	<u>8,456</u>	<u>500,085</u>
Reconciliation to the Group's interest in the associate:		
Group's share of net assets of the associate	25.04%	25.04%
Carrying amount of the investment	<u>2,117</u>	<u>125,221</u>
Revenues	26,570	32,003
Profit for the year	145,763	122,227
Other comprehensive expense for the year	(39,374)	(33,373)
Total comprehensive income for the year	106,389	88,854
Dividend received	<u>59</u>	<u>6,761</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

17. AVAILABLE-FOR-SALE INVESTMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets		
Unlisted equity investments, at cost (<i>Note a</i>)	60,556	60,556
Impairment	<u>(21,596)</u>	<u>(21,596)</u>
	38,960	38,960
Unlisted equity investment, at fair value (<i>Note b</i>)	<u>119,746</u>	–
	<u>158,706</u>	<u>38,960</u>

Notes:

- (a) The investments are measured as cost less impairment as the range of reasonable fair value estimates is so significant that the directors are of opinions that the fair value cannot be measured reliably. The Group does not intend to dispose them in the near future.
- (b) During the year ended 31 December 2016, Call Rich had completed distribution in specie of its 60% shareholding in Corncentre Investments Limited (“Corncentre”) to its shareholders. Accordingly, the Group had received 15.024% of shares of Corncentre.

After the completion of the distribution in specie, the Group directly hold 15.024% interest in Corncentre. As a result, the directors have determined that the Group’s significant influence over the associate was lost. Consequently, the investment in Corncentre was ceased to be recognised as an associate and was recognised as available-for-sale investments at fair value.

The fair value of the available-for-sale investment at initial recognition had been arrived at based on a valuation carried out on 31 December 2016 by Roma Appraisals Limited, the independent professional qualified valuer not connected to the Group. The valuation was determined by using adjusted net asset value after discount for lack of marketability. The difference of approximately HK\$11,177,000 between the carrying value and the fair value of the interest in Corncentre was recognised as loss on distribution of assets from an associate in profit or loss during the year ended 31 December 2016.

In the opinion of the directors, fair value hierarchy of the available-for-sale investment is at Level 3 at 31 December 2016. Details of disclosure for fair value measurement set out in Note 33 to the consolidated financial statements.

- (c) During the year ended 31 December 2015, the gross gain in respect of the Group’s available-for-sale investments recognised in OCI amounted to approximately HK\$7,091,000 of which approximately HK\$5,914,000 was reclassified from OCI to the statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

17. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Particulars of the unlisted equity investments were as follows:

Name of investees	Place of incorporation	Issued ordinary share capital	Percentage of equity interest attributable to the Group %	Principal activities
Rich Returns Limited	British Virgin Islands	US\$100	18	Investment holding
Head Wonder International Limited	British Virgin Islands	US\$10,000	5	Investment holding
Corncentre Investments Limited	British Virgin Islands	US\$50,000	15.024	Investment holding

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

None of the prepayments, deposits and other receivables is either past due or impaired. The financial assets included in the prepayments, deposits and other receivables relate to receivables for which there was no recent history of default.

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$'000	2015 HK\$'000
Listed equity investments, at market value	<u>612,365</u>	<u>511,110</u>

The above equity investments at 31 December 2016 and 2015 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss. At 31 December 2016, certain of the Group's listed equity investments with a carrying amount of approximately HK\$611,687,000 (2015: HK\$510,169,000) were pledged to secure the Group's other loans, as further detailed in Note 23 to the consolidated financial statements.

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31 December 2016

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cash and bank balances	1,752	158,269
Time deposits with original of maturity less than three months	<u>150,069</u>	<u>–</u>
	151,821	158,269
Less: Pledged deposits	<u>(69)</u>	<u>(65)</u>
Cash and cash equivalents	<u><u>151,752</u></u>	<u><u>158,204</u></u>

The deposits of approximately HK\$69,000 (2015: HK\$65,000) were pledged as security for banking facilities granted.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$230,000 (2015: HK\$175,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. OTHER PAYABLES AND ACCRUALS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accruals	4,248	4,571
Other payables	<u>1,982</u>	<u>10,274</u>
	<u><u>6,230</u></u>	<u><u>14,845</u></u>

Other payables are non-interest-bearing and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Liabilities	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Equity forward accumulator contracts	<u>–</u>	<u>26,308</u>

The Group had entered into several accumulator contracts to purchase certain securities listed on the Hong Kong Stock Exchange according to the contracts at predetermined prices on every trading day. The equity forward accumulator contracts would be terminated automatically if the closing prices of the underlying securities on any specified trading day during the contract periods were at or above the predetermined knock-out prices.

These contracts were derivative financial instruments and were measured at fair value at the end of the reporting period. As at 31 December 2015, fair value was determined in the manner as described in Note 33 to the consolidated financial statements, and a fair value loss of approximately HK\$26,308,000 in respect of these contracts was recognised in the statement of profit or loss and other comprehensive income.

Commitments arising from derivative financial instruments as at 31 December 2015 are disclosed in Note 30 to the consolidated financial statement.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Contractual interest rate (%)	Maturity	<i>HK\$'000</i>	Contractual interest rate (%)	Maturity	<i>HK\$'000</i>
Current liabilities						
Secured short term loans denominated in Hong Kong dollar	1.34	2017	<u>365,645</u>	1.05 to 1.06	2016	<u>263,585</u>

The scheduled principal repayment dates of the Group with reference to the loan agreements and ignore the effect of any repayment on-demand clause are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Analysed into:		
Other borrowings repayable within one year	<u>365,645</u>	<u>263,585</u>

At 31 December 2016, the Group's other loans with investment banks are secured by certain cash deposits and investments with an aggregate carrying value of approximately HK\$611,756,000 (2015: HK\$510,234,000), and revolving on a weekly basis.

NOTES TO FINANCIAL STATEMENTS

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24. DEFERRED TAX LIABILITIES

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

	Depreciation allowance in excess of related depreciation HK\$'000
At 1 January 2015	1,090
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year (<i>Note 10</i>)	<u>252</u>
At 31 December 2015 and 1 January 2016	1,342
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year (<i>Note 10</i>)	<u>191</u>
At 31 December 2016	<u>1,533</u>

The Group has tax losses arising in Hong Kong of approximately HK\$128,421,000 (2015: HK\$124,249,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

Shares

	2016 HK\$'000	2015 HK\$'000
Authorised: 20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 2,700,000,000 ordinary shares of HK\$0.01 each	<u>27,000</u>	<u>27,000</u>

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 26 to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

26. SHARE OPTION SCHEME

The Group's share option scheme (the "2013 Scheme") was adopted pursuant to a resolution passed on 30 May 2013 for the primary purpose of providing incentives to eligible participants. As the previous share option scheme adopted on 27 June 2003 (the "2003 Scheme") would expire on 27 June 2013, during the year ended 31 December 2013. The 2003 scheme was terminated and the 2013 Scheme was adopted by the Company on 30 May 2013. Similar to the 2003 Scheme, the primary purpose of the 2013 Scheme is to provide incentives to eligible participants.

The 2013 Scheme

The Company operates the 2013 Scheme for the purpose of, among others, is to recognise and motivate the contribution of eligible participants to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. Eligible participants of the 2013 Scheme include any (full-time or part-time) employee, including, without limitation, any executive and non-executive director or proposed executive and non-executive director of the Group, and any adviser, consultant, agent, contractor, client, customer or supplier or any member of the Group. The 2013 Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from 30 May 2013.

The total number of securities available for issue under the 2013 Scheme is 180,000,000, which is equivalent to 10% of the issued share capital of the Company at the date of adoption of the 2013 Scheme. The maximum number of shares issuable under share options to each eligible participant in the 2013 Scheme within any 12-month period, is limited to 1% of the shares of the Company for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 business days from the date of the offer upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the 2013 Scheme, if earlier.

The exercise price of the share options is determined by the board of directors, but may be not less than the higher of (i) the nominal value of the shares; (ii) the Hong Kong Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options under the 2013 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2013 Scheme.

NOTES TO FINANCIAL STATEMENTS

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27. RESERVES

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

28. CORPORATE GUARANTEES

At 31 December 2016, the Company has given corporate guarantees in favour of banks for banking facilities granted to its subsidiaries and fellow subsidiaries to the extent of approximately HK\$163,562,000 (2015: HK\$163,562,000), of which approximately HK\$163,562,000 (2015: HK\$163,562,000) was utilised.

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

29. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (Note 15 to the consolidated financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally require the tenants to pay security deposits.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	4,487	2,386
In the second to fifth years, inclusive	2,335	123
	<u>6,822</u>	<u>2,509</u>

30. OTHER COMMITMENTS

At 31 December 2015, the Group carried outstanding equity forward accumulator contracts which entailed a total commitment for purchase of equity shares of notional amount of approximately HK\$185,175,000 as disclosed in Notes 22 and 34 to the consolidated financial statements.

31. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Short term employee benefits	2,760	2,970
Post-employment benefits	18	18
Total compensation paid to key management personnel	<u>2,778</u>	<u>2,988</u>

Further details of directors' and chief executive's emoluments are included in Note 8 to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

Financial assets

	Financial assets at fair value through profit or loss – held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investments	–	–	158,706	158,706
Financial assets included in deposits and other receivables	–	321	–	321
Equity investments at fair value through profit or loss	612,365	–	–	612,365
Pledged deposits	–	69	–	69
Cash and cash equivalents	–	151,752	–	151,752
	<u>612,365</u>	<u>152,142</u>	<u>158,706</u>	<u>923,213</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	3,755
Interest-bearing bank and other borrowings	<u>365,645</u>
	<u>369,400</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2015

Financial assets

	Financial assets at fair value through profit or loss – held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investments	–	–	38,960	38,960
Financial assets included in deposits and other receivables	–	164	–	164
Equity investments at fair value through profit or loss	511,110	–	–	511,110
Pledged deposits	–	65	–	65
Cash and cash equivalents	–	158,204	–	158,204
	<u>511,110</u>	<u>158,433</u>	<u>38,960</u>	<u>708,503</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading <i>HK\$'000</i>	Financial liabilities at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	–	3,920	3,920
Derivative financial instruments	26,308	–	26,308
Interest-bearing bank and other borrowings	–	263,585	263,585
	<u>26,308</u>	<u>267,505</u>	<u>293,813</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, pledged deposits, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings are not materially different from their carrying amounts because of the immediate or the short term maturities of these instruments.

As detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	2016 HK\$'000	2015 HK\$'000			
Assets					
Equity investments at fair value through profit or loss	612,365	511,110	Level 1	Quoted bid prices in an active market.	N/A
Available-for-sale investments: Unlisted equity investment	119,746	Nil	Level 3	Net asset value of such unlisted equity investment with an adjustment of discount for lack of marketability under the asset approach. (Note)	Discount rate for lack of marketability
Liabilities					
Derivative financial instruments	Nil	26,308	Level 2	Monte Carlo simulation. This technique is to estimate a probable outcome using certain parameters such as volatility of underlying securities.	N/A

Reconciliation of Level 3 fair value measurements

	2016 HK\$'000	2015 HK\$'000
Fair value at 1 January	–	–
Additions	119,746	–
Fair value at 31 December	119,746	–

Note:

The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate adopted in the valuation assessment, the lower the fair value would be resulted.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 December 2016				
Equity investments at fair value through profit or loss	612,365	–	–	612,365
Available-for-sale investments:				
Unlisted equity investment	–	–	119,746	119,746
	612,365	–	119,746	732,111
As at 31 December 2015				
Equity investments at fair value through profit or loss	511,110	–	–	511,110

Liabilities measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 December 2015				
Derivative financial instruments	–	26,308	–	26,308

The Group did not have any financial liabilities measured at fair value at 31 December 2016.

During the year ended 31 December 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, available-for-sale investments, equity investments at fair value through profit or loss, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group does not expect to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax <i>HK\$'000</i>	Increase/ (decrease) in equity* <i>HK\$'000</i>
2016			
Hong Kong dollar	50	(12)	–
Hong Kong dollar	(50)	12	–
2015			
Hong Kong dollar	50	(7)	–
Hong Kong dollar	(50)	7	–

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS

31 December 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's exposure to market risk for change in foreign currency exchange rates relates primarily to certain investments and certain cash and cash equivalents in currencies other than the functional currency of Hong Kong dollar.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Japanese Yen exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2016			
If Hong Kong dollar weakens against United States dollar	(5)	129	–
If Hong Kong dollar strengthens against United States dollar	5	(129)	–
2015			
If Hong Kong dollar weakens against United States dollar	(5)	803	–
If Hong Kong dollar strengthens against United States dollar	5	(803)	–
If Hong Kong dollar weakens against Japanese Yen	(5)	381	–
If Hong Kong dollar strengthens against Japanese Yen	5	(381)	–

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS

31 December 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group provides services only to recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise pledged deposits, cash and cash equivalents, available-for-sale investments, equity investments at fair value through profit or loss, and other receivables arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed to Note 28 to the consolidated financial statements.

Concentrations of credit risk are managed by customer/counterparty and by different industry sectors. There are no significant credit risk as the tenants have paid security deposits as collateral to the Group for the lease of properties.

Liquidity risk

In the management of its 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 effect of fluctuations in cash flows. The management monitors the utilisation of interest-bearing bank and other borrowings and ensures compliance with relevant covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	2016				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	365,699	–	–	–	365,699
Other payables and accruals	3,755	–	–	–	3,755
	<u>369,454</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>369,454</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2015				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	263,611	–	–	–	263,611
Other payables and accruals	3,920	–	–	–	3,920
	<u>267,531</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>267,531</u>

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash outflows from derivative financial instruments.

	2015			Total HK\$'000
	Less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	
Equity forward accumulator contracts	<u>40,252</u>	<u>75,324</u>	<u>69,599</u>	<u>185,175</u>

The Group did not have any derivative financial instruments measured at 31 December 2016.

Each of the loan agreements contains a repayment on-demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clauses, the directors do not believe that the loans will be called, in their entirety or in part, within 12 months and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering the financial position of the Group at the date of approval of these financial statements, the Group's compliance with the loan covenants, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans of the Group, the contractual undiscounted payment of interest-bearing bank and other loans at the end of the reporting period will be as follows:

	2016				Total HK\$'000
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	<u>365,699</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>365,699</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	2015				Total HK\$'000
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	263,611	–	–	–	263,611

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed equity securities classified as equity investments at fair value through profit or loss (*Note 19*) as at 31 December 2016. The Group's listed investments are mainly listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2016	High/low 2016	31 December 2015	High/low 2015
Hong Kong – Hang Seng Index	22,001	24,100/ 18,320	21,914	28,442/ 20,556

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss and other comprehensive income.

	Carrying amount of equity investments HK\$'000	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2016			
Investments listed in Hong Kong and overseas – Held for trading	612,365	61,237/ (61,237)	– –
2015			
Investments listed in Hong Kong and overseas – Held for trading	511,110	51,111/ (51,111)	– –

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS

31 December 2016

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

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

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

The Group monitors capital using a debt-to-equity ratio, which is interest-bearing bank and other borrowings divided by the shareholders' equity. The debt-to-equity ratios at the end of the reporting periods were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest-bearing bank and other borrowings	<u>365,645</u>	<u>263,585</u>
Equity attributable to owners of the Company	<u>740,803</u>	<u>706,300</u>
Gearing ratio	<u>49.36%</u>	<u>37.32%</u>

35. EVENTS AFTER THE REPORTING PERIOD

As disclosed on the Company's announcement dated 23 March 2017, on 22 March 2017, the Group entered into a provisional agreement for sale and purchase to acquire the entire issued and outstanding share capital in Rich Century Development Limited ("Rich Century") for a consideration of HK\$55 million which is principally engaged in property investment and hold a property located in Hong Kong. Upon completion, Rich Century will become an indirect wholly-owned subsidiary of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Investments in subsidiaries	47,900	47,900
Club debenture	670	670
	48,570	48,570
Total non-current assets		
CURRENT ASSETS		
Amounts due from subsidiaries	211,570	212,267
Prepayments and other receivables	435	450
Equity investments at fair value through profit or loss	230	495
Cash and cash equivalents	45	47
	212,280	213,259
Total current assets		
TOTAL ASSETS	260,850	261,829
CURRENT LIABILITIES		
Other payables and accruals	61	81
	212,219	213,178
NET CURRENT ASSETS		
TOTAL ASSETS LESS CURRENT LIABILITIES	260,789	261,748
EQUITY		
Issued capital	27,000	27,000
Reserves (<i>Note</i>)	233,789	234,748
	260,789	261,748
Total equity	260,789	261,748

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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

Note:

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

	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	498,761	546	88,380	(353,270)	234,417
Total comprehensive income for the year	—	—	—	331	331
At 31 December 2015 and 1 January 2016	498,761	546	88,380	(352,939)	234,748
Total comprehensive expenses for the year	—	—	—	(959)	(959)
At 31 December 2016	<u>498,761</u>	<u>546</u>	<u>88,380</u>	<u>(353,898)</u>	<u>233,789</u>

The Company's contributed surplus represents the difference arising between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the value of the net assets of the subsidiaries acquired at the time of the Group's reorganisation in prior years. Under the Companies Act of Bermuda, the contributed surplus is distributable to shareholders in certain circumstances prescribed by Section 54 thereof.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present its annual Environmental, Social and Governance Report (“ESG Report”) to demonstrate its commitment to sustainable development. This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“the Guide”) of Hong Kong Stock Exchange, which covers two subject areas, Environmental and Social.

The Guide encourages an issuer to identify and disclose ESG information that is material and relevant to an issuer’s business. During the self-assessment of the Company’s business, the management has decided that out of the 11 ESG aspects suggested by the Guide, the below 5 ESG aspects are material to the Company:

Main ESG subject area in the Guide	ESG aspects
Environmental	A1. Emissions A2. Use of resources
Social	B3. Development and training B7. Anti-corruption B8. Community investment

The reporting period of this ESG Report is from 1 January 2016 to 31 December 2016. Unless otherwise specified, the reporting boundary of this ESG Report is the same as this Annual Report.

A. ENVIRONMENTAL

Emissions and Use of Resources

The Company’s operation is mainly office-based and the Company is committed to minimising the impact of businesses on the environment through adopting eco-friendly measures at the office. For example, staff is encouraged to reduce paper consumption by double-sided printing and reusing papers printed on one side.

In terms of energy saving measures, there are a number of good practices at office as follows:

- Staff is reminded to switch off lights and air-conditioning in the meeting room and the computer at the workstation when it is not in use;
- The room temperature is maintained at 25 degree Celsius in summer to save energy; and
- Conference calls instead of face-to-face meetings are arranged where possible.

The Company is dedicated to sustain implementation of the measures above, while it will explore other eco-friendly initiatives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

1. Employment and Labour Practices

Development and Training

The Company supports its staff to develop and enhance their professional knowledge and skills to cope with the evolving market environment and compliance level. On top of on-the-job training, the staff is encouraged to take external professional training to strengthen their work-related expertise.

2. Operating Practices

Anti-corruption

The Company upholds high standards on promoting anti-corruption, with all its employees and directors are required to maintain a high level of business ethics. The Audit Committee has the overall responsibility for matters related to the internal controls of anti-corruption.

During the reporting period, the Company had no legal cases regarding corrupt practices brought against the Company or its employees.

3. Community

The Company is fully aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this aspect, the Company would explore the possibility to identify suitable partners and support community and environmental programmes that align with the Company's missions and values.

The Company believes the best way to serve the community is to drive positive impact through our investment portfolio. To create shared values with the community and stakeholders, the Company will continue to consider ESG factors in selecting future investment projects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

C. HONG KONG STOCK EXCHANGE ESG GUIDE REFERENCE

Hong Kong Stock Exchange ESG Subject Areas	ESG Aspects	Disclosure Reference	
A. Environmental	A1. Emissions	Refer to the “Environmental” section of this ESG Report.	
	A2. Use of resources	Refer to the “Environmental” section of this ESG Report.	
	A3. The environment and natural resources	The office-based nature of the Company’s operations are not considered to have significant impact on environment and natural resources.	
B. Social	Employment and labour practices	B1. Employment	All matters related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare complied with the Employment Ordinance by the Labour Department.
		B2. Health and safety	The office-based operation of the Company is not considered to have significant occupational hazards. The Company has complied with all the major relevant laws and regulations such as Occupational Safety And Health Ordinance by the Labour Department.
	Operating practices	B3. Development and training	Refer to “Social” section of this ESG Report.
		B4. Labour standards	Child labour and forced labour are prohibited in the Company.
		B5. Supply chain management	The office-based operation of the Company is not considered to have a significant environmental and social risks of the supply chain.
		B6. Product responsibility	The Company puts high priority in maintaining business integrity and corporate governance standards to promote the long-term best interests to all its shareholders and stakeholders.
		B7. Anti-corruption	Refer to the “Social” section of this ESG Report.
		B8. Community investment	Refer to the “Social” section of this ESG Report.
Community			

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
Hong Kong						
1	Flat E, 18th Floor, Block H-9, Fu Yip Yuen, Chi Fu Fa Yuen, No. 9 Chi Fu Road, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
2	Flat H, 18th Floor, Block H-14, Fu Chun Yuen, Chi Fu Fa Yuen, No. 14 Chi Fu Road, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
3	Flat H, 21st Floor, Block H-12, Fu Yar Yuen, Chi Fu Fa Yuen, No. 12 Chi Fu Road, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
4	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 19th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	100%	11,439	11,439	A term from 17 December 1991 to 30 June 2047
5	Car Parking Space (Private Carpark) No. P101 on 1st Floor and Nos. P201 and P202 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	100%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
6	Flat A (Including the Balcony thereof), on the 12th Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	100%	1,317	1,317	A term from 25 January 1995 to 30 June 2047
7	Units B1 and B2 on 2nd Floor, Blue Box Factory Building, No. 25 (Formerly No. 15) Hing Wo Street, Hong Kong	Industrial	100%	9,080	9,080	75 years from 23 March 1970 renewable for a further term of 75 years
The PRC						
8	Unit No.7-10-I on Level 10 of Block No. 7, No. 68 Xinzhong Street, Dongcheng District, Beijing, The PRC	Residential	100%	1,132	1,132	Up to 1 November 2063

Note:

N/A – Not Applicable