中國興業控股有限公司

CHINA INVESTMENTS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 132)

Annual Report 2016

CONTENTS

CORPORATE INFORMATION

Executive Directors	He Xiangming *(Chairman)* Lin Pingwu *(Managing Director)* You Guang Wu *(Director)* Huang Zhihe *(Deputy Managing Director)* Wang Xin *(Deputy Managing Director)*
Independent Non-Executive Directors	Chan Kwok Wai Chen Da Cheng Deng Hong Ping
Audit Committee	Chan Kwok Wai *(Chairman)* Chen Da Cheng Deng Hong Ping
Remuneration Committee	Chen Da Cheng *(Chairman)* Chan Kwok Wai Deng Hong Ping He Xiangming Lin Pingwu
Nomination Committee	He Xiangming *(Chairman)* Lin Pingwu Chan Kwok Wai Chen Da Cheng Deng Hong Ping
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal Place of Business	Unit 501, Wing On Plaza 62 Mody Road Tsimshatsui Kowloon, Hong Kong
Registrar	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda

CORPORATE INFORMATION (Continued)

Branch Registrar	Tricor Progressive Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers	Bank of China Bank of Communications Bank of East Asia Limited OCBC Wing Hang Bank Limited Hang Seng Bank
Solicitors	Woo, Kwan, Lee & Lo
Auditor	HLM CPA Limited *Certified Public Accountants*
Secretary	Lo Tai On
Stock Code	132
Website	http://chinainvestments.quamir.com

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year ended 31 December 2016, the Group recorded total revenue of HK$26,832,000, representing a year-on-year decrease of 32%, and a loss of HK$4,331,000, representing a change from profit to loss. The decrease in profit during the period was mainly attributable to the increase in exchange loss of approximately HK$6,068,000 arising from the accelerated depreciation of the Renminbi as well as the reduced profit contribution from associates amounting to approximately HK$3,895,000.

HOTEL BUSINESS

In Guilin, competition in the hotel industry remained fierce. Over the past year, the management of Guilin Plaza further strengthened promotional efforts and developed online sales channels, which made the average occupancy rate to increase by 5.9% to 56.7% during the year. However, as price competition was severe in the industry, room rates continued to fall. As a result, through the year, Guilin Plaza recorded a year-on-year decline of 11.8% in revenue to HK$19,988,000 and an operating loss of HK$5,196,000, representing an improvement of 18.2% as compared to the same period of last year.

As disclosed by the Company on 13 February 2017, in the light of changes in the marketing environment of the hotel industry and the consumption patterns in the market as well as the unsatisfactory operating performance of Guilin Plaza in recent years, a comprehensive renovation of Guilin Plaza will be carried out aiming at transforming Guilin Plaza from a full-service hotel to a commercial complex hotel and its business will be divided into two segments, hotel tourism and commercial leasing. For the hotel business, Guilin Plaza has become a franchisee of a brand under the James Joyce Coffetel owned by Plateno Group to improve the sales of guestrooms. As for the commercial leasing segment, the space spared from the reduction of guestrooms will be built into a "community-style commercial complex" to upgrade accommodation ancillary services and the community life service concept, thereby increasing the property rental income.

Guilin Plaza has been temporarily closed starting from 1 March 2017 and renovation work is being carried out. It is scheduled to be re-opened with a brand-new look in the third quarter of this year.

CHAIRMAN’S STATEMENT (Continued)

PROPERTY INVESTMENTS

The Group’s overall rental income for 2016 was HK$4,566,000, representing a decrease of 6.3% as compared to the same period in last year. This was mainly attributable to the fact that, in March 2016, the Group recovered premises in Wing On Plaza which is used as the Group’s headquarters in Hong Kong, resulting in a decrease of 38.1% in income from properties in Hong Kong to HK$1,755,000.

After the ancillary facilities enhancement works at 中控大廈 (Zhongkong Tower*) in Foshan were completed, leasing promotions of the building were carried out in full swing in 2016. As at 31 December 2016, the overall occupancy rate of Zhongkong Tower was 56.76% and the full-year rental income amounted to HK$787,000. As the effects of the promotions emerge, it is expected that the occupancy rate and rental income of Zhongkong Tower will rise gradually in 2017.

The overall rental income of Shantou Commercial Plaza and Huizhou International Commerce Building was more or less the same as that of last year. Through the year, rental income from the two properties amounted to HK$2,024,000.

In terms of property sales, during the year, the Group completed the disposal of two units of President Commercial Centre and Yan On Building in Hong Kong, cashing in a total of HK$11,212,000.

GAINS ON INVESTMENTS IN ASSOCIATES

Nanhai Changhai Power Company Limited (“Changhai Power”), a company in which the Group is interested in 32.636% of its equity interest, implemented a technical transformation of its boilers in the beginning of the year which led to a short-term suspension of operation of the boilers. Coupled with the impact of the reduction in on-grid tariffs, as of 31 December 2016, Changhai Power recorded a decline in operating results and achieved operating profit of HK$159,577,000, contributing a profit of HK$52,079,000 to the Group, representing a decrease of 6.8% as compared to last year.

Guangdong Financial Leasing Co., Ltd. (“Guangdong Financial Leasing”), a 25%-owned associate of the Group, continued to achieve growth in business. As at 31 December 2016, Guangdong Financial Leasing recorded net operating profit of HK$62,670,000, contributing a profit of HK$15,668,000 to the Group, representing a decrease of 0.7% as compared to last year.

* *For identification purposes only*

CHAIRMAN'S STATEMENT (Continued)

EVENT AFTER REPORTING PERIOD

As disclosed by the Group on 13 February 2017, riding on opportunities brought forth by an aging Chinese population and the population growth driven by the second-child policy, the Company is active in exploring wellness projects in the areas of elderly and child care. The Group formed an alliance with Shenzhen e-ling Info-Tech Co., Ltd. ("Shenzhen e-ling") which successfully won the bid for the Smart Platform Development Project for Management of Comprehensive Elderly Care Services in Nanhai district in Foshan and joined hands with Shenzhen e-ling and an independent third party to establish 廣東壹佰健大健康科技有限公司 (Guangdong Yibaijan Health Technology Company Limited *), a 70%-owned joint venture company of the Group, to build and operate systems for the smart platform. The Group also signed a strategic cooperation agreement with Shenzhen e-ling to jointly develop the Internet and comprehensive health industry.

In addition, through 佛山市中創物業服務有限公司 (Foshan Zhong Chuang Property Service Company Limited*), a company in which the Group is interested in 42% of its equity interest, and a specialized maternal and infant health care institution of an independent third party, the Group established 佛山璦邸生婦幼保健有限公司 (Foshan Aidisheng Maternal and Child Caring Company Limited*) in the form of a joint venture to engage in maternal and child health care development projects with self-run business and franchised models, providing parturient women and newborn babies with comprehensive postpartum maternal and child health care services, hence establishing the maternal and child health care services brand image and gradually forming a business chain.

FINANCIAL POSITION AND ANALYSIS

As at 31 December 2016, the Group had total assets of HK$1,316,578,000 (31 December 2015: HK$1,352,241,000). The Group had bank loans and other long-term liabilities of HK$257,475,000 (31 December 2015: HK$256,001,000). Net assets amounted to HK$931,287,000 (31 December 2015: HK$974,419,000). Gearing ratio (being bank loans and long-term borrowings divided by total assets) was 19.6% (31 December 2015: 18.9%). Net assets per share amounted to HK54.39 cents (31 December 2015: HK56.91 cents).

The Group's net current assets amounted to HK$60,051,000 (31 December 2015: HK$76,284,000). Current ratio (being current assets divided by current liabilities) was approximately 1.39 times (31 December 2015: 1.53 times), while bank balances and cash amounted to HK$151,097,000 (31 December 2015: HK$158,952,000). There will be sufficient funds to meet the capital requirements for the Group's operations and new projects or business development in the future.

* *For identification purposes only*

CHAIRMAN'S STATEMENT (Continued)

PLEDGE OF ASSETS

For the year ended 31 December 2016, self-occupied and investment properties of the Group with a carrying amount of approximately HK$301,578,000 were pledged to bank as the security for the bank borrowings granted to the Group (31 December 2015: self-occupied and investment properties of the Group with a carrying amount of approximately HK$320,147,000 were pledged to bank).

FOREIGN EXCHANGE EXPOSURE

The Group's main operating income and costs are denominated in Renminbi ("RMB"). During the Group's operating process, the foreign exchange fluctuation of the income and costs can be mutually offset. However, due to the Hong Kong based Group putting a great deal of business loans into wholly-owned subsidiaries and the great amount of RMB-denominated monetary assets owned by the Group, the RMB appreciation or depreciation should bring exchange gain and loss respectively. It is expected that, when the exchange rate of Renminbi to HK dollar appreciates or depreciates by 5%, it will cause an increase or decrease of approximately HK$10,978,000 in the profit of this year. In retrospect of the past few years, Renminbi was always in the trend of appreciation, and gradually became stable until the second half of 2008 and still maintained upward momentum. However, the exchange rate of RMB started to trend downward in recent years. Although an exchange gain of HK$1,862,000 was recorded in the first half of last year due to a short-term rebound of RMB, Renminbi trended downward again in the second half of last year, resulting in an exchange loss of approximately HK$16,578,000 by the Group. The Board believes that, despite that Renminbi will continue a downward adjustment to a limited extent in the medium and short term, the chance of significant Renminbi depreciation will not be high and will not bring material adverse foreign exchange exposure to the Group in the long run. Accordingly, it is temporarily unnecessary for the Group to hedge against any foreign exchange risk.

OUTLOOK

Looking ahead into the next year, the Group will continue to optimize existing business projects to further enhance profitability and room for expansion and will actively and steadily promote the development of elderly and child care projects to expand the Group's stable sources of income and consolidate the foundation of the Group.

At the same time, the Group will adhere to a prudent attitude in identifying investment opportunities with potentials for long-term development to further gather the Group's momentum for sustainable business growth aiming at achieving the goals of improving returns for shareholders.

CORPORATE GOVERNANCE REPORT

China Investments Holdings Limited (the "Company") puts great emphasis on corporate governance and is committed to maintaining the high standard of corporate governance which is reviewed and strengthened on a continued basis. The board of directors (the "Board") and the management of the Company maintains and enhances the policies and practices of the Company in a timely, transparent, effective and responsible manner, so as to maintain good, solid and reasonable corporate governance structure. The Board believes that the Company and shareholders as a whole can derive maximum benefits from good corporate governance.

The Company has adopted all the code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code on corporate governance.

For the year ended 31 December 2016, the Company has complied with all code provisions under the CG Code.

CORPORATE GOVERNANCE STRUCTURE

The Company's corporate governance structure includes the Board and three committees under the Board, namely audit committee, remuneration committee and nomination committee. The Board stipulates the terms of reference of all committees in writing and specifies clearly the power and responsibilities of the committees.

THE COMPOSITION OF THE BOARD

The Board currently comprises eight directors, comprising five executive directors who have extensive business experience, and three independent non-executive directors who possess appropriate professional qualifications. Throughout the year 2016 and up to the date of this report, the composition of the Board is set out below:

Executive Directors
Mr. He Xiangming *(Chairman)*
Mr. Lin Pingwu *(Managing Director)* (appointed on 20 January 2016)
Mr. You Guang Wu *(Director)*
Mr. Huang Zhihe *(Deputy Managing Director)*
Ms. Wang Xin *(Deputy Managing Director)*
Mr. Su Wenzhao *(Managing Director)* (resigned on 20 January 2016)

Independent Non-Executive Directors
Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

Every director has sufficient time and attention to deal with the affairs of the Group. Each director discloses to the Company for the number and nature of offices held in public companies or organizations and other significant commitments every year. The Board considers the composition of executive and non-executive directors is rational and appropriate and provides adequate checks and balances to safeguard the interests of shareholders and the Group.

CORPORATE GOVERNANCE REPORT (Continued)

The independent non-executive directors provide the Group with diversified experience and expertise. Their suggestions, opinions and participation in the meetings of the Board and each committee bring independent opinions, suggestions and judgments on issues relating to the Group's strategy, development, operations, performance, risk control and conflicts of interest, to ensure that the interests of all shareholders are taken into account.

In accordance with the bye-laws of the Company, subject to the manner of retirement by rotation of directors as from time to time prescribed under the Listing Rules and notwithstanding any contractual or other terms on which any director may be appointed or engaged, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement at least once every three years.

Individual information and responsibilities of all directors are contained in this annual report on pages 22 to 23.

There are no business, financial, family and other relevant interests among directors.

THE OPERATION OF THE BOARD

The Board is principally responsible for establishing the development direction of the Group, formulating targets and business development plans, approving major agreements and matters, monitoring the performance of senior management and is responsible for corporate governance with a view to increasing shareholders' value. Led by the managing director, the management is responsible for implementing the strategies and plans developed by the Board. The Board authorizes the management to manage the day-to-day business operations of the Group. Each committee under the Board has its own specified terms of reference which clearly define their powers and responsibilities.

The Company has developed a schedule of matters reserved to the Board for its decision and has separately identified those functions reserved to the Board. The Board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

The Board also performs the obligations regarding corporate governance, including:

1. develop and review the Company's policies and practices on corporate governance;

2. review and monitor the training and continuous professional development of directors and senior management;

3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT (Continued)

4. develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

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

The Board convenes at least four regular meetings each year (approximately once each quarter) and will convene meetings when necessary. When a regular board meeting is convened, the Board papers will be sent to directors for review before the meeting pursuant to the deadline as required by the Listing Rules and the code provisions so that directors can keep abreast of the information to perform their duties and responsibilities.

All members of the Board have actively participated in the Company's Board meetings to discuss the overall strategy and business of the Group. The Board convened seven meetings in 2016 and the attendance of directors is as follows:

Name of Directors	**Attendance/ Number of Meetings**	**Attendance Rate**
Executive Directors		
Mr. He Xiangming *(Chairman)*	7/7	100%
Mr. Lin Pingwu *(Managing Director)* (appointed on 20 January 2016)	5/5	100%
Mr. You Guang Wu *(Director)*	7/7	100%
Mr. Huang Zhihe *(Deputy Managing Director)*	7/7	100%
Ms. Wang Xin *(Deputy Managing Director)*	7/7	100%
Mr. Su Wenzhao *(Managing Director)* (resigned on 20 January 2016)	2/2	100%
Independent Non-Executive Directors		
Mr. Chan Kwok Wai	7/7	100%
Mr. Chen Da Cheng	7/7	100%
Mr. Deng Hong Ping	7/7	100%

The remuneration of directors is determined with reference to their functions and responsibilities in the Company, the performance of the Company and current market conditions. Any director is not allowed to participate in determining his/her own remuneration. The remuneration received by directors from the Group during the year is set out in note 13 to the financial statements.

The Board has set up an independent professional consulting procedure for directors and upon reasonable request, the directors are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

CORPORATE GOVERNANCE REPORT (Continued)

ROLES AND DUTIES OF CHAIRMAN AND MANAGING DIRECTOR

The chairman and the managing director have different roles. The chairman is responsible for the operation of the Board and the managing director is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority so that they will not concentrate on a single individual.

In 2016, the chairman was Mr. He Xiangming and the managing director was Mr. Su Wenzhao (until 20 January 2016) and Mr. Lin Pingwu (from 20 January 2016). The deputy managing directors were Mr. Huang Zhihe and Ms. Wang Xin.

The chairman of the Board is principally responsible for leading the Board and ensures the Board acts in the best interests of the Company. The chairman shall ensure the Board operates effectively and performs its proper duties and discusses all important and proper matters in a timely manner. The chairman is responsible for convening board meetings, consulting, determining and approving the agenda of each board meeting, and ensuring that directors are provided sufficient information on current matters in a timely manner. The chairman is also responsible for ensuring that the Company formulates good corporate governance practice and procedure.

The managing director is principally responsible for the daily operation and management of the Group's overall operations and implementing the Board's operating strategy and policy and delegating tasks to all departments for implementation so as to realize the Board's objectives and decisions. In addition, the managing director is also responsible for coordinating close cooperation among all departments, uniting efforts of staff and encouraging the initiative of staff so as to ensure smooth and effective operation of the Company's operations and systems.

TRAININGS OF DIRECTORS

All newly appointed directors are 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. The Company Secretary and representative of auditor update directors on the latest development and changes regarding the Listing Rules, accounting standards and other relevant regulatory requirements from time to time.

In addition, the directors are provided with monthly updates on the Company's performance and position to enable the Board as a whole and each director to discharge their duties.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records provided by the directors, all directors have participated in continuous professional development for the year ended 31 December 2016.

CORPORATE GOVERNANCE REPORT (Continued)

During the year under review, all directors of the Company participated in continuous professional development to update their knowledge and skills by reading materials relevant to the directors' duties and responsibilities and/or their relevant professional and by attending the training programs arranged by the Company. In addition, Mr. Chan Kwok Wai also has attended talks and seminars organised by different professional institutions in relation to the knowledge of the Listing Rules and directors' responsibility etc.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. After making specific enquiries, all directors have confirmed that, in respect of the year ended 31 December 2016, they have complied with the required standard as set out in the Model Code.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors with extensive experience in accounting or legal aspects. The audit committee is mainly responsible for reviewing the financial statements, annual reports and accounts and risk management and internal control systems of the Company, providing advice to the Board, and making recommendations on the appointment and remuneration of the auditor of the Company and any matters related to the termination of appointment. Mr. Chan Kwok Wai is the chairman of the audit committee and is responsible for reporting the meeting results and recommendations of the audit committee to the Board after each meeting.

In 2016, the audit committee convened three meetings. Members and their attendance are as follows:

Name of Members	Attendance/ Number of Meetings	Attendance Rate
Chan Kwok Wai *(Chairman of the audit committee)*	3/3	100%
Chen Da Cheng	3/3	100%
Deng Hong Ping	3/3	100%

Tasks undertaken by the audit committee during the year included reviewing the 2015 audited financial statements and the annual results announcement, reviewing the interim report and the interim results announcement for the six months ended 30 June 2016, considering the accounting standards adopted, reviewing the financial reporting, internal control and risk management systems, reviewing the effectiveness of the Company's internal audit function, reviewing the management letter about audit work of the auditor submitted to the management and the response of the management and the basis of opinion made by the auditor in their report, etc.

CORPORATE GOVERNANCE REPORT (Continued)

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors and two executive directors. The remuneration committee is principally responsible for reviewing and approving remuneration plans for directors and senior management, making recommendations to the board on the remuneration package of executive directors and senior management, including benefits, pension rights and payment of compensation. Mr. Chen Da Cheng is the chairman of the remuneration committee and is responsible for reporting the meeting results and recommendations of the remuneration committee to the Board after each meeting.

In 2016, the remuneration committee convened one meeting. Members and their attendance are as follows:

Name of Members	**Attendance/ Number of Meetings**	**Attendance Rate**
Chen Da Cheng *(Chairman of the remuneration committee)*	1/1	100%
Chan Kwok Wai	1/1	100%
Deng Hong Ping	1/1	100%
He Xiangming	1/1	100%
Mr. Lin Pingwu (appointed on 20 January 2016)	0/0	N/A
You Guang Wu (resigned on 20 January 2016)	1/1	100%

Tasks undertaken by the remuneration committee during the year included reviewing the emoluments and incentive scheme of the Group, determining the emoluments of the directors and senior management and considering the incentive payment and making recommendations to the Board. The remuneration committee also ensures that no director or senior management member determines his/her own remuneration.

The remuneration policy of the Group is to determine the remuneration based on the responsibilities, qualifications and working performance of staff (including directors). In addition, the Group adopted the share option scheme for a term of 10 years on 26 April 2013. Since adoption of the share option scheme, the Group has not granted any share options.

NOMINATION COMMITTEE

The nomination committee comprises three independent non-executive directors and two executive directors. The nomination committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of independent non-executive directors under the requirements set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT (Continued)

In 2016, the nomination committee convened two meetings and members and their attendance are as follows:

Name of Members	Attendance/ Number of Meetings	Attendance Rate
He Xiangming *(Chairman of the nomination committee)*	2/2	100%
Lin Pingwu (appointed on 20 January 2016)	1/1	100%
Chan Kwok Wai	2/2	100%
Chen Da Cheng	2/2	100%
Deng Hong Ping	2/2	100%
You Guang Wu (resigned on 20 January 2016)	1/1	100%

The work carried out by the nomination committee during the year included reviewing the Board structure of the Company, assessing the independence of independent non-executive directors, considering and reviewing the Board diversity policy and making recommendations to the Board.

During the year, the nomination committee reviewed the appointment of new executive director and managing director of the Company. On 20 January 2016, Mr. Su Wenzhao resigned as an executive director and the managing director of the Company; Mr. You Guang Wu, an existing executive director, ceased to act as a member of the nomination committee and remuneration committee of the Company; and Mr. Lin Pingwu has been appointed as an executive director and the managing director of the Company and a member of the nomination committee and remuneration committee of the Company.

All independent non-executive directors of the Company have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The nomination committee has assessed their independence and confirms that all independent non-executive directors are independent parties as defined in the Listing Rules. The term of office of Mr. Chan Kwok Wai and Mr. Chen Da Cheng is for two years until 21 September 2018. The term of office of Mr. Deng Hong Ping is for two years until 5 April 2018. They are subject to the retirement by rotation and re-election requirements of the bye-laws of the Company.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board. With a view to maintaining competitive advantage, the Company sees increasing diversity at the Board level as an essential element. Therefore, the Company adopted the Board diversity policy in 2013. The policy set out that the nomination committee of the Company reviews and assesses the composition of the Board, makes recommendations to the Board on appointment of new directors of the Company, oversees the conduct of the annual review of the effectiveness of the Board in order to achieve the objective of Board diversity. In addition, mechanisms including supervising, reporting and policy reviewing etc. ensure that the Board diversity policy will be implemented effectively.

The nomination committee has reviewed from time to time the diversity of the Board of the Company to ensure that the policy will be implemented effectively and considered that there is no immediate need for setting up the measurable objectives.

CORPORATE GOVERNANCE REPORT (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board, the audit committee and the senior management of the Company. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring design, implementation and control of the risk management and internal control systems, so as to ensure the Group has set up and maintained a suitable and effective risk management and internal control systems. Such 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.

The Group has formulated and adopted Corporate Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the senior management identifies risks that would affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has established an internal audit function to assist the Board and the audit committee in ongoing monitoring of the risk management and internal control systems of the Group, identify deficiencies in the design and implementation of risk management and internal controls and recommend proposal for improvement. Significant risk management and internal control deficiencies will be reported to the audit committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the audit committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

CORPORATE GOVERNANCE REPORT (Continued)

Procedures and internal controls for the handling and dissemination of inside information

The Company has adopted a policy on disclosure of inside information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the Securities Future Ordinance. The Group ensures the information is kept strictly confidential before the information is fully disclosed to the public, if the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading, or false or misleading through omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

The Company Secretary is Mr. Lo Tai On, who is engaged and appointed by the Company from an external secretarial services provider. The primary contact persons with the Company Secretary of the Company are Mr. He Xiangming (Executive Director and Chairman), Mr. You Guang Wu (Executive Director) and Ms. Chong Ching Mui (Assistant to Chairman). During the year, the Company Secretary of the Company duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no change in the Company's constitutional documents.

ACCOUNTABILITY AND AUDIT

Directors acknowledge their responsibility in preparing financial statements of the Group.

The financial department of the Company is managed by a qualified accountant. With the assistance of the financial department, the Board will ensure the preparation of the financial statements of the Group complies with relevant regulations and applicable accounting standards.

For the year ended 31 December 2016, the audit fee was approximately HK$1,150,000 and the non-audit services fee was approximately HK$4,000.

The statement of reporting responsibility issued by HLM CPA Limited, the auditor of the Company, in respect of the financial statements of the Group is set out in the independent auditor's report on pages 33 to 42.

CORPORATE GOVERNANCE REPORT (Continued)

COMMUNICATION WITH SHAREHOLDERS

The Company understands the importance of good communication with shareholders and investors, and recognizes the value of providing current and relevant information to shareholders and investors. The Board has established a shareholders' communication policy setting out the principles of the Company in relation to shareholders' communication, with the objective of ensuring that both shareholders and investors can obtain the complete, identical and current information of the Company in a timely manner.

The Company has maintained communication with shareholders through the annual general meeting or other general meetings and encourages them to participate in general meetings. Registered shareholders receive notices of general meetings by post. The notice of general meeting contains the agenda, the proposed resolutions and the voting form. Any registered shareholder is entitled to attend the annual general meeting and special general meetings provided that their shares must be registered in the register of members. Shareholders who are unable to attend the general meeting can fill in the proxy form attached with the notice of general meeting and return the same to the Company so as to appoint their representatives or the chairman of the meeting as their proxies.

At the annual general meeting held on 20 May 2016, all directors were present to answer questions raised by shareholders and separate resolution in respect of each separate issue was proposed for shareholders to vote thereon. The Company appointed branch share registrar of the Company to act as scrutineers and to ensure votes cast are properly counted and recorded, and announced the results of the poll on the websites of the Stock Exchange and the Company in accordance with the bye-laws of the Company and the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for special general meetings requisitioned by the shareholders

Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists") shall have the right to require a special general meeting to be called and propose any matter to be considered at the general meeting of the Company. The Requisitionists may deposit the written requisition for special general meeting (which shall specify the full name of the Requisitionists, the business and proposal to be considered at the general meeting of the Company, and shall be signed by the Requisitionists) to the principal place of business of the Company for the attention of the Board. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting in specified days as provided by the bye-laws of the Company and the Listing Rules, the Requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

CORPORATE GOVERNANCE REPORT (Continued)

Procedures for shareholders to propose a person for election as a director

In accordance with Bye-law 88 of the Company, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless not less than seven (7) days before the date appointed for the general meeting there shall have been lodged at the office or at the head office notice in writing signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected provided that the period for lodgment of the aforesaid notice shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. For further information, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" published on the Company's website at http://chinainvestments.quamir.com.

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Bermuda Companies Act, either any number of the registered shareholders holding not less than one-twentieth (5%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("**Proposers**"), or not less than 100 of such registered shareholders can request the Company in writing to: (a) give to shareholders of the Company entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Proposers may consist of several documents in like form, each signed by one or more of the Proposers; and it must be deposited at the principal place of business of the Company with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

For any enquiry to the Board, shareholders may put forward a written enquiry to the Company setting out details of contact (including name, address, telephone number and email address etc.) by the following means:

Address: Unit 501, Wing On Plaza, 62 Mody Road, Tsimshatsui, Kowloon, Hong Kong
Fax No.: 852-23013878
Email: general@cihl.com.hk

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 35 to the financial statements.

BUSINESS REVIEW

The Group's fair review of the business during the year and discussion on the future business development of the Group are set out in the "CHAIRMAN'S STATEMENT" on pages 4 to 7 of this report. In addition, the discussion on the principal risks and uncertainties which the Group is exposed to the relationships with the Group's suppliers, customers and key stakeholders, the Group's environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on the Group are set out in below paragraphs and the section on employees under page 27 of this report.

There were no events significantly affecting the Group that have occurred since the end of 31 December 2016 and up to the date of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including business risks, operational risks and financial management risks.

The details of financial risk management policies and practices of the Group is set out in note 5 to the financial statements.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The hotel management continuously enhance relationships with individual and corporate customers, which enjoys good relationship with suppliers and customers. During the year of 2016, there were no material and significant dispute between the Group and its suppliers and/or customers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group's managed hotel. Such initiatives include recycling of used papers, energy saving measures and water saving practices. An environmental, social and governance report is set out on pages 29 to 32 of this report.

DIRECTORS' REPORT (Continued)

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries established in the mainland China while the Company itself is incorporated in Bermuda with its shares listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Bermuda, mainland China and Hong Kong. During the year ended 31 December 2016 and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China, Hong Kong and the Bermuda that have a significant impact on the Group.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year ended date. No revaluation surplus nor deficit was incurred for the year ended 31 December 2016 and 31 December 2015. Details of such revaluation are set out in note 17 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year of the Group's property, plant and equipment are set out in note 18 to the financial statements.

Particulars regarding the Group's major properties are set out on pages 123 and 124 of this report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity on page 47 and note 38 to the consolidated financial statements.

DIRECTORS' REPORT (Continued)

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2016, the Company had no reserves available for cash distribution and/or distribution in specie, except that under the laws of Bermuda, the Company's share premium account, in the amount of approximately HK$725,199,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors	
Mr. He Xiangming *(Chairman)*	
Mr. Lin Pingwu *(Managing Director)*	(appointed on 20 January 2016)
Mr. You Guang Wu *(Director)*	
Mr. Huang Zhihe *(Deputy Managing Director)*	
Ms. Wang Xin *(Deputy Managing Director)*	
Mr. Su Wenzhao *(Managing Director)*	(resigned on 20 Januray 2016)

Independent Non-Executive Directors
Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

In accordance with the provisions of the Company's Bye-laws, Mr. He Xiangming, Ms. Wang Xin and Mr. Chan Kwok Wai shall retire by rotation from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

The term of office of each independent non-executive director is two years.

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

He Xiangming, aged 50, was appointed as an executive director and chairman of the Board of the Company on 23 July 2014. Mr. He is the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. He holds a master degree in Geography from South China Normal University. He has extensive experience in business management and environmental public utilities. Prior to joining the Company, Mr. He was the chairman of Grandblue Environment Co., Ltd. (a company listed on the Shanghai Stock Exchange). He is also the chairman of Guilin Plaza, the chairman and legal representative of Foshan City Nanhai Canmanage Investments Holdings Limited*（佛山市南海康美投資有限公司）, Zhong Chuang Xing Ke (Shenzhen) Investments Company Limited*（中創興科（深圳）投資有限公司）, and a director in a number of subsidiaries of the Company.

Lin Pingwu, aged 49, was appointed as an executive director and the managing director of the Company on 20 January 2016. He is a member of the nomination committee and the remuneration committee of the Company, the chairman of Foshan Zhong Chuang Property Service Company Limited*（佛山市中創物業服務有限公司）and Guangdong Yibaijian Health Technology Company Limited*（廣東壹佰健大健康科技有限公司）and a director in a number of subsidiaries of the Company. Mr. Lin holds a degree in History from South China Normal University. He has extensive experience in business management and finance. He worked as 南海市教育局計財科科長(Chief of the Planning and Finance Section of Nanhai Education Office*), manager of a company which engaged in the education industry, 南海區西樵鎮鎮長 (Township Head of Xiqiao Town, Nanhai District*), 南海區外事僑務局（旅遊局）局長(Director of Nanhai Foreign Affairs & Overseas Chinese Affairs Office (Travel and Tourism Administration*)), 南海區委副秘書長 (Deputy Secretary-General of Nanhai District Committee*), 南海區法制辦公室主任 (Director of Nanhai Legislative Office*) and 南海區財政局常務副局長 (Deputy Director of Nanhai Finance Office*).

You Guang Wu, aged 52, was appointed as independent non-executive director of the Company on 22 September 2004 until 6 April 2006 when he was redesignated as vice chairman of the board and executive director of the Company. On 26 February 2009, Mr. You was appointed as the chairman of the board and on 23 July 2014 resigned as the chairman of the board. Mr. You is now an executive director of the Company and a director in a number of subsidiaries of the Company. Mr. You is a senior accountant in the PRC. He holds a master degree in economics. He has accumulated extensive experience in investment, financing and financial management.

Huang Zhihe, aged 48, was appointed as an executive director and the deputy managing director of the Company on 5 August 2013. Mr. Huang is also the managing director of Foshan City Nanhai Canmanage Investments Holdings Limited and a director in a number of subsidiaries of the Company. Mr. Huang holds a bachelor degree in industrial management and engineering and a master of business administration from South China University of Technology. He has extensive experience of investment and development in real estate and management in hotel industry.

* *For identification purpose only*

DIRECTORS' REPORT (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Executive Directors (Continued)

Wang Xin, aged 45, was appointed as an executive director and the deputy managing director of the Company on 1 May 2014. Ms. Wang holds a master degree in economics from Jiangxi University of Finance and Economics. She has extensive experience in corporate business operation, strategic financial planning and management, team building and management innovation. Ms. Wang is the managing director of Zhong Chuang Xing Ke (Shenzhen) Investments Company Limited*（中創興科（深圳）投資有限公司）, the managing director and legal representative of Foshan Zhong Chuang Property Service Company Limited*（佛山市中創物業服務有限公司）and Guangdong Yibaijian Health Technology Company Limited*（廣東壹佰健大健康科技有限公司）and a director in a number of subsidiaries of the Company.

Independent Non-Executive Directors

Chan Kwok Wai, aged 58, was appointed as an independent non-executive director of the Company on 22 September 2004 and is the chairman of the audit committee and a member of the nomination committee and the remuneration committee of the Company. Mr. Chan holds a bachelor degree in Accounting and Commerce, and is member of the CPA Australia and a member of Hong Kong Securities Institute. He has over 30 years of experience in the finance and accounting industry. Mr. Chan is also currently independent non-executive director of 4 other listed public companies in Hong Kong, namely Chinese Estates Holdings Limited, Tern Properties Company Limited, National Electronics Holdings Limited and Far East Consortium International Limited.

Chen Da Cheng, aged 52, was appointed as an independent non-executive director of the Company on 22 September 2004 and is the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Chen graduated from the Sun Yat-sen University, PRC. He is a practicing solicitor in the PRC and the chairman of the Foshan Lawyers Association. He has over 26 years of experience in legal services.

Deng Hong Ping, aged 43, was appointed as an independent non-executive director of the Company on 6 April 2006 and is a member of the audit committee, the nomination committee and the remuneration committee of the Company. Mr. Deng holds a Bachelor Degree in marine engineering of the Ocean University of China in Guangdong and graduated in master of economics and legal studies of Huazhong University of Science and Technology. Mr. Deng is a practicing lawyer in the PRC and he has accumulated extensive experience in legal sectors, particularly in enterprises mergers and acquisition and debt reorganization.

Note: The Group's businesses are under the direct responsibility of the above executive directors who are the senior management of the Company.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the shares of the Company

Name of director	Capacity	Nature of Interest	Number of ordinary shares held	Approximate percentage of total issued shares as at 31 December 2016
He Xiangming	Beneficial owner	Personal	1,441,000	0.08%

Save as disclosed above, as at 31 December 2016, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the persons who were interested in 5% or more in the shares and underlying shares of the Company are as follows:

Names	**Number of shares/ underlying shares**	*Notes*	**Capacity**	**Approximate percentage of total issued shares as at 31 December 2016**
廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*)	1,426,439,842	*1*	Corporate interest	83.30%
Nam Keng Van Investment Company Limited	121,864,487	*2*	Beneficial owner	7.12%
Cui Guo Jian	121,864,487	*2*	Corporate interest	7.12%
Pu Jian Qing	121,864,487	*2*	Corporate interest	7.12%

Notes:

1. These 1,426,439,842 shares comprises (i) 1,207,713,527 shares held by Prize Rich Inc. which was wholly-owned by 廣東南海控股投資有限公司 (Guangdong Nanhai Holding Investment Co., Ltd.*); and (ii) 218,726,315 new shares to be allotted and issued by the Company to Prize Rich Inc. upon the exercise of conversion rights attaching to the convertible bonds issued by the Company to Prize Rich Inc. pursuant to an acquisition agreement as part of the consideration.

2. These 121,864,487 shares were held by Nam Keng Van Investment Company Limited which was wholly-owned by Mr. Cui Guo Jian and Mr. Pu Jian Qing equally.

Save as disclosed above, no other parties were recorded in the register as having an interest in 5% or more of the issued share capital of the Company.

* *For identification purpose only*

DIRECTORS' REPORT (Continued)

CONNECTED TRANSACTION

During the year, there were no connected transactions which need to be disclosed as connected transactions pursuant to Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 34 to the financial statements. Those related party transactions constituted exempt connected transactions under the Listing Rules.

SHARE OPTION SCHEME

A share option scheme was adopted by shareholders of the Company at the annual general meeting held on 26 April 2013 (the "Share Option Scheme"). The Share Option Scheme is for a term of 10 years from the date of adoption. No option has been granted since the adoption of the Share Option Scheme.

The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants for their contribution or future contribution to the Group and to strengthen the many long-term relationships that the participants may have with the Group.

For details of terms of the Share Option Scheme, please refer to note 30 to the financial statements.

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules of the Stock Exchange of Hong Kong Limited.

CHARITABLE DONATIONS

During the year, no charitable donations were made within the Group (2015: Nil).

DIRECTORS' REPORT (Continued)

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 5.0% of the Group's purchases and the five largest suppliers accounted for 19.6% of the Group's total purchases. The largest customer accounted for 4.0% of the Group's turnover and the five largest customers accounted for 11.7% of the Group's total turnover.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in the Group's five largest suppliers and customers.

EMPLOYEES

The total number of employees of the Group is approximately 161 (2015: 191). The remuneration of the employees of the Group is determined on the basis of performance and responsibility of the employees. The Group provides education allowances to the employees. The Group also provides internal training to its employees to enable them to achieve self-improvement and to enhance their job related skills. The Group also operates a share option scheme, under which qualified employees may exercise their options at an agreed price to subscribe for shares of the Company.

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.

PERMITTED INDEMNITY

The Company's Articles of Association provided that the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profit of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Company.

EQUITY-LINKED AGREEMENTS

Save for the convertible notes and share option scheme as disclosed in notes 27 and 30 to the financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2016.

DIRECTORS' REPORT (Continued)

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 were audited by HLM CPA Limited who will retire and seek for re-election at the forthcoming annual general meeting.

On behalf of the Board
China Investments Holdings Limited

He Xiangming
Chairman

Hong Kong, 22 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company always puts great emphasis on environmental protection, is particularly dedicated to reducing emission of greenhouse gas and promoting resource utilization efficiency and waste management, etc., and pays the highest attention to its hotel business. The Company continuously puts forward various management methods and formulates resource protection policies according to the 5R principle (replace, reduce, reuse, recover and recycle), in an effort to to save energy and reduce resource consumption. Dedicated to environmental and resource protection and thanks to excellent performance, the hotel has passed and maintained the certification of Chinese Tourist Hotels "Silver Leaf Green Tourist Hotel" since 2007 to date.

EXHAUST GAS

– We have installed flue gas purification devices that have passed the standardized test of the environmental protection administration on boilers and other combustion facilities, so as to minimize the emission of harmful gas.

– We have changed our fuel from diesel with a lot of nitric oxide emission to clean natural gas, so as to reduce emission of sulfur dioxide and particles.

– Our exhaust gas emission has passed the test of environmental protection administration, with our emission indicators has met the statutory and regulatory standards.

GREENHOUSE GAS

The greenhouse gas emitted by the Company mainly comes from electric consumption. The hotel also tries our best to reduce electric consumption and carbon footprint in the following ways.

– The hotel has set up a system of solar power generation, using clean and environmentally-friendly renewable energy, in a bid to reduce consumption of local electric energy.

– The Company has applied power-saving equipment, and adopted new-type energy-saving light sources for all lighting facilities, with a higher luminous efficiency and a longer service life than traditional incandescent lamps, thus dramatically saving power consumption.

– The hotel has worked out Regulations on Energy Saving and Environmental Protection, advocating active adoption of up-to-date saving techniques and management methods in the energy-saving management of the hotel, so as to practically reinforce the capacity of energy management and control, carry out energy saving and consumption reduction works, reduce operation cost and protect the environment.

– The hotel adheres to the guideline of "Full Attention and Participation by all, Constant Persistence and innovation". Therefore, we are not only dedicated to educating and training our employees and strictly enforcing relevant regulations, but also encouraging employees to put forward feasible advices to continuously improve our energy saving and control, in a bid to continuously intensify and develop energy saving of the hotel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

ENVIRONMENT AND RESOURCE CONSUMPTION

Water Consumption

– The water consumption of the Company focuses on the hotel business. In all guest rooms of the hotel, we apply water-saving pedestal pans which meet the Class-1 standards of water use efficiency. We guide guests to correctly use the pedestal pans according to different standards for bowel movement and urination. We also encourage employees to use water frugally in daily life. We also install the intelligent inductive water-saving system in employees' bathrooms. These measures can effectively control power consumption and water-use density.

Consumption of Other Resources

– The Company tries to save the use of paper by advocating "paperless office". Moreover, we reduce the use of disposable stationery, print both sides of paper, and deliver waste paper to the environmental recycling company for disposal.

– The hotel reduces resource consumption by reducing guest supplies, minimizing packages and preventing the use of disposable tableware.

In the spirit of a good corporate citizen, the Company actively participates in various activities with regard to caring community and environmental protection, tries to be a conscientious enterprise, offers all-round security to our employees, and makes due contribution to building a better community.

EMPLOYMENT AND LABOR

In order to promote employees' sense of belonging to the Company, the Company launches various games for employees every year, including simulated ball game, outdoor activities, etc. In addition, the Company tries to promote employees' job skill and sense of superiority by instruction, activities, skill competition and other trainings.

The Company has worked out the Employee Manual, wherein all articles and the formulation and release procedures of the Employee Manual meet relevant legal requirements. The Company has established a trade union to offer guidance to employees.

The Company treats each employee equally, and recruits, compensates and promotes employees according to the same standards irrespective of their ethnology, race, nationality, sex, religion, age, sexual orientation, political faction, marital status and other social identities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

HEALTH AND SAFETY

The Company is dedicated to providing employees with a safe working environment, trying our best to prevent work from bringing any risk to the public, and paying attention to employees' health. The orientation training of the hotel employees includes the labor safety course, so as to promote employees' safety awareness and self-protection capacity. We have worked out safe-operation procedures for each job that may bring about any risk. In addition, we carry out daily safety supervision and monthly safety check.

In addition, we provide all employees with free professional physical examination every year.

TRAINING AND SKILL DEVELOPMENT

The Company invests sufficient resources in employee training and development, so as to maintain the competitiveness, professional level and moral standards of employees. All new employees must receive training of industry knowledge, health and safety and job skill. Furthermore, guided by Annual Employee Training Program, we continuously offer expertise and skill training to employees every year, so that they can possess a high professional quality, maintain their competitiveness, fulfill their duties and reach the highest service standards.

In addition, we select and assign employees to pursue advanced studies at domestic well-known professional academies, with a view to bringing up professional talents with a broad vision and versed in industry operation and management.

In 2016, each employee of the hotel received 8-day training of 6 courses on average.

LABOR REGULATIONS

With regard to labor standards and human right policy, the Company strictly abides by relevant laws. The internal labor policy formulated by the Company contains a strict ban on child labor or forced labor. In each of the previous years, we smoothly passed the annual check of labor supervision by relevant government authorities.

SUPPLY CHAIN MANAGEMENT

The supplier management of the hotel is always an important link of quality control system. The hotel has worked out strict purchase control measures, so as to ensure the quality and safety of all purchased raw materials. All food suppliers must provide inspection and quarantine certificates issued by the government authorities of hygiene and disease control. Materials supplied by other suppliers must also have national quality and safety (QS) certificates. The hotel has formulated and implemented a strict cargo receipt and inspection system, ensuring the quality and safety of all materials (including raw materials) purchased by us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

PRODUCT LIABILITY

In the opinion of the Company, products represent the core competitiveness of an enterprise. In order to practically improve product quality and ensure customers' rights and interests, we have taken an active part in the event of "Brand Creation Year" organized by the local government, formulated and implemented the standardized management procedures of product quality, and successfully applied for a brand enterprise.

ANTI-CORRUPTION

The Company carries out a zero-tolerance policy toward any act of bribery, fraud or money-laundering. Both the Employee Manual and Financial System formulated by the Company contain control procedures for preventing bribery, fraud or money-laundering from occurring. Moreover, the Company has set up a reporting mechanism, through which employees can report any surreptitious irregular act.

COMMUNITY INVESTMENT

For many years, the hotel has been helping local student groups through cash donation, material donation and employee participation, so as to meet our commitment to community service.

In addition, the hotel always pays high attention to the impact of our operation on our community and environment, and tries to minimize such impact, so as to fulfill our obligation as a member of our community.

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF CHINA INVESTMENTS HOLDINGS LIMITED
中國興業控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Investments Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 43 to 121, which comprise the consolidated statement of financial position as at 31 December 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Valuation and impairment of hotel property and other landed properties	How our audit addressed the Key Audit Matter
Refer to note 18 to the consolidated financial statements	
The group has properties with aggregate carrying values of HK$222,161,000, as at 31 December 2016, of which the hotel property is approximately HK$112,000,000 and the other properties are approximately HK$110,161,000. Following a review of the business, the outlook for the industry and the Group's operating plans, management has assessed these carrying values. And no impairment provision is provided. These conclusions are dependent upon significant management judgement, including in respect of: – estimated resale values, provided by an independent external valuer; and – estimated utilisation, disposal values, property occupancy rate and discount rates applied to future cash flows.	Our procedures in relation to management's impairment assessment of properties included: – Assessing the valuation methodologies used by the external valuer; – Evaluating the independent external valuer's competence, capabilities and objectivity; and – Considering the appropriateness of the resale values estimated by the external valuer based on the recent transaction prices in the PRC and Hong Kong's property industry. Based on available evidence we found management's assumptions in relation to the valuation are reasonable.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Valuation of investment properties	How our audit addressed the Key Audit Matter
Refer to note 17 to the consolidated financial statements	
Management has estimated the fair value of the Group's investment properties to be HK$229,917,000 as at 31 December 2016. The valuations are dependent on certain key assumptions that require significant management judgement including fair market rents. Independent external valuations were obtained in order to support management's estimates.	Our procedures in relation to management's valuation of investment properties included: – Evaluating the independent external valuers' competence, capabilities and objectivity; and – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry. We found the key assumptions were supported by the available evidence. The fair market rents supported by recent renewals was in line with our expectation.

Revenue recognition	How our audit addressed the Key Audit Matter
Refer to note 6 to the consolidated financial statements	
Revenue from hotel operation amounted to HK$19,988,000 for the year ended 31 December 2016. Revenue from hotel room and restaurant is recorded when the related service is provided. Hotel management make an adjustment on the price in accordance with the market condition.	– Assessing the appropriateness of the Group's revenue recognition accounting policy in line with HKFRS.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Revenue recognition (Continued)	**How our audit addressed the Key Audit Matter**
Revenue from properties investment amounted to HK$4,566,000 for the year ended 31 December 2016. Rental income under operating lease is recognised on a straight line method over the relevant lease term.	– Scrutinising journals and sale and purchase contracts related to revenue to assess the cut-off and reliability of the revenue.
The revenue from sale of property is recorded when the Group enter into a legal binding contract and the ownership of the property transfers to the buyer. Management makes a price list with reference to the recent transaction price.	We found that the amount and the timing of the revenue recorded were supported by the available evidence.

Interests in associates – Nanhai Changhai Power Company Limited ("Changhai")	**How our audit addressed the Key Audit Matter**
Refer to note 19 to the consolidated financial statements	
The Group's 32.636% interest in Changhai is accounted for under the equity method and considered for impairment in case of a significant decline in value. The Group's share of the profit after tax from Changhai for the year ended 31 December 2016 was HK$52,079,000 and the Group's share of Changhai's net asset was HK$411,792,000 as at 31 December 2016. The accounting for the results and investments in Changhai is significant to our audit due to the share in profits and the carrying value of the investment are substantial, and critical management judgement is required in determining if there is any decline in value of the investment. In the context of our audit of the Group's financial statements, the key audit matters relating to the Group's share of the profits and net assets of Changhai are summarised below:	Changhai is a significant associate of the Group and we had performed an audit of Changhai's financial statements in accordance with HKSA's for the purpose of inclusion in the Group's financial statements. We have determined that the audit work performed and evidence obtained were sufficient for our purpose. The procedures performed on the respective key audit matters included:

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Interests in associates – Nanhai Changhai Power Company Limited ("Changhai") (Continued)	**How our audit addressed the Key Audit Matter**
Revenue recognition – Changhai's revenue amounted to HK$1,022,321,000 for the year ended 31 December 2016. Revenue from the sale of electricity and steam is recorded when the related products is delivered.	– Conducting substantive analytical procedures on revenue; – Evaluating journal entries posted to revenue accounts, on a sample basis, and comparing details of these journal entries with relevant underlying documentation; and – Assessing whether the revenue took place before and after the year-end to determine whether the revenue was recognized in the proper period.
Depreciation of fixed asset – The management determines the useful life of the fixed asset and its related depreciation expense based on the past experience of the actual useful life of the fixed asset with similar nature and function.	– Scrutinising depreciation-related entries to assess accuracy and consistency of depreciation policy. – Testing the depreciation charges through reperformance of a sample of depreciation calculations and assessing the useful lives of assets.
Maintenance provisions – The management estimates the repair and maintenance expenses and determine such expenses based on systems and engineer's past experience. Determining the provisions requires significant management judgement and complex estimates, including the maintenance schedule of boiler and electricity generation set, projected repair and maintenance costs and anticipated maintenance risks.	– Examing the bases of management's assessment and estimates of the repair and maintenance expenses; and – Performing recalculation of the provision with reference to underlying documentation.
Management analysed Changhai's cash flow and operating plan and no abnormal items were found. Management concludes that there is no impairment of interest in associate.	We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Interests in associates – Guangdong Financial Leasing Co., Ltd ("Financial Leasing")	**How our audit addressed the Key Audit Matter**
Refer to note 19 to the consolidated financial statements	
The Group's 25% interests in Financial Leasing are accounted for under the equity method and considered for impairment in case of a significant decline in value. The Group's share of the profit after tax from Financial Leasing for the year ended 31 December 2016 was HK$15,668,000 and the Group's share of Financial Leasing's net asset was HK$208,595,000 as at 31 December 2016. The accounting for the results and investments in Financial Leasing is significant to our audit due to the share in profits and the carrying value of the investment are substantial, and critical management judgement applied in determining if there is any decline in value. Our audit of the Group's share of the profits and net assets of Financial Leasing are summarised below:	Financial Leasing is a significant associate of the Group and is audited by an auditor not related to us ("the FL Auditor"). Our audit procedure in the investment in this associate included, among other things, instructing the FL Auditor on the relevant financial information of Financial Leasing for the purpose of the consolidated financial statement of the Group. We have met with the FL Auditor and discussed their risks assessment and their audit strategy and approach and have reviewed their working papers. Together with the report to us from the FL Auditor, and our additional procedures performed, we have determined that the audit work performed and evidence obtained were sufficient for our purpose. We have evaluated management's assessment of the impairment indicators of Financial Leasing. The additional audit procedures that we had performed on the respective key audit matters included:
Revenue recognition – Financial Leasing's revenue amounted to HK$209,826,000 for the year ended 31 December 2016. Revenue from leasing income is recognised on a straight-line basis over the term of the relevant lease and consultancy fee is recorded when the related services are provided.	– Conducting substantive analytical procedures on revenue; and – Reviewing contracts and repayment schedule related to revenue to assess the timing of revenues recorded.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Interests in associates – Guangdong Financial Leasing Co., Ltd ("Financial Leasing") (Continued)	**How our audit addressed the Key Audit Matter**
Recoverability assessment – Financial Leasing's management considers any change in the credit quality of the accounts receivable from the date credit was initially granted to the end of the reporting period.	– Checking, on a sample basis, the repayment schedule and periodic risk reports to ensure that adequate provision for impairment loss is provided for the recoverable amount; – Scrutinising credit approval document for each new project to ensure that the credit amount of the project is reasonable; and – Assessing the insurance coverage on the lease asset.
Management analysed Financial Leasing's cash flow and operating plan and no abnormal items were found. Management concludes that there is no impairment of interest in associate.	We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose.

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.

– 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 disclosure made by the directors.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

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

HLM CPA Limited
Certified Public Accountants
Yuen Suk Ching
Practicing Certificate Number P1107
Hong Kong, 22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000 (Restated)
Continuing operations			
Revenue	*6*	**24,554**	35,582
Cost of sales and services		**(11,403)**	(17,917)
Gross profit		**13,151**	17,665
Other operating income	*8*	**3,982**	5,644
Selling and distribution costs		**(701)**	(682)
Administrative expenses		**(60,564)**	(54,429)
Impairment loss on property, plant and equipment		**–**	(1,440)
Impairment loss on available for sale financial asset		**–**	(73)
Share of profit of associates		**67,747**	71,642
Finance costs	*9*	**(22,362)**	(23,159)
Profit before taxation		**1,253**	15,168
Income tax expenses	*10*	**(3,956)**	(7,811)
(Loss)/profit for the year from continuing operations	*12*	**(2,703)**	7,357
Discontinued operation			
Loss for the year from discontinued operation	*11*	**(1,628)**	(1,584)
(Loss)/profit for the year and attributable to owners of the Company		**(4,331)**	5,773

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
Other comprehensive expense, net of income tax			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of hotel properties		**4,072**	3,930
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,598)**	(2,076)
Share of exchange differences of associates		**(41,275)**	(28,790)
Other comprehensive expense for the year, net of income tax		**(38,801)**	(26,936)
Total comprehensive expense for the year and attributable to owners of the Company		**(43,132)**	(21,163)
(Loss)/earnings per share	*16*		
From continuing and discontinued operations			
Basic		**(HK0.25cent)**	HK0.34 cent
Diluted		**(HK0.25cent)**	HK0.34 cent
From continuing operations			
Basic		**(HK0.16cent)**	HK0.43 cent
Diluted		**(HK0.16cent)**	HK0.43 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	17	**229,917**	322,263
Property, plant and equipment	18	**244,354**	176,253
Interests in associates	19	**620,387**	624,951
Available for sale financial asset	20	**8,527**	9,117
		1,103,185	1,132,584
Current assets			
Properties held for sale	21	**55,028**	55,028
Inventories	22	**781**	1,063
Trade and other receivables	23	**6,487**	4,614
Bank balances and cash	24	**151,097**	158,952
		213,393	219,657
Current liabilities			
Trade and other payables	25	**110,704**	104,462
Tax payables		**6,634**	8,250
Bank loans	26	**36,004**	30,661
		153,342	143,373
Net current assets		**60,051**	76,284
Total assets less current liabilities		**1,163,236**	1,208,868
Capital and reserves			
Share capital	29	**171,233**	171,233
Reserves		**760,054**	803,186
Total equity		**931,287**	974,419

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Bank loans	26	**100,379**	116,873
Convertible notes	27	**121,092**	108,467
Deferred tax liabilities	28	**10,478**	9,109
		231,949	234,449
		1,163,236	1,208,868

The consolidated financial statements on pages 43 to 121 were approved and authorised for issue by the Board of Directors on 22 March 2017 and are signed on its behalf by:

HE XIANGMING
Director

LIN PINGWU
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000 *(Note 39(i))*	**Statutory reserve*** HK$'000 *(Note 39(ii))*	**Hotel property revaluation reserve** HK$'000 *(Note 39(iii))*	**Exchange reserve** HK$'000 *(Note 39(iv))*	**Convertible note equity reserve** HK$'000 *(Note 39(v))*	**Retained earnings** HK$'000	**Total** HK$'000
The GROUP								
At 1 January 2015	171,233	725,199	47,098	41,135	(55,546)	34,700	31,763	995,582
Profit for the year	–	–	–	–	–	–	5,773	5,773
Other comprehensive income/(expense) for the year								
– Surplus on revaluation of hotel properties	–	–	–	3,930	–	–	–	3,930
– Release of revaluation reserve of hotel properties	–	–	–	(1,444)	–	–	1,444	–
– Exchange differences arising on translations of foreign operations	–	–	–	–	(2,076)	–	–	(2,076)
– Share of exchange differences of associates	–	–	–	–	(28,790)	–	–	(28,790)
Other comprehensive income/(expense) for the year	–	–	–	2,486	(30,866)	–	1,444	(26,936)
Total comprehensive income/(expense) for the year	–	–	–	2,486	(30,866)	–	7,217	(21,163)
Transfer to statutory reserve	–	–	16,760	–	–	–	(16,760)	–
At 31 December 2015	171,233	725,199	63,858	43,621	(86,412)	34,700	22,220	974,419
At 1 January 2016	**171,233**	**725,199**	**63,858**	**43,621**	**(86,412)**	**34,700**	**22,220**	**974,419**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(4,331)**	**(4,331)**
Other comprehensive income/(expense) for the year								
– Surplus on revaluation of hotel properties	**–**	**–**	**–**	**4,072**	**–**	**–**	**–**	**4,072**
– Release of revaluation reserve of hotel properties	**–**	**–**	**–**	**(1,585)**	**–**	**–**	**1,585**	**–**
– Exchange differences arising on translations of foreign operations	**–**	**–**	**–**	**–**	**(1,598)**	**–**	**–**	**(1,598)**
– Share of exchange differences of associates	**–**	**–**	**–**	**–**	**(41,275)**	**–**	**–**	**(41,275)**
Other comprehensive income/(expense) for the year	**–**	**–**	**–**	**2,487**	**(42,873)**	**–**	**1,585**	**(38,801)**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**2,487**	**(42,873)**	**–**	**(2,746)**	**(43,132)**
Transfer to statutory reserve	**–**	**–**	**15,623**	**–**	**–**	**–**	**(15,623)**	**–**
At 31 December 2016	**171,233**	**725,199**	**79,481**	**46,108**	**(129,285)**	**34,700**	**3,851**	**931,287**

* *Items that will not be reclassified to profit or loss*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
(Loss)/profit for the year	**(4,331)**	5,773
Adjustment for:		
Interest income	**(3,343)**	(5,637)
Interest expense	**22,362**	23,159
Income tax expenses	**3,956**	7,811
Share of profit of associates	**(67,747)**	(71,642)
Net loss on disposal of investment properties	**–**	630
(Gain)/loss on disposal of property, plant and equipment	**(328)**	18
Depreciation of property, plant and equipment	**10,957**	9,649
Impairment loss on property, plant and equipment	**–**	1,440
Impairment loss on trade and other receivables	**2**	11
Impairment loss on available for sale financial asset	**–**	73
Net foreign exchange loss	**16,578**	10,510
Operating cash flow before movements in working capital	**(21,894)**	(18,205)
Decrease in inventories	**282**	221
Decrease in properties held for sale	**–**	2,426
(Increase)/decrease in trade and other receivables	**(1,873)**	657
Increase/(decrease) in trade and other payables	**6,242**	(404)
Cash used in operations	**(17,243)**	(15,305)
Tax paid	**(3,038)**	(11,134)
Net cash used in operating activities	**(20,281)**	(26,439)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(11,589)**	(10,304)
Purchase of investment properties	**–**	(77,097)
Purchase of available for sale financial asset	**–**	(9,190)
(Increase)/decrease in time deposits with more than three months to maturity when placed	**(13,161)**	62,743
Dividend received	**31,036**	112,526
Release of pledged bank deposit	**–**	122,467
Interest received	**3,341**	7,419
Net cash flow from disposal of investment properties	**–**	(326)
Net proceeds from disposal of property, plant and equipment	**11,212**	12
Net cash generated from investing activities	**20,839**	208,250
Financing activities		
Interest paid	**(9,737)**	(12,562)
Repayment of bank loan	**(3,507)**	(116,830)
Proceeds from borrowings	**–**	31,160
Net cash used in financing activities	**(13,244)**	(98,232)
Net (decrease)/increase in cash and cash equivalents	**(12,686)**	83,579
Cash and cash equivalents at 1 January	**155,372**	79,036
Effect of foreign exchange rates changes	**(8,330)**	(7,243)
Cash and cash equivalents at 31 December	**134,356**	155,372
Analysis of the balances of cash and cash equivalents, being:		
Bank balances and cash	**151,097**	158,952
Less: time deposit with maturity over three months	**(16,741)**	(3,580)
	134,356	155,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Price Rich Inc, which was incorporated in the British Virgin Islands ("BVI") and the ultimate holding company is Guangdong Nanhai Holding Investment Co., Ltd, which was incorporated in the People's Republic of China ("the PRC"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

During the year, the principal activities of the Group are property development and investment, hotel operation and investment holding. The principal activities of the Company and its subsidiaries (the "Group") are described in note 35. The wood processing business was discontinued on 31 December 2016. Details of which are set out in note 11. Accordingly, the comparative figures of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 have been restated to reflect the discontinued operation.

Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA which are or have become effective for the Group's financial year beginning on 1 January 2016:

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

The adoption of new and revised HKFRSs has no material effect on the Group's financial performance and positions for the current or prior accounting period. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

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

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost are generally based on the fair value of the consideration given in exchange for assets.

Fair Value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

The principal accounting policies are set out below:

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are change to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses have been eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination

Acquisition of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

Property, plant and equipment

i. Hotel properties

Hotel properties are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of hotel properties are recognised in other comprehensive income and are accumulated in the properties revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of hotel properties arising on revaluations or impairment testing is recognised in other comprehensive income to the extent of the revaluation surplus in the properties revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

ii. Property, plant and equipment (other than Hotel properties)

Property, plant and equipment (other than hotel properties) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than hotel properties) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings	2% to 10%
Furniture, equipment and leasehold improvements	10% to 30%
Plant and machinery	10% to 30%
Motor vehicles	15% to 30%

iii. Construction in progress

Construction in progress represents property, plant and equipment in the course of construction for production or for own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when it is completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into financial assets as loans and receivables and available for sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Available for sale ("AFS") financial assets

AFS financial assets are non-derivative that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Dividend on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. AFS equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, prepayments and deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

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

For the financial assets, objective evidence of impairment could include:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Convertible notes

The component parts of the compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity components are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, when the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's statement of financial position (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Inventories

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the end of each reporting period, and are discounted to present value where the effect is material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses of tangible and intangible assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Hotel operation

Revenue arising from hotel operation is recognised when the relevant services are rendered.

(ii) Sales of goods

Sales of goods other than properties are recognised when goods are delivered and title has passed.

(iii) Sales of properties

Revenue from the sale of properties is recognised when the legally binding sales contracts are signed and customers take possession of the properties.

(iv) Rental income

Rental income arising from properties let under operating leases is recognised on a straight-line basis over the periods of the respective leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(v) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(vi) Dividend income

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

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

Payments to defined contribution retirement benefit plans, including the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Leases

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

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

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

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related 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 reporting entity or to the parent of the reporting entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts or bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed that Group's investment properties portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. Moreover, the fair value of the Group's investment properties is lower than acquisition cost. As a result, the Group has not recognised any deferred taxes on change in fair value of investment properties as the Group is not subject to any incomes taxes on disposal of its investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Deferred taxation on hotel properties

By comparing the initial cost and the revaluated value of PRC hotel properties of the Group, the Directors considered that no capital gain may generate and does not constitute a timing difference and not expect to settle the carrying amount of the tax liabilities. Therefore, deferred tax has not been recognised in respect of the valuation surplus relating to Hotel properties.

Key sources of estimation uncertainty

The following are 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.

Estimated the useful lives of property, plant and equipment

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

Estimated impairment of property, plant and equipment

Machinery and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of fair value of the machinery and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. As at 31 December 2016 the Group reported no impairment loss for certain property, plant and equipment (2015: HK$1,440,000).

Estimate of impairment of hotel properties

Hotel properties are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the hotel properties. Management makes judgments on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimation of fair value of the Group's other assets and liabilities

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The qualified external valuers establish the appropriate valuation techniques and inputs to the model. The Financial Controller reports the qualified external valuers' findings to the board of Directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 5, 17 and 18 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities

Estimation of fair value of the Group's properties

The Group's properties were revalued as at 31 December 2016 based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate of fair value, the Group considers information from current prices in an active market for similar properties in the same location and condition and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The carrying amount of investment properties and hotel properties at 31 December 2016 was HK$229,917,000 and HK$112,000,000 respectively (2015: HK$322,263,000 and HK$112,000,000).

Estimation of net realisable value of properties held for sale

Management reviews the recoverable amount of properties held for sale at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and identifies obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. The Group carries out a review of the inventories on a product-by-product basis at the end of each reporting periods and provide impairment on obsolete items.

Estimated allowance for doubtful debts of trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivable. Allowances are made on trade and other receivable whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the management investigate the relevant debts and report on the recoverability. Specific allowance is only made for those trade and other receivable that are unlikely to be collected. Where the expectation on the recoverability of trade and other receivable is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amount of trade and other receivable at 31 December 2016 is HK$6,487,000 (2015: HK$4,614,000). Details of the recoverable amount calculation are disclosed in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT

The Group's businesses are principally conducted in the PRC and Hong Kong and accordingly are subject to special considerations and several risks.

Foreign Exchange Exposure

The Group mainly earned revenue and incurred cost in Renminbi ("RMB") and Hong Kong Dollar. The effect of exchange rate fluctuation on earned revenue and incurred cost would be able to offset each other in the business operation of the Group. RMB had always been in the trend of appreciation, and gradually became stable until the second half of 2008. But the exchange rate of RMB started to trend downward in recent years. The Directors expected that RMB's exchange rate will not flustrate drastically and will not bring material adverse foreign exchange risk on the Group in the long run. Therefore, the Group currently does not have any specific foreign exchange risk hedging need for this matter.

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

	At 31 December	
	2016	2015
	HK$'000	HK$'000
Assets		
Denominated in Renminbi	**116,428**	160,956
Denominated in US dollars	**16,671**	175
	133,099	161,131
Liabilities		
Denominated in Renminbi	**153,086**	156,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT (Continued)

Foreign Exchange Exposure (Continued)

The following shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars. The sensitivity analysis includes only RMB denominated monetary items and adjusts their translation at the year and for a 5% change in RMB rate. If there is a 5% increase/decrease in RMB exchange rate against the Hong Kong dollar, the effect in the profit or loss for the year is as follows:

	At 31 December	
	2016	2015
	HK$'000	HK$'000
Increase/decrease in profit or loss for the year	**10,978**	12,956

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of net debt (which includes bank loans and convertible notes) and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained earnings).

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and will balance its overall capital structure through issue of new shares as well as the issue of new debt or the redemption of existing debt.

The directors monitor capital on the basis of net debt-to-equity ratio. This ratio is calculated based on net debt and equity. Net debt is calculated as total interest-bearing bank loans and debt component of convertible bonds less cash and bank balances. The Group's policy is to keep the debt-to-equity ratio at a reasonable level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management (Continued)

The net debt-to-equity ratio at the end of the reporting period was as follows:

	2016	2015
	HK$'000	HK$'000
Debts *(Note 1)*	**257,475**	256,001
Bank balances and cash	**(151,097)**	(158,952)
Net debt	**106,378**	97,049
Equity *(Note 2)*	**931,287**	974,419
Net debt to equity ratio	**11%**	10%

Notes:

1) Debt comprises long-term and short-term bank loans and debt component of convertible notes as detailed in notes 26 and 27 respectively.

2) Equity includes all capital and reserves attributable to owners of the Company.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed interest rate borrowings from bank (see note 26 for details of these borrowings). The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk mainly arises from the Group's RMB denominated borrowings. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the end of the reporting period. The analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2015: 50 basis points) increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2016 would increase/decrease by HK$572,000 (2015: HK$617,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Liquidity risk management

Ultimate responsibility for liquidity risk management rest with the board of Directors. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2016, the Group's net current assets amounted to HK$60,051,000 (2015: HK$76,284,000), current ratio (being current assets divided by current liabilities) was approximately 1.39 times (2015: 1.53 times), while total current assets amounted to HK$213,393,000 (2015: HK$219,657,000), which is sufficient to meet the capital requirement of the Group's operations and development in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2016							
	Weighted average interest rate %	**On demand HK$'000**	**Within 1 year HK$'000**	**1-3 years HK$'000**	**3-5 years HK$'000**	**Over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carry amount HK$'000**
Trade and other payables	–	110,704	–	–	–	–	110,704	110,704
Borrowings								
–Short term borrowings	2.24	–	1,802	3,605	3,605	23,881	32,893	27,075
–Long term borrowings	4.90	–	14,175	31,338	34,663	54,452	134,628	109,308
Convertible notes issued on 13th October 2014	14.16	–	3,325	172,881	–	–	176,206	121,092
		110,704	19,302	207,824	38,268	78,333	454,431	368,179

	2015							
	Weighted average interest rate %	On demand HK$'000	Within 1 year HK$'000	1-3 years HK$'000	3-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carry amount HK$'000
Trade and other payables	–	104,462	–	–	–	–	104,462	104,462
Borrowings								
–Short term borrowings	2.09	–	1,785	3,570	3,570	25,438	34,363	28,274
–Long term borrowings	6.15	7,334	9,684	34,938	34,499	81,416	167,871	119,260
Convertible notes issued on 13th October 2014	14.16	–	3,325	6,649	169,557	–	179,531	108,467
		111,796	14,794	45,157	207,626	106,854	486,227	360,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, there is no concentration of accounts receivable. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Details of the Group's credit policies are included in note 23.

Fair value

i) Fair values of financial instruments carried at other than fair value

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	2016		2015	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liability				
Liability component of convertible notes	**121,092**	**121,092**	108,467	108,467

The fair value of the liability component of convertible notes is determined assuming there will not be any early redemption and at a 14.16% discount rate.

ii) The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

6. REVENUE

Revenue represents the gross amounts received and receivable for revenue arising on hotel operations, and goods or properties sold by the Group to external customers, less return and allowances and gross rental income during the year.

7. SEGMENT INFORMATION

For management purposes, the Group is currently organised into two operating divisions – hotel operation and property investments. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operation	–	hotel ownership and management
Property investments	–	holding investment properties and properties held for sale

For the property investment operations, the management reviews the financial information of each property investment, hence each property investment constitutes a separate operating segment. However, the properties investment possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all properties investment are aggregated into one reportable segment for segment reporting purposes.

Wood processing operation was discontinued in the current year. The segment information reported below does not include any amount for this discontinued operation, which is described in more detail in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

7. SEGMENT INFORMATION (Continued)

Segment information about these continuing operations is presented below:

	Segment Revenue		**Segment result**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Hotel operation	**19,988**	22,655	**(5,196)**	(6,354)
Property investments	**4,566**	12,927	**(2,421)**	1,780
Total	**24,554**	35,582	**(7,617)**	(4,574)
Interest income			**3,343**	5,637
Impairment loss on property, plant and equipment			**–**	(1,440)
Impairment loss on available for sale financial asset			**–**	(73)
Professional fee			**(1,027)**	(1,637)
Net central administration cost			**(22,253)**	(20,718)
Net exchange loss			**(16,578)**	(10,510)
Share of profit of associates			**67,747**	71,642
Finance costs			**(22,362)**	(23,159)
Profit before taxation			**1,253**	15,168
Income tax expense			**(3,956)**	(7,811)
(Loss)/profit for the year			**(2,703)**	7,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

7. SEGMENT INFORMATION (Continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: Nil).

Segment result represents the (loss)/profit generated by each segment without allocation of interest income, impairment loss on property, plant and equipment, professional fee, impairment loss on available for sale financial asset, net central administration costs, net exchange loss, share of profit of associates and finance costs. This is the measure reported to the Group's management for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

	2016 **HK$'000**	2015 HK$'000 (restated)
Segment assets		
Continuing operations		
Hotel operation	**122,243**	122,304
Property investments	**296,241**	393,368
Total segment assets	**418,484**	515,672
Assets relating to discontinued operation	**391**	521
Bank balances and cash	**151,097**	158,952
Interests in associates	**620,387**	624,951
Available for sale financial asset	**8,527**	9,117
Unallocated assets	**117,692**	43,028
Consolidated assets	**1,316,578**	1,352,241
Segment liabilities		
Continuing operations		
Hotel operation	**3,919**	3,759
Property investments	**115,710**	122,300
Total segment liabilities	**119,629**	126,059
Liabilities relating to discontinued operation	**1,028**	176
Convertible notes	**199,911**	187,287
Bank loans	**27,075**	28,274
Unallocated liabilities	**37,648**	36,026
Consolidated liabilities	**385,291**	377,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

7. SEGMENT INFORMATION (Continued)

Other segment information

2016

Continuing operations

	Hotel operation HK$'000	Property investments HK$'000	Total HK$'000
Depreciation	**5,876**	**1,913**	**7,789**
Additions to property, plant and equipment	**2,445**	**5,493**	**7,938**
(Loss)/gain on disposal of property, plant and equipment	**(5)**	**446**	**441**

2015 (Restated)

Continuing operations

	Hotel operation HK$'000	Property investments HK$'000	Total HK$'000
Depreciation	7,695	209	7,904
Additions to property, plant and equipment	551	9,717	10,268
Additions to investment property	–	79,097	79,097
Loss on disposal of property, plant and equipment	(18)	–	(18)

Geographical segments

The Group's hotel operation is located in the People's Republic of China, other than Hong Kong (the "PRC").

Property investments are located in both PRC and Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

7. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

The Group's revenue from continuing operations from external customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Revenue from external customer		Non-current assets*	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
The PRC	**22,798**	32,744	**319,805**	327,716
Hong Kong	**1,756**	2,838	**38,516**	128,616
	24,554	35,582	**358,321**	456,332

* *Non-current assets excluded interest in associates, available for sale financial asset and unallocated non-current assets*

Information about major customers

For the year ended 31 December 2016, no single customer (2015: Nil) accounted for 10% or more of the Group's total revenue.

8. OTHER OPERATING INCOME

Other operating income included:

	2016	2015
	HK$'000	HK$'000
Continuing operations		
Bank interest income	**3,343**	5,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

9. FINANCE COSTS

	2016	2015
	HK$'000	HK$'000
Continuing operations		
Interest on:		
Bank loans		
–wholly repayable within five years	**–**	897
–not wholly repayable within five years	**6,412**	7,939
Interest on convertible notes	**15,950**	14,323
	22,362	23,159

10. INCOME TAX EXPENSE

	2016	2015
	HK$'000	HK$'000
Continuing operations		
Tax charges comprise:		
Current tax – Provision for PRC Enterprise Income Tax	**(1,906)**	(1,196)
Over-provision for PRC Enterprise Income Tax	**–**	432
Deferred tax *(see note 28)*:		
Temporary differences arising in current year	**(2,050)**	(7,047)
	(3,956)	(7,811)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

10. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2016 (2015: Nil). PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

The tax charge for the year can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 **HK$'000**	2015 HK$'000 (Restated)
Profit before taxation	**1,253**	15,168
Tax at the rates applicable to profit in the countries concerned	**1,422**	(642)
Tax effect of share of profit of associates	**7,222**	3,505
Tax effect of non deductible expenses	**(9,837)**	(8,145)
Tax effect of non taxable revenue	**1,846**	1,754
Over-provided in previous year	**–**	432
Tax effect of tax loss not recognised	**(4,609)**	(4,715)
Tax effect for the year	**(3,956)**	(7,811)

11. DISCONTINUED OPERATION

During the year, Foshan City Nanhai District Safety Supervision Authority, Jiujiang Division ("Safety Supervision Authority") issued a notice to Foshan City Nanhai Kang Sheng Timber Company Limited ("Kang Sheng"), a wholly-owned subsidiary, requiring it to upgrade its production facilities to a higher level environmental protection standard.

In this regard, the Board resolved to cease the Group's wood processing business ("discontinued operation") on 31 December 2016 after considering the cost of upgrading the existing machineries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

11. DISCONTINUED OPERATION (Continued)

The results of the discontinued operation included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows are set out below. The comparative loss and cash flows from discontinued operation have been re-presented to include those operation classified as discontinued in the current year.

	2016	2015
	HK$'000	HK$'000
Revenue	**2,278**	3,693
Cost of sales	**(2,842)**	(4,529)
Gross loss	**(564)**	(836)
Other operating income	**–**	199
Selling and distribution costs	**(495)**	(802)
Administrative expenses	**(569)**	(145)
Loss before taxation from discontinued operation	**(1,628)**	(1,584)
Income tax expense	**–**	–
Loss for the year from discontinued operation and attributable to owners of the Company	**(1,628)**	(1,584)

Loss for the year from discontinued operation include the following:

	2016	2015
	HK$'000	HK$'000
Auditor's remuneration	**–**	–
Depreciation	**235**	572

Cash flows from discontinued operation

	2016	2015
	HK$'000	HK$'000
Net cash outflows from operating activities	**(411)**	(511)
Net cash outflows	**(411)**	(511)

None of the assets or liabilities related to discontinued operation was classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

12. (LOSS)/PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000 (Restated)
Continuing operations		
(Loss)/profit for the year has been arrived at after crediting/(charging):		
Depreciation of property, plant and equipment	**(10,722)**	(9,077)
Auditor's remuneration		
Audit service	**(1,150)**	(1,100)
Non-audit service	**(4)**	(4)
Gain/(loss) on disposal of property, plant and equipment	**328**	(18)
Net gain on disposal of properties held for sale	**–**	3,583
Net loss on disposal of investment property	**–**	(630)
Impairment loss on trade and other receivables	**(2)**	(11)
Net exchange loss	**(16,578)**	(10,510)
Total staff costs		
Directors' emoluments *(note 13)*	**(6,105)**	(5,979)
Other staff cost	**(13,771)**	(13,819)
Retirement benefit schemes contributions for other staffs	**(1,300)**	(1,374)
	(21,176)	(21,172)
Gross rental income from investment properties	**4,566**	4,871
Less:		
Direct operating expenses from investment properties that generated rental income during the year	**(29)**	(22)
Direct operating expenses from investment properties that did not generate rental income during the year	**(2,585)**	(1,865)
	1,952	2,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' emoluments

The emoluments paid or payable to each of the nine (2015: eight) Directors were as follows:

Fees	**2016** **HK$'000**	2015 HK$'000
Mr. He Xiangming	**–**	–
Mr. Lin Pingwu (appointed on 20 January 2016)	**–**	–
Mr. You Guang Wu	**–**	–
Mr. Huang Zhihe	**130**	130
Ms. Wang Xin	**130**	130
Mr. Su Wenzhao (resigned on 20 January 2016)	**–**	–
Mr. Chan Kwok Wai	**100**	100
Mr. Chen Da Cheng	**100**	100
Mr. Deng Hong Ping	**100**	100
	560	560

Salaries and other benefits	**2016** **HK$'000**	2015 HK$'000
Mr. He Xiangming	1,244	1,307
Mr. Lin Pingwu (appointed on 20 January 2016)	1,028	–
Mr. You Guang Wu	1,244	1,302
Mr. Huang Zhihe	304	401
Ms. Wang Xin	304	384
Mr. Su Wenzhao (resigned on 20 January 2016)	170	1,142
Mr. Chan Kwok Wai	–	–
Mr. Chen Da Cheng	–	–
Mr. Deng Hong Ping	–	–
	4,294	4,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

a. Directors' emoluments (Continued)

Performance-based or discretionary bonus	**2016** **HK$'000**	2015 HK$'000
Mr. He Xiangming	136	136
Mr. Lin Pingwu (appointed on 20 January 2016)	120	–
Mr. You Guang Wu	136	136
Mr. Huang Zhihe	140	142
Ms. Wang Xin	140	142
Mr. Su Wenzhao (resigned on 20 January 2016)	130	120
Mr. Chan Kwok Wai	–	–
Mr. Chen Da Cheng	–	–
Mr. Deng Hong Ping	–	–
	802	676

Retirement benefits scheme contribution	**2016** **HK$'000**	2015 HK$'000
Mr. He Xiangming	112	61
Mr. Lin Pingwu (appointed on 20 January 2016)	90	–
Mr. You Guang Wu	89	52
Mr. Huang Zhihe	71	27
Ms. Wang Xin	71	17
Mr. Su Wenzhao (resigned on 20 January 2016)	16	50
Mr. Chan Kwok Wai	–	–
Mr. Chen Da Cheng	–	–
Mr. Deng Hong Ping	–	–
	449	207

The Directors' emoluments disclosed above include their services in connection with the management of the affairs of the Group. No Directors had waived any emoluments for both years. Save as disclosed above, no other emoluments were paid or payable to any Director.

During the year ended 2016 and 2015, no emoluments had been paid by the Group to the Directors or the five highest-paid individuals referred to in (d) below as an inducement to join or upon joining the Group or as a compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

b. Directors' material interests, transactions, arrangements or contracts

No transactions, arrangements and contracts of significance to which the Group as a party and in which a Director of the Group had material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

c. Loans, quasi-loans and other dealings in favour of Directors

No loans, quasi-loans and other dealings in favour of Directors of the Group or body corporate controlled by such Directors, or entities connected with such directors, subsisted at the end of the year or at any time during the year.

d. Five highest-paid individual

During the year, the five highest paid individuals included three Directors (2015: four Directors), details of whose emoluments are set out above. The emoluments of the other two individuals (2015: one individuals) were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits	**1,379**	725
Retirement benefits scheme contributions	**42**	18
	1,421	743

The emoluments of each of the above two (2015: one) highest paid individual are less than HK$1,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

14. RETIREMENT BENEFIT SCHEME

The Group contributes to a defined contribution retirement scheme which is available to Hong Kong permanent employees. This retirement scheme is administered by independent trustees with their assets held separately from those of the Group. Contributions under the staff retirement scheme for each year are based on a percentage of the eligible employees' salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as incurred. The total contribution to the scheme amounted to HK$112,090 (2015: HK$156,754) for the year and has been charged to the consolidated statement of profit or loss and other comprehensive income. Forfeited employer contributions in respect of former employees from the staff retirement scheme before vesting period may be used by the Group to reduce its ongoing employer contributions. There is no forfeited contribution utilised during the year.

At the end of the reporting period, there is no balance of forfeited contributions available to reduce the contribution payable in the future years.

Since the introduction of the Mandatory Provident Fund ("MPF") Scheme in Hong Kong, the Group has also participated in an approved MPF Scheme with Bank Consortium Trust Company Limited effective 1 December 2001 to provide an MPF Scheme to all employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited at 5% of HK$30,000 for each eligible employee) as calculated under the MPF legislation. During the year under review, the total amount contributed by the Group to the MPF Scheme and charged to the consolidated statement of profit or loss and other comprehensive income amounted to HK$74,440 (2015: HK$72,736).

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

15. DIVIDENDS

The Directors do not recommend the payment of dividend for the year ended 31 December 2016 (31 December 2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

16. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately HK$4,331,000 (2015: profit of HK$5,773,000) and on the number of 1,712,329,142 ordinary shares (2015: 1,712,329,142 ordinary shares) in issue during the year.

No diluted (loss)/earnings per share has been presented as there were no diluting events existing for both years.

From continuing operations

The calculation of basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

(Loss)/earnings figures are calculated as follows:

	2016	2015
	HK$'000	HK$'000
		(Restated)
(Loss)/profit for the year attributable to owners of the Company	**(4,331)**	5,773
Add:		
Loss for the year from discontinued operation	**1,628**	1,584
(Loss)/earning for the purpose of basic/diluted earnings per share from continuing operations	**(2,703)**	7,357

Number of shares

	2016	2015
	'000	'000
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,712,329**	1,712,329

The denominators used are the same as those detailed above for both the basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

16. (LOSS)/EARNINGS PER SHARE (Continued)

Number of shares (Continued)

For the year ended 31 December 2016 and 2015, no dilutive earnings per share has been presented as the outstanding convertible notes for the year had no dilutive effect on the basic earnings per share as the conversion price was higher than the average market price of the Company's ordinary shares, and the conversion of the Company's outstanding convertible notes could only be converted into shares at any time following the third anniversary of the issue date (i.e. 13 October 2017) up to the maturity date on 13 October 2019.

From discontinued operation

Basic/diluted loss per share for the discontinued operation is HK$0.09 cents per share (2015: HK$0.09 cents loss per share), based on the loss for the year from discontinued operation of HK$1,628,000 (2015: loss of HK$1,584,000) and the denominators details above for both basic and diluted loss per share.

17. INVESTMENT PROPERTIES

	In the PRC held under medium-term leases	**In Hong Kong held under medium-term leases**	**Total**
	HK$'000	HK$'000	HK$'000
FAIR VALUE OF INVESTMENT PROPERTIES			
As at 1 January 2015	252,804	38,500	291,304
Additions	–	79,097	79,097
Disposals	(304)	–	(304)
Transferred to property, plant and equipment	(36,384)	–	(36,384)
Exchange difference	(11,450)	–	(11,450)
As at 31 December 2015 and 1 January 2016	**204,666**	**117,597**	**322,263**
Transferred to property, plant and equipment	**–**	**(79,097)**	**(79,097)**
Exchange difference	**(13,249)**	**–**	**(13,249)**
As at 31 December 2016	**191,417**	**38,500**	**229,917**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

17. INVESTMENT PROPERTIES (Continued)

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

The carrying amount of investment properties amounting to HK$191,417,000 (2015: HK$283,763,000) have been pledged to secure general banking facilities and mortgage loan to the Group.

Investment properties were revalued at their open market value at 31 December 2016 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuer, on an open market value basis. No revaluation surplus nor deficit was recognised in current year. (2015: Nil).

Associated Surveyors & Auctioneers Ltd is a member of the Institute of Valuers of Hong Kong, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's investment properties were classified under level 2 of the fair value hierarchy. There were no transfers into or out of Level 2 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

17. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 2) based on the degree to which the inputs to the fair value measurements is observable.

	Fair Value Hierarchy	**Valuation Technique(s) and key Input(s)**	**Significant Observable Inputs**
Industrial unit located in Hong Kong	Level 2	Direct comparison method The key inputs were: (1) saleable floor area of the property; and (2) unit rate (i.e. $ per square feet). Saleable floor areas of the property was based on developer's sale brochures, our scaling off of registered floor plans or information obtained from Rating and Valuation Department.	Unit rate was based on direct market comparables and has taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. Unit rate adopted as at the date of valuation was: $5,303sq/ft
Commercial unit located in Hong Kong			Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. Unit rate adopted as at the date of valuation was: $16,116sq/ft
Commercial units located in PRC	Level 2	Direct comparison method The key inputs were: (1) saleable floor area of the property; and (2) unit rate (i.e. $ per square feet). Saleable floor areas of the property was based on developer's sale brochures.	Unit rate was based on direct market comparables and was taken into account of factors such as location, time of transaction, floor level, size, layout, orientation, view, age of building, building quality, etc. The average unit rate adopted as at the date of valuation was: $1,124sq/ft

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

18. PROPERTY, PLANT AND EQUIPMENT

2016

	Hotel property in the PRC HK$'000	Buildings in HK and the PRC HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST AND VALUATION							
At 1 January 2016	112,000	47,944	1,716	38,013	17,095	3,214	219,982
Additions	–	–	313	11,186	90	–	11,589
Transferred from investment properties	–	79,097	–	–	–	–	79,097
Transfer	–	–	(1,604)	1,604	–	–	–
Disposals and write off	–	(11,560)	–	(1,532)	–	–	(13,092)
Exchange difference	–	(2,355)	(111)	(3,872)	(1,099)	(89)	(7,526)
At 31 December 2016	112,000	113,126	314	45,399	16,086	3,125	290,050
Comprising:							
At cost	–	113,126	314	45,399	16,086	3,125	178,050
At valuation – 2016	112,000	–	–	–	–	–	112,000
	112,000	113,126	314	45,399	16,086	3,125	290,050
DEPRECIATION							
At 1 January 2016	–	988	–	25,878	13,993	2,870	43,729
Provided for the year	4,072	2,843	–	3,014	825	203	10,957
Eliminated on disposals and write off	–	(794)	–	(1,414)	–	–	(2,208)
Exchange difference	–	(72)	–	(1,624)	(943)	(71)	(2,710)
Eliminated on revaluation	(4,072)	–	–	–	–	–	(4,072)
At 31 December 2016	–	2,965	–	25,854	13,875	3,002	45,696
CARRYING VALUES							
At 31 December 2016	112,000	110,161	314	19,545	2,211	123	244,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

2015

	Hotel property in the PRC HK$'000	Buildings in HK and the PRC HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST AND VALUATION							
At 1 January 2015	112,000	13,000	–	31,581	18,049	3,607	178,237
Additions	–	–	1,716	8,487	102	–	10,305
Transferred from investment properties	–	36,384	–	–	–	–	36,384
Disposals and write off	–	–	–	(754)	(246)	(313)	(1,313)
Exchange difference	–	–	–	(1,301)	(810)	(80)	(2,191)
Impairment on revaluation	–	(1,440)	–	–	–	–	(1,440)
At 31 December 2015	112,000	47,944	1,716	38,013	17,095	3,214	219,982
Comprising:							
At cost	–	47,944	1,716	38,013	17,095	3,214	107,982
At valuation – 2015	112,000	–	–	–	–	–	112,000
	112,000	47,944	1,716	38,013	17,095	3,214	219,982
DEPRECIATION							
At 1 January 2015	–	112	–	24,061	13,956	2,931	41,060
Provided for the year	3,930	876	–	3,598	936	309	9,649
Eliminated on disposals and write off	–	–	–	(716)	(243)	(324)	(1,283)
Exchange difference	–	–	–	(1,065)	(656)	(46)	(1,767)
Eliminated on revaluation	(3,930)	–	–	–	–	–	(3,930)
At 31 December 2015	–	988	–	25,878	13,993	2,870	43,729
CARRYING VALUES							
At 31 December 2015	112,000	46,956	1,716	12,135	3,102	344	176,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's buildings

The Group's hotel property situated in the PRC was valued on 31 December 2016 and 31 December 2015 by Associated Surveyors & Auctioneers Ltd., an independent valuer not related to the Group.

The fair value of the buildings were determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the buildings under review. There has been no change to the valuation technique during the year.

The Group's hotel properties were classified under level 2 in the fair value hierarchy. There were no transfer into or out of level 2 during the year.

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

If hotel property had not been revalued, it would have been included in these financial statements at historical cost less accumulated depreciation of HK$65,062,000 (2015: HK$67,578,000).

19. INTERESTS IN ASSOCIATES

Details of the Group's interests in associates are as follows:

	Guangdong Financial Leasing Co., Ltd 2016 HK$'000	**Nanhai Changhai Power Company Limited 2016 HK$'000**	**Total 2016 HK$'000**	Total 2015 HK$'000
Initial cost of investments in associates				
Unlisted	**191,977**	**485,042**	**677,019**	677,019
Less: Distribution from pre-acquisition profit	**–**	**(143,562)**	**(143,562)**	(112,526)
	191,977	**341,480**	**533,457**	564,493
Share of post-acquisition profits	**38,409**	**123,014**	**161,423**	93,676
Share of exchange differences	**(21,791)**	**(52,702)**	**(74,493)**	(33,218)
	208,595	**411,792**	**620,387**	624,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES (Continued)

Details of each the Group's material associates at the end of the reporting period are as follows:

Entity Name	Form of the entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
Guangdong Financial Leasing Co.,Ltd	Incorporated	The People's Republic of China	The People's Republic of China	Ordinary	25%	25%	Finance leasing business and related advisory and guarantee services
Nanhai Changhai Power Company Limited	Incorporated	The People's Republic of China	The People's Republic of China	Ordinary	32.636%	32.636%	Generation and sale of electricity and heated steam

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Guangdong Financial Leasing Co., Ltd

	2016	2015
	HK$'000	HK$'000
Current assets	**1,185,626**	1,959,359
Non-current assets	**2,395,519**	1,893,684
Current liabilities	**(699,069)**	(1,483,861)
Non-current liabilities	**(1,893,538)**	(1,541,898)
Net asset value	**988,538**	827,284

	2016	2015
	HK$'000	HK$'000
Revenue	**209,826**	179,953
Profit for the year	**62,670**	63,114
Exchange differences for the year	**(55,574)**	(38,507)
Total comprehensive income for the year	**7,096**	24,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES (Continued)

Guangdong Financial Leasing Co., Ltd (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2016	2015
	HK$'000	HK$'000
Net assets of the associate	**988,538**	827,284
Non-controlling interest of the associate's subsidiary	**(154,158)**	–
	834,380	827,284
Proportion of the Group's ownership interest in Guangdong Financial Leasing Co., Ltd	**25%**	25%
Carrying amount of the Group's interest in Guangdong Financial Leasing Co., Ltd	**208,595**	206,821

Nanhai Changhai Power Company Limited

	2016	2015
	HK$'000	HK$'000
Current assets	**669,576**	531,767
Non-current assets	**903,480**	1,117,853
Current liabilities	**(311,285)**	(368,427)
Net asset value	**1,261,771**	1,281,193

	2016	2015
	HK$'000	HK$'000
Revenue	**1,022,321**	1,006,713
Profit for the year	**159,577**	171,173
Exchange differences for the year	**(83,903)**	(58,719)
Total comprehensive income for the year	**75,674**	112,454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES (Continued)

Nanhai Changhai Power Company Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2016	2015
	HK$'000	HK$'000
Net assets of the associate	**1,261,771**	1,281,193
Proportion of the Group's ownership interest in Nanhai Changhai Power Company Limited	**32.636%**	32.636%
Carrying amount of the Group's interest in Nanhai Changhai Power Company Limited	**411,792**	418,130

20. AVAILABLE FOR SALE FINANCIAL ASSET

	2016	2015
	HK$'000	HK$'000
Unlisted investment, at cost	**8,527**	9,117

Movement of available-for-sale financial asset is analysed as follows:

	2016	2015
	HK$'000	HK$'000
At the beginning of the year	**9,117**	–
Additions	**–**	9,187
Impairment recognised	**–**	(73)
Exchange difference	**(590)**	3
At the end of the year	**8,527**	9,117

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities in the PRC. It is measured at cost less impairment at the end of the reporting period because there are no sufficient market comparables as input that the Directors of the Company are of the opinion that its fair values cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

21. PROPERTIES HELD FOR SALE

Properties held for sale are stated at net realisable value. They are held under medium-term lease in PRC.

There was none of the cost of properties held for sales occurred and recognised as expenses during the year. (2015: HK$2,426,000).

22. INVENTORIES

	2016 HK$'000	2015 HK$'000
At Cost		
Food, beverages and hotel supplies	**781**	1,063

The cost of inventories recognised as expenses and included in cost of sales amounts to HK$11,373,000 for the year ended 31 December 2016 (2015: HK$12,788,000).

The Directors considered the provision for inventory obsolescence is not required. (2015: Nil)

23. TRADE AND OTHER RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 90 days to its customers.

The following is an aging analysis of the Group's trade receivables after deducting the allowance for doubtful debts presented based on invoice dates at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
0-60 days	**1,160**	702
61-90 days	**140**	198
91-120 days	**128**	256
Over 120 days	**180**	114
Trade receivables	**1,608**	1,270
Other receivables	**4,879**	3,344
	6,487	4,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

23. TRADE AND OTHER RECEIVABLES (Continued)

The Group does not hold any collateral or other credit enhancements over these balances.

Of the trade receivables balance at the end of the year, HK$166,000 (2015: HK$207,000) was due from the Group's largest customer. There were two (2015: six) other customers who represented more than 5% of the total balance of trade receivables and amounted to HK$195,000 (2015: HK$663,000).

At as 31 December 2016, trade receivables over 90 days amounted to HK$308,000 (2015: HK$370,000) were past due but not impaired as the balance were related to debtors with sound repayment history and no recent history of default.

An aging analysis of receivables that are past due but not impaired:

	2016	2015
	HK$'000	HK$'000
91-120 days	**128**	256
Over 120 days	**180**	114
	308	370

Movement in the allowance for doubtful debts:

	2016	2015
	HK$'000	HK$'000
Balance at the beginning of the year	**255**	256
Impairment recognised on receivables	**2**	11
Foreign exchange translation gains and losses	**(16)**	(12)
Balance at the end of the year	**241**	255

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted and up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

As at 31 December 2016, trade receivable over 120 days amounted to approximately HK$2,000 (2015: HK$11,000) were impaired and fully provided for.

The carrying amounts of the trade and other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default. The Directors considered that the carrying amount of trade and other receivables approximates to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of six months or less.

Bank balances are interest bearing at respective saving deposits rate in the Hong Kong and PRC, and the effective interest rates of the Group's bank balances ranged from 0.01% to 1.76% per annum in Hong Kong and ranged from 0.3% to 1.95% per annum in PRC. (2015: 0.2% to 4.10% per annum in Hong Kong and 0.01% to 2.52% per annum in PRC).

The carrying amounts of bank balances and cash are denominated in the following currencies:

	2016	2015
	HK$'000	HK$'000
Hong Kong Dollars	**24,220**	1,571
Renminbi	**110,206**	157,206
United States Dollars	**16,671**	175
	151,097	158,952

25. TRADE AND OTHER PAYABLES

The credit period granted by the Group's supplies ranges from 30 days to 90 days.

The following is an aging analysis of the Group's trade payables based on the invoice date at the end of the reporting period:

	2016	2015
	HK$'000	HK$'000
0-60 days	**1,177**	1,057
61-90 days	**120**	102
91-120 days	**101**	126
Over 120 days	**168**	119
Trade payables	**1,566**	1,404
Other payables	**109,138**	103,058
	110,704	104,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

25. TRADE AND OTHER PAYABLES (Continued)

Other payables included the following items:

	2016 HK$'000	2015 HK$'000
Other tax payable	**8,946**	9,438
Payable on convertible notes and interest payable *(Note 1)*	**78,819**	78,819
Others *(Note 2)*	**21,373**	14,801
	109,138	103,058

Notes:

1 On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "2002 CB") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 31 December 2016 and 2015, the balance of HK$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to Maturity Date, amounting to HK$3,819,000 (2015: HK$3,819,000), were reclassified as other payables and become repayable on demand.

2 Others include accrued staff salaries and welfare, deposit received from hotel customers and other temporary receipts.

The Directors considered that the carrying amount of trade and other payable approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

26. BANK LOANS

	2016	2015
	HK$'000	HK$'000
Secured	**136,383**	147,534
Carrying amount repayable:		
Within one year	**36,004**	30,661
More than one year, but not exceeding two years	**22,322**	9,547
More than two years, but not more than five years	**27,902**	35,800
More than five years	**50,155**	71,526
	136,383	147,534
Less: Amounts shown under current liabilities	**36,004**	30,661
	100,379	116,873

During the year, the Group settled loans amounting to HK$3,507,000.

According to HK Int 5 which requires the classification of whole instalment loans containing the repayment on demand clause as current liabilities, the aggregate carrying amounts of HK$27,075,000 (2015: HK$28,274,000) have been classified as current liabilities as at 31 December 2016.

The secured bank loans of HK$136,383,000 (2015: HK$147,534,000) are secured by the Group's investment property and property, plant and equipment of approximately HK$301,578,000 (2015: HK$320,147,000) that is situated at Block 1 of Guangdong-Hongkong Finance & Technology Park, 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC and Unit 01, 14 and 15 on 5th Floor, Wing On Plaza, No. 62 Mody Road, Kowloon, Hong Kong. The weighted average effective rate on the bank loans is from 2.11% to 6.15% (2015: from 2.09% to 6.15%) per annum and repayable within ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

26. BANK LOANS (Continued)

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.11% (2015: 2.09%) and are within level 2 of the fair value hierarchy.

The Group's borrowings were denominated in the following currencies:

	2016	2015
	HK$'000	HK$'000
Hong Kong Dollars	**27,075**	28,274
Renminbi	**109,308**	119,260
	136,383	147,534

27. CONVERTIBLE NOTES

On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "2002 CB") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 31 December 2016 and 2015, the balance of HK$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to maturity, amounting to HK$3,819,000 (2015: HK$3,819,000), were reclassified as other payables and become repayable on demand.

On 13 October 2014, the Company issued convertible notes in the principal amount of HK$166,232,000 (the "2014 CB") (of which its fair value at the issuance date is approximately HK$129,270,000) as part of the consideration for the acquisition of Southern Limited. The 2014 CB bears coupon rate at 2% per annum and are convertible into shares of the Company at a conversion price of HK$0.76 per share at any time following the third anniversary of the issue date up to the maturity date on 13 October 2019. At any time prior to the maturity date of the 2014 CB, the Company is entitled to redeem in whole or in part of the 2014 CB at the principal amount then outstanding or such parts of the principal amount then outstanding together with the relevant accrued and unpaid interest. Unless previously redeemed, converted or purchased and cancelled, the 2014 CB will be redeemed on the maturity date on 13 October 2019. The 2014 CB carries interest at a rate of 2% per annum, which is payable annually in arrears or upon the conversion or redemption of the bonds.

The convertible notes contain two components, liability, and equity components. The equity component is presented in equity under heading "convertible note equity reserve". The values of the liability component and the equity conversion component were determined at the issuance of the notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

27. CONVERTIBLE NOTES (Continued)

	Liability component
	HK$'000
At 1 January 2016	**108,467**
Interest charged calculated at an effective interest rate of 14.16%	**15,950**
Interest paid	**(3,325)**
At 31 December 2016	**121,092**
At 1 January 2015	97,469
Interest charged calculated at an effective interest rate of 14.16%	14,323
Interest paid	(3,325)
At 31 December 2015	108,467

The fair value of the liabilities component of the convertible notes are calculated using cash flows discounted at market interest rate of 14.16% (2015:14.16%) and are within level 2 of the fair value hierarchy.

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Undistributed profits of an associate
	HK$'000
At 1 January 2015	2,407
Credit to profit or loss	7,047
Exchange difference	(345)
At 31 December 2015 and 1 January 2016	**9,109**
Credit to profit or loss	**2,050**
Exchange difference	**(681)**
At 31 December 2016	**10,478**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

28. DEFERRED TAX LIABILITIES (Continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 HK$'000	2015 HK$'000
Deferred tax liabilities	**10,478**	9,109

No deferred tax has been provided in respect of the valuation surplus relating to the Hotel Property for the year as the carrying amount does not exceed the total investment cost and the director considered that there is no taxable flow of economic benefits to the Group.

At the end of the reporting period, the Group has unused tax losses of HK$19,644,000 (2015 Restated: HK$18,860,000) available for offset against future profits. No deferred tax asset has been recognised in respect of that tax losses due to the unpredictability of future profit streams.

Pursuant to the PRC Corporate Income Tax Laws dependent upon the nationality and domicile of the foreign investors, a 5% to 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rates range from 5% to 10%.

As at 31 December 2016, the unrecognised deferred tax liabilities were approximately HK$16,700 (2015: approximately HK$17,900), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of theses PRC subsidiaries as at 31 December 2016 amounted to approximately HK$167,000 (2015: approximately HK$179,000).

With regard to the Group's investment properties, as none of them is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

29. SHARE CAPITAL

	Number of shares		Share Capital	
	2016	2015	**2016**	2015
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**3,000,000,000**	3,000,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning of year and the end of year	**1,712,329,142**	1,712,329,142	**171,233**	171,233

30. SHARE OPTION SCHEME

A share option scheme was adopted by shareholders of the Company at the annual general meeting held on 26 April 2013 (the "Scheme").

The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remuneration, compensating and/or providing benefits to the participants for their contribution or future contribution to the Group and to strengthen the many long-term relationships that the participants may have with the Group. Eligible participants means any person falling within any of the following classes (a) any employee; (b) any business associate of the Company or any subsidiary; (c) any other group or classes of participants which the board, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangement, to the development and growth of the Group. The Scheme became effective on 26 April 2013 and, will remain in force for 10 years.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other share option schemes of the Company shall not in aggregate exceed 10 per cent of the total number of shares in issues as at the date of adoption of the Scheme (i.e. 118,832,914 Shares of the Company) unless the Company obtain a fresh approval from the shareholders.

No option shall be granted to any participant such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to such participant under the Scheme and any other option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant shall exceed 1 per cent. of the total number of shares in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

30. SHARE OPTION SCHEME (Continued)

Under the Scheme, where the Board proposes to grant any option to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to him or her under the Scheme and any other option schemes of the Company in the 12-month period up to and including the date of such grant; (i) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000, such proposed grant of options must be approved by the shareholders of the Company in general meeting with all connected persons of the Company abstaining from voting (except that any connected persons may vote against the relevant resolution at such general meeting provided that his intention to do so is stated in the circular to the shareholders of the Company). Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted when the duplicate letter comprising acceptance of the offer, duly signed by the grantee with the number of share in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within 1 month from the offer date.

The subscription price of share options granted under the Scheme shall be a price solely determined by the Board and notified to a participant in the offer letter and shall be at the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the offer date; and (c) the nominal value of a share on the offer date.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company shall not exceed 30 per cent. (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

No option has been granted under the Scheme since its adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2016	2015
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year:		
Premises	**–**	1,038

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

	2016	2015
	HK$'000	HK$'000
Within one year	**–**	1,038

Operating lease payments represent rentals payable by the Group for certain of its office properties with lease terms of 1 year for the year of 2015.

The Group as lessor

The Group's property rental income earned during the year was approximately HK$4,566,000 (2015: HK$4,871,000). All of the properties held have committed tenants for 4 to 5 years (2015: more than 1 year).

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

	2016	2015
	HK$'000	HK$'000
Within one year	**6,611**	4,358
In the second to fifth year inclusive	**10,228**	9,020
Over five years	**3,757**	4,757
	20,596	18,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

32. COMMITMENTS

	2016	2015
	HK$'000	HK$'000
Commitments for the acquisition of the property, plant and equipment	**56**	64
Commitments for the refurbishment of the investment properties	**584**	2,801
Commitments for the investment cost of a subsidiary to be set up	**2,344**	–

33. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities to the Group or borrowings of the Group (see note 26):

	2016	2015
	HK$'000	HK'000
Investment property	**191,417**	283,763
Property, plant and equipment	**110,161**	36,384
	301,578	320,147

34. RELATED PARTY TRANSACTION

a) On 1 May 2016, the Group entered into a rental agreement for a period of 48 months at RMB19,000 per month with the Group's associate, Guangdong Financial Leasing Co., Ltd in which the Group received rental income amounting to HK$163,000 (2015: Nil). The leased property is situated at Flat 301 and 302 of Phase 1 Guangdong-Hong Kong Finance & Technology Park, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, The PRC*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

34. RELATED PARTY TRANSACTION (Continued)

b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2016	2015
	HK$'000	HK$'000
Short term employee benefits	**6,406**	6,173
Post-employment employee benefits	**468**	550
	6,874	6,723

The remuneration of Directors and key management personnel is proposed by the remuneration committee having regard to the performance of individuals and market trends.

* *The transaction constituted an exempt connected transaction under the Hong Kong Listing Rules.*

35. PRINCIPAL SUBSIDIARIES

Particulars of the Group's principal subsidiaries at 31 December 2016 are as follows:

Name of subsidiary	**Place of incorporation or registration/ operation**	**Issued and fully paid ordinary share capital/ registered capital**	**Percentage held**	**Principal activity**
Direct subsidiary				
China Investments Limited	Hong Kong	HK$1,000	100	Investment holding
Indirect subsidiaries				
Airlane Development Limited	Hong Kong	HK$2	100	Property trading
Barmax Development Limited	Hong Kong	HK$2	100	Property trading
Botex Development Limited	Hong Kong	HK$2	100	Property trading
Centon Development Limited	Hong Kong	HK$2	100	Property trading
Charland Investment Limited	Hong Kong	HK$2	100	Property trading
China Alliance Industries	Hong Kong	HK$2	100	Property trading
China Industrial Development Limited	Hong Kong	HK$2	100	Investment holding
CIH Finance Investments Holdings Limited	Hong Kong	HK$4	100	Financial Investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

35. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Percentage held	Principal activity
Cyro Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Expert Target Development Limited	Hong Kong	HK$2	100	Property trading
Greenswood Property Limited	Hong Kong	HK$2	100	Property investment
Guilin Plaza Hotel *(Note)*	PRC	US$10,400,000	100	Hotel operations
Jofra Company Limited	Hong Kong	HK$1,000	100	Investment holding
Foshan City Nanhai Jia Shun Timber Company Limited* 佛山市南海佳順木業有限公司 *(Note)*	PRC	HK$39,800,000	100	Manufacturing and trading of medium density fibreboards
Foshan City Nanhai Kang Sheng Timber Company Limited* 佛山市南海康盛木業有限公司 *(Note)*	PRC	HK$81,000,000	100	Wood processing
Foshan City Nanhai Canmanage Investments Holdings Limited* 佛山市南康美投資有限公司*(Note)*	PRC	RMB$30,000,000	100	Property investment
Langmax Investment Limited	Hong Kong	HK$2	100	Property trading
Lina Development Limited	Hong Kong	HK$2	100	Property trading
Metropolitan Development Limited	Hong Kong	HK$2	100	Property trading
Nanli Power Company Limited	British Virgin Islands	US$100	100	Investment holding
Nantang Power Company Limited	British Virgin Islands	US$100	100	Investment holding
Rich Asset Development Limited	Hong Kong	HK$2	100	Property trading
Rich Horn Development Limited	Hong Kong	HK$2	100	Property trading
Senicon Investment Limited	Hong Kong	HK$2	100	Property trading
Sabrina Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Sino Sense Development Limited	Hong Kong	HK$2	100	Property trading
Southern Limited	Hong Kong	HK$10,000	100	Investment holding and property investment
Trener Investment Limited	Hong Kong	HK$2	100	Property trading
Universal Talent Development Limited	Hong Kong	HK$2	100	Property trading
Zhong Chuang Xing Ke (Shenzhen) Investments Company Limited* 中創興科(深圳)投資有限公司 *(Note)*	PRC	RMB$8,000,000	100	Investment holding

Note: wholly foreign owned enterprise.

*: *For identification propose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

35. PRINCIPAL SUBSIDIARIES (Continued)

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

37. EVENT AFTER REPORTING PERIOD

As disclosed by the Group on 13 February 2017, the Group formed an alliance with Shenzhen e-ling Info-Tech Co., Ltd. ("Shenzhen e-ling") which successfully won the bid for the Smart Platform Development Project for Management of Comprehensive Elderly Care Services in Nanhai district in Foshan and joined hands with Shenzhen e-ling and an independent third party to establish 廣東壹佰健大健康科技有限公司 (Guangdong Yibaijan Wellness Technology Co., Ltd.*), a 70%-owned joint venture company of the Group, to build and operate systems for the smart platform. The Group also signed a strategic cooperation agreement with Shenzhen e-ling to jointly develop the internet and wellness industries.

In addition, through 佛山市中創物業服務有限公司 (Foshan Zhong Chuang Property Service Company Limited*), a company in which the Group is interested in 42% of its equity interest, and a specialized maternal and infant health care institution of an independent third party, the Group established 佛山市璦邸生婦幼保健有限公司 (Foshan Ai Di Sheng Maternal and Child Health Care Co., Ltd.*) in the form of a joint venture to engage in maternal and child health care development projects with self-run business and franchised models, providing parturient women and newborn babies with comprehensive postpartum maternal and child health care service.

* *For identification purposes only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current asset		
Investment in subsidiaries	**23,607**	23,607
Current assets		
Amounts due from subsidiaries	**736,838**	743,454
Deposits and other receivables	**224**	640
Bank balances and cash	**798**	322
	737,860	744,416
Current liabilities		
Other payables	**79,124**	79,127
Net current assets	**658,736**	665,289
Total assets less current liabilities	**682,343**	688,896
Capital and reserves		
Share capital	**171,233**	171,233
Reserves	**390,018**	409,196
Equity attributable to owners of the Company	**561,251**	580,429
Non-current liability		
Convertible notes	**121,092**	108,467
	682,343	688,896

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 22 March 2017 and are signed on its behalf by:

HE XIANGMING	**LIN PINGWU**
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share Premium	Convertible note equity reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	725,199	34,700	(333,421)	426,478
Loss for the year	–	–	(17,282)	(17,282)
At 31 December 2015 1 January 2016	**725,199**	**34,700**	**(350,703)**	**409,196**
Loss for the year	**–**	**–**	**(19,178)**	**(19,178)**
At 31 December 2016	**725,199**	**34,700**	**(369,881)**	**390,018**

39. NATURE AND PURPOSE OF RESERVES

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchases of shares

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

39. NATURE AND PURPOSE OF RESERVES (Continued)

(ii) Statutory reserves

Statutory reserve represents general reserve and enterprise expansion fund which are set up by subsidiaries established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the Board of Directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for the each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

(iii) Hotel property revaluation reserve

Hotel properties are revalued annually based on independent professional valuations on an open market value basis. Changes in the values of hotel properties are dealt with as movement in the hotel properties revaluation reserve. If the reserve is insufficient to cover a revaluation deficit, the excess of the deficit is changed to the profit and loss account.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign subsidiaries of the Group whose reporting currency is not Hong Kong dollars. The reserve is dealt with in accordance with the accounting policies of foreign currencies set out in Note 3 to the consolidated financial statements.

(v) Convertible note equity reserve

Convertible note equity reserve represents the value of the unexercised equity component of convertible bond issued by the Company recognised in accordance with the accounting policy of convertible note set out in Note 3 to the consolidation financial statements.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
RESULTS					
Continuing operations					
Revenue	35,738	29,616	32,448	39,275	**24,554**
Profit/(loss) for the year	(6,336)	(11)	81,038	5,773	**(2,703)**
Discontinued operations (loss)/profit for the year	111,865	(1,408)	–	–	**(1,628)**
(Loss)/profit for the year attributable to owners	105,529	(1,419)	81,038	5,773	**(4,331)**
(Loss)/earnings per share From continuing and discontinued operations					
Basic	HK8.88cents	(HK0.12 cent)	HK6.22 cents	HK0.34cents	**(HK0.25cents)**
Diluted	HK8.88cents	(HK0.12 cent)	HK6.22 cents	HK0.34cents	**(HK0.25cents)**

	Year ended 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	727,366	715,412	1,458,734	1,352,241	**1,316,578**
Total liabilities	(139,586)	(123,354)	(463,152)	(377,822)	**(385,291)**
Equity contributable to owners	587,780	592,058	995,582	974,419	**931,287**

* The result for each of the year 2012-2015 have not been represented for the discontinued operation in subsequent years.

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group as at 31 December 2016 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Hotel properties						
Guilin Plaza, 20 Li Jiang Lu Guilin, Guangxi, The PRC.	100	Medium	Hotel	29,746	Existing	N/A
Properties						
Unit No.1, 14 & 15 on 5th Floor, Wing On Plaza, No.62 Mody Road, Kowloon.	100	Medium	Commercial	429	Existing	N/A
12th to 13th Floor of Block A, Phase 1 Guangdong – Hong Kong Finance & Technology Park Guicheng Street, Nanhai District Foshan City, Guangdong Province The PRC	100	Medium	Commercial	3,048	Existing	N/A
Investment properties						
Kai Yip Factory Building Portion A on G/F, No. 1517 Sam Chuk Street San Po Kong Kowloon, Hong Kong.	100	Medium	Industrial	333	Existing	N/A
17th Floor SingHo Finance Building, Nos.166/168 Gloucester Road, Hong Kong.	100	Medium	Commercial	112	Existing	N/A

PARTICULARS OF MAJOR PROPERTIES (Continued)

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Investment properties (Continued)						
1st to 11th Floor of Block A, Phase 1 Guangdong – Hong Kong Finance & Technology Park Guicheng Street, Nanhai District Foshan City, Guangdong Province The PRC	100	Medium	Commercial	15,818	Existing	N/A
Properties held for sale						
Levels 5-7, 9, 12-14, 17-22 of Block A and all shopping spaces in the podium under Block B & C of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road, Shantou Special Economic Zone, Guangdong Province, The PRC.	100	Medium	Commercial/ Residential	11,562	Existing	N/A
10th Floor of Building B, 6th, 8th, 11th, 15th, 17th and 25th Floors of Building A, International Commerce Building, Banzhang Lake, South Riverside, Huizhou City, Guangdong Province, The PRC.	100	Long	Commercial/ Office	4,289	Existing	N/A