CCT FORTIS

中建富通集團有限公司

Stock Code : 138

2016

contents

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to report the annual results of the Group for the year ended 31 December 2016.

In 2016, the Group delivered another year of strong results, and achieved good progress in development of its new business ventures, as elaborated in the "Business Review" section below. Reported revenue was HK$895 million, surged 47.2% compared with 2015, primarily due to contribution from the Group's securities trading business and contribution from the newly acquired businesses. Profit attributable to owners of the parent was HK$303 million. This solid performance was primarily driven by the strong revenue and profits of the Group's securities business and contribution from the newly acquired businesses in the cultural entertaining sector.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.035 per share for the year 2016 to the shareholders whose names appear on the register of members of the Company on Friday, 2 June 2017, subject to the approval of the shareholders at the forthcoming AGM. The proposed final dividend will be payable from the Company's distributable reserve and the expected payment date will be Monday, 19 June 2017 following the Shareholders' approval at the forthcoming AGM. The total dividend per share for 2016 would amount to HK$0.070 (2015: HK$0.065).

BUSINESS REVIEW

The Group's array of diversified businesses comprise the traditional business of property development, trading and investment, securities trading and manufacturing of plastic components and trading of child products and the new business ventures including the multi-faceted automotive business and the cultural entertainment business.

1. Property business

Prices of residential properties started to surge in the second half of 2016, despite the Hong Kong Government increased the stamp duty on residential property transactions to 15%, with a view to cool down the property market. Prices of small- to medium-sized flats rose most although transaction volume of the secondary market declined. Auction prices of new land lots beat market estimates as some major Chinese developers are bullish in the residential property market in Hong Kong. On the other hand, the retail property sector fell as retail sales declined due to fall in tourism. The office property market was generally stable.

(a) Property development and trading in Hong Kong

In 2016, the Group's trading property portfolio comprised the five street-level shops with all the car parking spaces on ground floor of a property located in Kennedy Town, Sai Wan (the "**Sai Wan Property**") and the two consecutive floors of retail property on No. 8 Russell Street (the "**Russell Street Property**"), located in the center of the busiest shopping and tourist area of Causeway Bay.

Most of the Sai Wan Property has been rented out to new tenants at much higher rent than the old rental. As the Sai Wan Property caters for local consumption rather than tourists, its rental income was not affected by the downturn of the retail market. The value of the Sai Wan Property has risen substantially since our acquisition. However, the fall in tourism has adversely affected the retail property market in Causeway Bay. The management is still optimistic in the long term prospect of the Russell Street Property because of its excellent location and good quality. The management is exploring ways to utilize the Russell Street Property.

In the absence of disposal of any property project in the current period, the property segment incurred an operating loss (before finance costs and taxation) of HK$30 million (operating loss of HK$39 million for 2015), which comprised mainly impairment loss on the Russell Street Property, operating costs and administrative expenses.

(b) Property investment and holding

In 2016, our diversified portfolio of investment properties comprised luxury residential houses, office properties, retail properties and car parks, all of which are located in Hong Kong. As the Directors are confident in the luxury residential market, in the first half of the year, the Company acquired from Mr. Mak the entire issued capital of two groups of companies which hold the two luxury residential properties of House 38 and House 39, 56 Repulse Bay Road, Hong Kong at the share consideration of HK$250,200,000, which was satisfied by the issue of the 2024 Convertible Bonds. House 38 and House 39 are situated right on the top of House 36 and House 37, which have been held by the Group for many years. These four luxury houses are located in Repulse Bay—one of the most prestigious residential areas in Hong Kong. The acquisition enables the Group to combine and consolidate the ownership of all four houses together into a single block of luxury house complex of supreme quality with huge space of over 16,000 square feet. The acquisition is considered to be wise and is expected to enhance the overall value of all four houses together.

Because of the diversity of our property portfolio, the performance of our property investment operations was less impacted by the downturn of the retail property market. During the year, rental income from external parties increased to HK$12 million, up 20% compared with the prior year, due to rental reversions and new leases. During the year, the investment property segment recorded an operating loss of HK$13 million, primarily because of the net fair value losses of HK$17 million arising from revaluation of the retail properties held for investment, as opposed to an operating profit of HK$20 million in the prior year, mainly attributable to fair value gains of HK$20 million recorded in the last corresponding period.

2. Securities business

The Hong Kong stock market was volatile in 2016. The Hang Seng Index plummeted to 18,000 range in February 2016 due to concerns over slowing global economy, pace of the US interest hike, fall in global commodity prices, devaluation of RMB and high volatility of the mainland stock market. However, the Hong Kong stock market rebound in March 2016. The Hang Seng Index hovered between 20,000 to 21,000 points for a few months and began to rise in the second half of the year. The Hang Seng Index closed at 22,000 points as at the last trading day of 2016.

During the year, the Group's trading securities comprised principally of 30,000,000,000 CCT Land Shares and the CCT Land Convertible Bonds with principal amount of HK$495,671,000, convertible into 49,567,100,000 CCT Land Shares at HK$0.01 per conversion share (subject to adjustments according to terms and conditions of the CCT Land Convertible Bonds). Amid a volatile market, the Group grasped opportunities to dispose of its holdings of trading securities portfolio and was able to dispose of all the Group's holdings of CCT Land Shares and the CCT Land Convertible Bonds held by CCT Securities during the year, delivering substantial gains and profits to the Group. As a result, the securities business delivered the third consecutive year of strong results and contributed substantial operating profit of HK$506 million in the year, increased 27.5%, as compared with the comparative figure of HK$397 million in the prior year.

As at 31 December 2016, the securities portfolio of the Group comprised investment in a fund of approximately HK$18 million, which was held for trading.

3. **Blackbird automotive business**

The Blackbird Automotive Group principally carries on the classic car trading and logistic business and classic car investment. Against slow global economic environment, Blackbird's classic car trading and logistics business had an encouraging year in 2016, delivering revenue of HK$60 million.

The management is very pleased with the Blackbird Automotive Group's rapid development of its multi-faceted automotive business, which was established in 2014. In the year under review, Blackbird Automotive Group continued to revolve and expand around the restoration and service, investment, trading and general business of both modern and classic cars, together with vehicle transportation services.

In 2016, the classic car trading business achieved sales of classic and new cars of renowned European brands to local collectors and overseas customers. These vehicles were procured from overseas and these transactions resulted in satisfactory returns. In addition, our classic car investment business acquired additional investment grade classic cars to its own collection during the year. The management expects that these investments have sound potential for future appreciation and profitability contribution to the Blackbird Automotive Group.

The company's logistics business has performed well during the year with a good operating margin. New contracts were achieved with a number of automotive clients in Hong Kong, with further opportunities under discussion. During the year, the business transported cars principally on behalf of local importers, distributors, dealers, and roadside assistance. Compared with the prior year, the order volume represented an encouraging increase of over 60%.

Equipped with one-stop service centre, this supports us to provide a full range of automotive services including restoration, maintenance, detailing, paint and body shops and a dedicated vehicle storage area. In the first half of the year, the Blackbird Group acquired an industrial property in Chai Wan with a gross floor area of approximately 20,390 square feet. This property has been used as corporate head office for the rapid-growing Blackbird Automotive business.

4. **Cultural entertainment group**

(a) Film operations

Established in 2015, the Cultural Entertainment Group has set a strong foothold in the fast-growing entertainment business sector. The Group's film operations, comprising production, investment and distribution of films globally, has achieved great progress in development during the year. The Film Department has co-invested with the renowned mainland film company, namely Dadi Century (Beijing) Co., Ltd in a Chinese film with the name of Shed Skin Papa (脱皮爸爸), which is casted by the popular artists in Hong Kong. This film was nominated to several awards in the 2016 Japan International Film Festival and is nominated to participate in the 2017 Hong Kong Film Awards. This film will be released in the second quarter of 2017 and is expected to achieve high box office receipts.

The Film Group will cooperate with two well-known mainland company, namely Sil-Metropole Organisation Limited and Beijing Jiaying Culture Media Company Limited to co-invest into two Chinese films. The Film Group will continue to invest in production and distribution of films globally, with a view to capture market share in the rapid-growing and huge film industry in the PRC and internationally.

(b) Audio and lighting operations

In March 2016, the Group diversified its cultural entertainment business into the audio and lighting operations by acquiring 70% shareholding in AHM. AHM is engaged in the hiring and installation of lighting and audio equipment and provision of services to customers for concerts, other entertainment events and other private and public events mainly in Hong Kong and the PRC. Founded in 1996, AHM has established a solid reputation as a market leader and enjoys strong growth in revenue and earnings. The founder of AHM, Mr. Chan Muk Hing, who will continue to manage the business, has provided profit guarantee of not less than HK$16,000,000 for the year ending 31 March 2017. As horizontal expansion of its business, AHM acquired the business, assets and equipment of the audio and lighting operations in Macau in October 2016. The Macau operations enjoy dominant and leading position in the sector of provision of audio and lighting equipment and services for concerts, entertainment events and other private and public events in Macau.

Since the aforesaid acquisition, the audio and lighting operations contributed an operating profit of HK$22 million to the Group, against revenue of HK$118 million. With a strong team of technicians and advanced audio and lighting equipments, the AHM Group is expected to maintain its leading position and continue to grow in the coming years.

(c) Stage engineering operations

In the second half of 2016, the Group further diversified its cultural entertainment business by acquiring a controlling equity interest in HHL. This company is engaged in provision of metal construction works and engineering services for concerts and other entertainment events performed in Hong Kong, the PRC, Macau and South East Asia. With a strong team of technicians, HHL has established a strong reputation as a business leader in the stage engineering sector. It enjoys a rapid rate of growth in earnings and profits. In 2016, HHL contributed revenue of HK$25 million and operating profit of HK$8 million to the Group for approximately six months since acquisition.

(d) Multi-media business

Alongside with our traditional printing media titles, the Group will also focus its investment on various digital platforms including e-commerce and will diversify into the rapid-growing mobile game and apps development. In the first half of the year, it has licensed the first mobile game entitled "**LEGEND OF ASTERIA**", which is a role-play game developed by a Korean developer for the Hong Kong market. This game won the first place in the Korean Game Creation Audition RPG category in 2015. This game was launched to the Hong Kong market in the fourth quarter of the year has attracted good market attention. More mobile games relating to sport games are being developed in the pipelines and will be rolled out in the future.

5. Industrial group

(a) Manufacturing of plastic components

Most of the plastic components produced by this department are supplied to the CCT Tech Group for manufacture of telecom and child products.

In the year under review, revenue from component sales was HK$92 million, decreased marginally by 2.1% as compared with the comparable year. In 2016, the operating result of the components department improved significantly, recording operating loss of HK$11 million, reduced by 86.9% from 2015, mainly as a result of improvement in efficiency and cost savings.

(b) Child Products Trading Business

This business was acquired by the Group from the CCT Land Group in the third quarter of 2016. As the PRC has formally abolished the one-child policy since 2015, the Group considers that the birth rate in the PRC is expected to rise in the future and as a result, the demand for the Child Products with high quality and safety is expected to rise in the coming years. However, considerable pressure on price of child products is expected as competition in this region is keen. The Group will continue to source the Child Products from the CCT Tech Group in order to secure immediately a reliable source of high quality Child Products. This new business venture recorded revenue of HK$25 million and did not record any profit or loss for the three month period since acquisition.

OUTLOOK

Looking forward, the economic outlook is uncertain and is overshadowed by geopolitical development including heightened trade barriers and uncertainties arising from Brexit. Stronger USD and rising interest rate will continue to impact global economy in 2017.

Our trading property and investment property portfolio will continue to be subject to risks in relation to government policies on the property market, the Hong Kong economic outlook and the potential interest rate hike. Our retail properties are further subject to reduction of retail sales and slowdown of Chinese visitors to Hong Kong. However, our resilient management will monitor the market situation closely and will take initiatives to counter all these challenges. We will capitalize our strength in the property sector and will adopt flexible strategies to manage our property portfolio.

The securities trading business is subject to risk of the volatility of the stock market, which is, in turn, affected by external financial and economic outlook. We already disposed of all our holdings of trading securities in CCT Land during the year and our trading securities portfolio has been reduced to a small amount at the year end. Depending on the market situation, the Company may expand its securities portfolio in the current year, if good buying opportunity arises. It is the Company's policy to acquire and sell securities for value appreciation and any decision to deal in securities is made based on the market situation, expectation of future market trend, potential of price appreciation and availability of funds. Our objective is to maximise returns.

The luxury classic car market is generally affected by global economic environment. Despite the challenging business environment, the sports and luxury classic car segments have proved to be resilient and are expected to regain growth momentum in the current year. In recent years, the economic growth and wealth creation in certain emerging economies including China and other Asian countries has led to an expansion of potential customer base for sports and luxury cars. Recognising this trend, the Group has since made a calculated effort in investing into parallel luxury sectors. Looking ahead, the Blackbird Automotive Group remains focused on enhancing operational efficiency throughout the value chain and continues to seek for new investment opportunities, with the aim of building its portfolio to span across multiple luxury markets as a leading entity within the sector. The Group maintains its firm commitment to grow the Blackbird Automotive Group as a leading entity in the automotive region. We expect that the Blackbird Group will become one of the key drivers for growth in revenue and profits of the Group in the future.

We have seen a very rapid pace of development of the film and cultural entertainment industries in the PRC and we believe that this business sector has excellent prospects and enormous growth potentials. The Group is committed to grow and expand the cultural entertaining venture, both in film operations and the entertainment event production services and business. We intend to expand our cultural entertainment venture with a view to capture a higher market share in this huge and fast-growing sector.

With a strong and resilient management team and a solid balance sheet, the Group will continue to capitalise its competitive edges and its execution capability in each of its core businesses. Our core strategy is to achieve long term sustainable growth of the Group and create long term value to the Shareholders. The Group will strive to deliver sustainable profits through strategic growth in the coming years.

APPRECIATION

On behalf of the Board, I wish to express our thanks and gratitude to the directors, the management and all our employees for their dedication, loyalty, and hard work to meet the challenges during the year. I also want to thank our shareholders, investors, bankers, customers and suppliers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 27 March 2017

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 63, is the controlling shareholder of the Company and has acted as the Chairman, the CEO and the Executive Director since January 1994. Mr. Mak is a member of the Remuneration Committee and the chairman and a member of the Nomination Committee. He is also a director of certain subsidiaries of the Company. He is responsible for the corporate planning and overall strategic direction of the Group and takes a leading role in managing the businesses of the Group. He has over 40 years of experience in the electronics manufacturing and distribution industry. Mr. Mak also has extensive experience in diversified businesses, including high-tech telecommunication network business and property development and investment business in Hong Kong and the mainland China. In his many years in the businesses, he has demonstrated a keen understanding in the diversified businesses in which the Group is engaged. Mr. Mak is also the chairman, the chief executive officer and an executive director of CCT Land. Mr. Mak holds a Diploma in Electrical Engineering.

Mr. TAM Ngai Hung, Terry, aged 63, has been the Executive Director and the Group Finance Director since March 2001. He has been appointed as the Deputy Chairman of the Company since December 2005 and as the Company Secretary of the Company since May 2012. He is a member of the Remuneration Committee and the Nomination Committee. He is also a director and company secretary of certain subsidiaries of the Company. Mr. Tam is primarily responsible for the corporate finance, accounting and company secretarial functions of the Group. He has more than 39 years of experience in finance and accounting management, and management experience in diversified businesses. He also possesses substantial knowledge in corporate finance matters, mergers and acquisitions and company secretarial matters. He previously held a number of senior positions in several listed companies before he joined the Company. Mr. Tam is also an executive director of CCT Land. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and The Institute of Chartered Secretaries and Administrators.

Ms. CHENG Yuk Ching, Flora, aged 63, has been the Executive Director since February 1998. Ms. Cheng is also a director of certain subsidiaries of the Company. She assists the CEO in overseeing the day-to-day management of the principal businesses of the Group. Ms. Cheng has over 37 years of experience in the electronics industry, and substantial experience in diversified businesses. She held senior positions in various well-known electronics companies before she joined the Company. Ms. Cheng is also an executive director of CCT Land. Ms. Cheng holds a Diploma in Business Administration.

Dr. William Donald PUTT, aged 79, has been the Executive Director since January 1997. Dr. Putt is responsible for overseas business development and advising the Chairman in strategic direction of the overseas business of the Group. Dr. Putt has over 44 years of experience in the telecom industry, and was the president and co-founder of TeleConcepts Corporation, which specialised in the design, production and distribution of telecom products. Dr. Putt also serves on the boards of several foundations and non-profit organisations in the US and is on the Leadership Council for the Public Service Center at the Massachusetts Institute of Technology. Dr. Putt holds PhD in Management from the Massachusetts Institute of Technology in the US. He was previously an executive director of CCT Land and resigned on 26 May 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM King Ching, Kenny, aged 67, has been an INED of the Company since December 1999. Mr. Tam is the chairman and a member of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee. Mr. Tam serves as an INED of certain listed companies on the main board of the Stock Exchange, namely, CCT Land, BeijingWest Industries International Limited (stock code: 02339), Hong Kong Shanghai Alliance Holdings Limited (stock code: 01001), Kingmaker Footwear Holdings Limited (stock code: 01170), Shougang Concord Grand (Group) Limited (stock code: 00730), Starlite Holdings Limited (stock code: 00403), West China Cement Limited (stock code: 02233) and Wisdom Education International Holdings Company Limited (stock code: 06068). He is also serving as a member of the Small and Medium Practitioners Committee and the Insolvency SD Vetting Committee in the HKICPA. Mr. Tam is also a council member of The Society of Chinese Accountants and Auditors. Mr. Tam is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow member of the HKICPA and a member of the Chartered Professional Accountants of Ontario, Canada.

Mr. CHEN Li, aged 52, has been an INED of the Company since February 2008. Mr. Chen is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen was previously the INED of CCT Land, until his resignation in June 2015, and an executive director of First China Financial Network Holdings Limited (stock code: 08123), a company listed on the Growth Enterprise Market of the Stock Exchange, until his resignation in July 2016. He held a number of senior positions in several reputable telecommunications companies and a conglomerate in China. Mr. Chen graduated from the faculty of physics in a university in China in 1985 with a profession in radio technology and has extensive experience in the Chinese telecommunications and management field.

Mr. CHOW Siu Ngor, aged 61, has been an INED of the Company since March 2013. Mr. Chow is the chairman and a member of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee. Mr. Chow is an INED of CCT Land and REXLot Holdings Limited (stock code: 00555), the shares of which are listed on the main board of the Stock Exchange. Mr. Chow is a practising solicitor in Hong Kong. He is currently a Partner with Messrs. King & Wood Mallesons. Mr. Chow graduated from The Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. He obtained an Honours Degree in Laws from the University of Birmingham in 1987. Mr. Chow was admitted as a solicitor of the Supreme Court of Hong Kong in 1990 and has been in private practice since then. He was previously a non-executive director of China Baoli Technologies Holdings Limited (formerly known as REX Global Entertainment Holdings Limited) (stock code: 00164), a company listed on the main board of the Stock Exchange, until 22 September 2015.

SENIOR MANAGEMENT

Mr. MAK Chun Kiu, TK, aged 37, is the Chief Executive Officer of the Blackbird Automotive Group. After founding the multi-award winning publishing company in the late 1990's, he built the magazine Milk to become one of the best-selling and most influential weekly lifestyle titles in Hong Kong and the region, expanding his publishing business into mainland China and Taiwan. With over 17 years of experience in the media and publishing as well as the luxury goods retailing industry as a chairman and chief executive officer, alongside other ventures in fashion, online retail, via his multimedia creative agency, leveraging his extensive experience and long history with various luxury sports car manufacturers in the world, TK founded the Blackbird Automotive Group. TK's responsibility is to oversee the overall management, strategic direction, planning and growth of the Blackbird Automotive Group. TK is the elder son of Mr. Mak.

Mr. John Brian NEWMAN, aged 48, is the Chief Operating Officer of the Blackbird Automotive Group. He has 28 years of senior management experience with blue chip sports and luxury car manufacturers, importers and retailers and was a director of a successful motor racing team in Europe. Experienced in sales, marketing, distribution, dealer development, media communications and customer relationship management, he has been with the company since 2014. He holds a Diploma in Business and Finance, is a qualified pilot and has worked in the motor industry in both the UK and Asia.

Mr. CHEUNG Chi Wah, Patrick, aged 46, joined the Group in October 1999, resigned in 2010 for his personal development and rejoined the Group in October 2015. He holds the position of Financial Controller and is primarily responsible for the accounting and financial management and business development matters of the Group. Besides his services with the Group, he worked in a leading international accounting firm for about 5 years and held a senior management position in another listed company for 5 years. He has over 21 years of professional experience in corporate finance, financial management, accounting and auditing. He holds an Honours Degree in Accountancy from The Hong Kong Polytechnic University and a Master Degree in Information Technology Management from The Chinese University of Hong Kong. He is an associate of the HKICPA.

Mr. CHAN Ka Chai, aged 52, joined the Group in September 2015. Mr. Chan currently holds the position of General Counsel of the Group. Mr. Chan is responsible for giving legal advice on all legal matters of the Group. Mr. Chan is a qualified solicitor in Hong Kong and a member of The Law Society of Hong Kong. Mr. Chan holds a Bachelor of Laws Degree from the University of London and the Postgraduate Certificate in Laws from The University of Hong Kong.

Mr. CHAN Muk Hing, aged 62, is the founder and managing director of AHM in which the Group acquired a 70% equity interest in March 2016. AHM is principally engaged in the leasing and installation of audio and lighting equipment and provision of technical services for concerts and other events in Hong Kong, the mainland China and other regions. Mr. Chan is primarily responsible for strategic development of the Audio and Lighting Business and overseeing the overall business operations and the financial performance of the Audio and Lighting Business. Mr. Chan has over 40 years of experience in leasing and installation of audio and lighting equipment and providing related solution consultancy services for live concerts and other events. Prior to founding AHM, Mr. Chan worked in several well-known culture media companies in the entertainment industry including Commercial Radio Hong Kong, Asia Television Limited and Tom Lee Music. He has extensive knowledge in audio equipment and solid experience in audio and lighting controlling operations, live concerts organising and related engineering solution.

Mr. AU Ka Kam, aged 59, is the founder and the managing director of Hip Hing Loong Metal Works Limited ("HHL") in which the Group acquired a controlling interest in July 2016. HHL is principally engaged in stage metal construction works and provision of engineering services for concerts and other events in Hong Kong, the mainland China, Macau and South East Asia. He is primarily responsible for strategic development of the stage metal construction and engineering business of the HHL and overseeing the business operations and the financial performance of HHL. Mr. Au has over 30 years of experience in performance stage design, metal construction works and engineering services.

FINANCIAL REVIEW

OVERVIEW OF 2016 FINANCIAL RESULTS AND OTHER COMPREHENSIVE INCOME

HK$ million	2016	2015	% increase/ (decrease)
Revenue	**895**	608	47.2%
Gross Profit	**600**	355	69.0%
G.P. Ratio	**67.0%**	58.4%	8.6%
Administrative expenses	**193**	118	63.6%
Other expenses	**93**	28	232.1%
Profit before tax	**352**	348	1.1%
Income tax (charge)/credit	**(39)**	21	N/A
Profit for the year	**313**	369	(15.2%)
Profit attributable to:			
Owners of the parent	**303**	369	(17.9%)
Non-controlling interests	**10**	–	N/A
	313	369	(15.2%)
Return on Equity	**10.0%**	13.6%	
Earnings per share attributable to ordinary equity holders of the parent			
— Basic	**HK$0.36**	HK$0.44	(18.2%)
— Diluted	**HK$0.35**	HK$0.44	(20.5%)
Dividend per share	**HK$0.07**	HK$0.065	7.7%
Other comprehensive income, net of tax	**–**	–	N/A

Discussion on 2016 Financial Results and Other Comprehensive Income

The Group achieved another excellent year in 2016. Its revenue increased by HK$287 million to reach HK$895 million, surged 47.2% compared with 2015, primarily due to contribution from the securities business and the first year contribution from the event production companies which were acquired by the Group during the year. The revenue from the securities business was derived from the gains in respect of the disposals of all the Group's holdings in CCT Land Shares and the CCT Land Convertible Bonds during the year.

Gross profit was HK$600 million, increased HK$245 million or 69.0% compared with the prior year. This substantial increase was primarily driven by the contribution from the securities business and the new business acquisitions, including AHM and HHL. G.P. Ratio further enhanced 8.6% from 58.4% in 2015 to 67.0% in 2016. This high G.P. Ratio was primarily due to the high gross profit margin of securities business, which contributed majority of the Group's gross profit for the year.

Administrative expenses increased by HK$75 million to HK$193 million for the year, as a result of increase in revenue and inclusion of the administrative expenses of the businesses acquired during the year. Other expenses were HK$93 million, increased HK$65 million or 232.1% compared with HK$28 million for the comparable year. This increase was mainly due to net fair value loss on investment properties and impairment loss on stock of properties.

Profit before taxation for the year was HK$352 million, broadly the same as the prior year. Income tax charge was HK$39 million, provided on the taxable profits for the year and included utilisation of an income tax credit of HK$21 million made in the last corresponding year. Profit attributable to owners of the parent was HK$303 million, decreased by 17.9% compared with the last corresponding year, mainly as a result of higher tax charge in the year. Non-controlling interest represented share of profit of the minority shareholders in the event production operations acquired by the Group during the year. This strong performance was primarily driven by disposal gains in respect of all the Group's holdings of the CCT Land Shares and the CCT Land Convertible Bonds held for trading purpose.

Return on equity ("**ROE**"), representing profit attributable to owners of parent over average shareholder's equity, was 10.0%, reduced 3.6% compared with 13.6% for the last corresponding period. This decrease in ROE was attributable to the combined effect of decrease in profit and the increase in average shareholders' equity, due to issue of new shares in 2016. This is the same reason that explains the decrease in earnings per share.

There were no other comprehensive income for both years.

ANALYSIS BY BUSINESS SEGMENT

	Revenue				
	2016		2015		% increase/
HK$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Property development and trading in Hong Kong	**–**	**0.0%**	2	0.3%	N/A
Property investment and holding	**15**	**1.7%**	13	2.1%	15.4%
Securities business	**514**	**57.4%**	404	66.4%	27.2%
Classic car trading and car logistic business	**60**	**6.7%**	95	15.6%	(36.8%)
Investment in classic cars	**–**	**0.0%**	–	0.0%	N/A
Film operations	**–**	**0.0%**	–	0.0%	N/A
Audio and lighting operations	**118**	**13.2%**	–	0.0%	N/A
Stage engineering operations	**25**	**2.8%**	–	0.0%	N/A
Plastic component business	**92**	**10.3%**	94	15.5%	(2.1%)
Child products trading business	**25**	**2.8%**	–	0.0%	N/A
Other operations	**50**	**5.6%**	4	0.6%	1,150%
Elimination of intersegment transactions	**(4)**	**(0.5%)**	(4)	(0.5%)	–
Total	**895**	**100.0%**	608	100.0%	47.2%

HK$ million	Operating profit/(loss) 2016	2015	% increase/ (decrease)
Property development and trading in Hong Kong	**(30)**	(39)	(23.1%)
Property investment and holding	**(13)**	20	N/A
Securities business	**506**	397	27.5%
Classic car trading and car logistic business	**(7)**	(3)	133.3%
Investment in classic cars	**13**	(1)	N/A
Film operations	**(6)**	–	N/A
Audio and lighting operations	**22**	–	N/A
Stage engineering operations	**8**	–	N/A
Plastic component business	**(11)**	(84)	(86.9%)
Child products trading business	**–**	–	N/A
Other operations	**(43)**	(13)	230.8%
Total	**439**	277	58.5%

The segmental operating profit/(loss) were presented in operating profit/(loss) before interest and tax.

The securities business was the key driver for growth in revenue and earnings in 2016. This business segment contributed revenue of HK$514 million, represented 57.4% of the Group's total revenue and delivered operating profit of HK$506 million. These excellent results was primarily driven by disposal of all of the Group's holdings in the CCT Land Shares and the CCT Land Convertible Bonds held as trading securities during the year.

In the absence of sale of property project during the year, the property development and trading operations had not generated any revenue and recorded an operating loss of HK$30 million, representing decrease in loss of HK$9 million or 23.1% compared with the prior year. This year's operating loss represented salaries, operating and administration expenses incurred and impairment loss on the properties recorded.

The investment property business contributed rental revenue from external parties of HK$12 million but incurred an operating loss of HK$13 million, as opposed to an operating profit of HK$20 million for the comparable year. The downturn in performance of the property investment segment was primarily due to the reduction of retail sales and fall in tourism which resulted in fair value loss on the Group's retail investment properties whereas fair value gains were recorded in the prior year.

Affected by slowing global economy, sales of classic cars decreased. Amid this backdrop, the multi-faceted automotive business delivered revenue of HK$60 million, decreased by HK$35 million or 36.8% compared with 2015. Despite decrease in sales, the classic car investment segments posted a net operating profit of HK$13 million, mainly attributable to the fair value gains on own collection of investment classic car. The classic car trading segment, however, incurred an operating loss of HK$7 million, increased $4 million as compared with the prior year, mainly as a result of salaries and administration expenses during the development stage of the business.

The audio and lighting operations engaged by AHM and the Macau operations contributed an operating profit of HK$22 million against revenue contribution of HK$118 million since their respective acquisition. This new business unit performed well. It is expected this business venture will maintain its growth momentum in 2017.

The stage engineering operations engaged by HHL delivered an operating profit of HK$8 million against revenue contribution of HK$25 million since acquisition. The performance of this new business was better than expected.

The segmental revenue of the component business was HK$92 million, fell HK$2 million or 2.1% on a year-on-year basis, led by the decrease in sale of the plastic components to the CCT Tech Group. The operating results of the component segment improved significantly as operating loss shrank to HK$11 million, representing a decrease of HK$73 million or 86.9% as compared with the last corresponding period. This change was mainly led by the benefits resulting from the Group's continuing initiatives to improve the productivity and efficiency of the component operations.

The Child Products Trading Business contributed revenue of HK$25 million to the Group since completion of business acquisition in October 2016. This new business unit was break-even since acquisition.

Other operations include the car services center, magazine publishing business, e-commerce, mobile games and other new ventures which are in the development and start-up stage. The other operations recorded revenue of HK$50 million and incurred an operating loss of HK$43 million, caused mainly by start-up and development costs and operating expenses of the other operations.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Revenue				
	2016		2015		% increase/
HK$ million	**Amount**	**Relative %**	Amount	Relative %	(decrease)
Hong Kong, mainland China and Macau	**854**	**95.4%**	569	93.6%	50.1%
Europe	**11**	**1.2%**	18	3.0%	(38.9%)
USA and Canada	**18**	**2.0%**	21	3.4%	(14.3%)
Elsewhere	**12**	**1.4%**	–	–	N/A
Total	**895**	**100.0%**	608	100.0%	47.2%

Over 95% of the Group's total revenue was generated in the Hong Kong, mainland China and Macau, in which the Group's core businesses are operated. The revenue from these market regions was HK$854 million, increased by HK$285 million or 50.1% compared with 2015. This increase was primarily attributable to additional revenue contribution from Group's securities business as a result of disposals of all the Group's holdings in the trading securities in CCT Land and the first year's revenue contribution from the newly acquired businesses. The revenue from USA and Europe represented sale of classic cars to the regions.

CONVERTIBLE BONDS

During the year, the Company issued the 2024 Convertible Bonds with the aggregate principal amount of HK$250,200,000 and the 2018 Convertible Bonds with the aggregate principal amount of HK$100,000,000. Details of the 2024 Convertible Bonds and the 2018 Convertible Bonds are set out in note 32 to the financial statements of this annual report. Further information about the 2024 Convertible Bonds and the 2018 Convertible Bonds are set out as follows:

(b) 2024 Convertible Bonds

During the year ended 31 December 2016, there was no conversion of the 2024 Convertible Bonds and the 2024 Convertible Bonds with an aggregate principal amount of HK$250,200,000 was outstanding as at 31 December 2016.

The following table set out the shareholding structure of the Company: (i) as at 31 December 2016, and (ii) for illustrative purpose only, the structure immediately after the issue of the 297,857,143 Shares upon full conversion of all the outstanding 2024 Convertible Bonds with principal amount of HK$250,200,000 at the current conversion price of HK$0.84 per conversion share, assuming that there is no other changes to the share capital of the Company from 31 December 2016 to date of the allotment and issue of the conversion shares:

	As at 31 December 2016		Immediately after conversion of all the outstanding 2024 Convertible Bonds and issue of the conversion shares	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Capital Force	96,868,792	11.04	311,154,506	26.47
New Capital	171,357,615	19.52	254,929,044	21.68
Capital Winner	177,798,672	20.25	177,798,672	15.12
Mr. Mak	11,789,652	1.34	11,789,652	1.00
Sub-total for Mr. Mak and his close associates	457,814,731	52.15	755,671,874	64.27
Other directors:				
Tam Ngai Hung, Terry	1,148,000	0.13	1,148,000	0.10
William Donald Putt	591,500	0.07	591,500	0.05
Sub-total for other directors	1,739,500	0.20	1,739,500	0.15
Holder of the 2018 Convertible Bonds and its close associate	85,454,545	9.73	85,454,545	7.27
Total non-public shareholders	545,008,776	62.08	842,865,919	71.69
Public shareholders	332,840,676	37.92	332,840,676	28.31
Total	877,849,452	100.00	1,175,706,595	100.00

The outstanding 2024 Convertible Bonds has a dilutive effect on the earnings per share of the Group.

As bondholder(s) has no right to demand prepayment of the 2024 Convertible Bonds prior to the maturity date and the bonds have a long maturity and as such, the outstanding 2024 Convertible Bonds is unlikely to have any significant negative impact on the financial and liquidity position of the Group, given the strong financial position the Group. Furthermore, there is likelihood that part or whole of the 2024 Convertible Bonds may be converted into Shares before maturity. Therefore, the possible financial burden that may arise from the potential repayment of the 2024 Convertible Bonds is not likely to be significant in the near future. The Company will have enough time to arrange financing for repayment of any outstanding 2024 Convertible Bonds on maturity.

The analysis of the Company's share price at which it would be equally financially advantages for the bondholder(s) to convert or redeem the 2024 Convertible Bonds based on their implied rate of return at a range of dates in the future:

Suggested conversion date	**Company's share price**	**Implied rate of return of bondholder**
		%
30 June 2017	HK$0.84	5.11%
31 December 2017	HK$0.84	5.12%

(b) 2018 Convertible Bonds

During the year ended 31 December 2016, the 2018 Convertible Bonds with the principal amount of HK$50 million were converted into 45,454,545 Shares issued and allotted to the bondholder. The balance of the 2018 Convertible Bonds with an aggregate principal amount of HK$50,000,000 was outstanding as at 31 December 2016.

The following table set out the shareholding structure of the Company: (i) as at 31 December 2016, and (ii) for illustrative purpose only, the structure immediately after the issue of the maximum 45,454,545 Shares upon full conversion of all the outstanding 2018 Convertible Bonds with an aggregate principal amount of HK$50,000,000 as at 31 December 2016 at the current first year conversion price of HK$1.1 per conversion share, assuming that there is no other changes to the share capital of the Company from 31 December 2016 to date of the allotment and issue of the conversion shares:

	As at 31 December 2016		Immediately after conversion of all the outstanding 2018 Convertible Bonds and issue of the conversion shares	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Capital Force	96,868,792	11.04	96,868,792	10.49
New Capital	171,357,615	19.52	171,357,615	18.56
Capital Winner	177,798,672	20.25	177,798,672	19.26
Mr. Mak	11,789,652	1.34	11,789,652	1.28
Sub-total for Mr. Mak and his close associates	457,814,731	52.15	457,814,731	49.59
Other directors:				
Tam Ngai Hung, Terry	1,148,000	0.13	1,148,000	0.12
William Donald Putt	591,500	0.07	591,500	0.06
Sub-total for other directors	1,739,500	0.20	1,739,500	0.18
Holder of the 2018 Convertible Bonds and its close associate	85,454,545	9.73	130,909,090	14.18
Total non-public shareholders	545,008,776	62.08	590,463,321	63.95
Public shareholders	332,840,676	37.92	332,840,676	36.05
Total	877,849,452	100.00	923,303,997	100.00

The outstanding 2018 Convertible Bonds has no dilutive impact on the earnings per share of the Group.

As bondholder(s) has no right to demand prepayment of the 2018 Convertible Bonds and the bonds still over one year's time before they mature, there is sufficient time for the Group to arrange financing to repay any outstanding 2018 Convertible Bonds at maturity. The outstanding principal amount of the 2018 Convertible Bonds as at the year end was HK$50 million, which represents an insignificant proportion of the Group's total assets. Given the strong financial position of the Group, any repayment (if required) of the 2018 Convertible Bonds in the future is unlikely to impose any significant financial burden and is unlikely to have any significant negative impact on the financial and liquidity position of the Group. Furthermore, there is likelihood that part or whole of the remaining balance of the 2018 Convertible Bonds may be converted into Shares before maturity. As such, the possible financial burden that may arise from the potential repayment of the 2018 Convertible Bonds is not likely to be significant.

The analysis of the Company's share price at which it would be equally financially advantages for the bondholder(s) to convert or redeem the 2018 Convertible Bonds based on their implied rate of return at a range of dates in the future:

Suggested conversion date	**Company's share price**	**Implied rate of return of bondholder**
		%
30 June 2017	HK$1.2	1.51%
31 December 2017	HK$1.2	1.51%

FUND RAISING

In June 2016, the Company raised net proceeds of approximately HK$100,000,000 by issuing the 2018 Convertible Bonds with principal amount of HK$100,000,000. The 2018 Convertible Bonds bear interest at 1.5% per annum and have a maturity date falling on the second anniversary of the date of issue of the 2018 Convertible Bonds (the "**Maturity Date**"). Subject to the terms and conditions of the 2018 Convertible Bonds, holder(s) of the 2018 Convertible Bonds has a right to convert the 2018 Convertible Bonds during the conversion period into the Shares at the initial price of (i) HK$1.1 per conversion Share (the "**First Year Conversion Price**") (subject to adjustments pursuant to the terms and conditions of the 2018 Convertible Bonds) in the first year from the date of issue of the 2018 Convertible Bonds; and (ii) HK$1.2 per conversion Share (the "**Second Year Conversion Price**") (subject to adjustments) from the end of the first year to the expiry date of the conversion period. Unless previously converted or cancelled under the terms and conditions of the 2018 Convertible Bonds, all the 2018 Convertible Bonds will be redeemed at its then outstanding principal amount inclusive of accrued interest on the Maturity Date. Details of the subscription and issue of the 2018 Convertible Bonds have been disclosed in the Company's announcement dated 30 May 2016. During the year, the net proceeds have been applied as to approximately HK$50,000,000 for expansion and acquisition of the Group's automotive business and cultural entertainment business including funds applied to finance part the acquisition costs of event production companies, HK$20,000,000 for the working capital of the automotive business and cultural entertainment business and the balance of approximately HK$30,000,000 for general working capital of the Group. The application of the subscription proceeds are consistent with the proposed usage of funds as disclosed in the Company's announcement dated 30 May 2016. During the year, the bondholder converted 2018 Convertible Bonds with the principal amount of HK$50,000,000 into 45,454,545 new Shares at the conversion the First Year Conversion Price of HK$1.1 per conversion Share. The principal amount of the 2018 Convertible Bonds as at 31 December 2016 was HK$50,000,000.

OVERVIEW ON SIGNIFICANT MOVEMENTS OF FINANCIAL POSITION

HK$ million	2016	2015	% increase/ (decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	**837**	454	84.4%
Investment properties	**1,179**	978	20.6%
Goodwill	**103**	17	505.9%
Classic cars held for investment	**92**	57	61.4%
Available-for-sale investments	**96**	14	585.7%
Deferred tax assets	**–**	21	N/A
CURRENT ASSETS			
Stock of properties held for sale	**337**	361	(6.6%)
Stock of classic cars held for sale	**113**	126	(10.3%)
Non-current assets held for sale	**26**	–	N/A
Trade receivables	**1,812**	32	5,562.5%
Investment in film production	**11**	–	N/A
Prepayment, deposits and other receivables	**90**	368	(75.5%)
Financial assets at fair value through profit or loss	**18**	1,097	(98.4%)
Pledged time deposits	**–**	47	N/A
Cash and cash equivalents	**212**	355	(40.3%)
CURRENT LIABILITIES			
Current interest-bearing bank and other borrowings	**383**	443	(13.5%)
NON-CURRENT LIABILITIES			
Convertible bonds	**280**	–	N/A
Non-current interest-bearing bank and other borrowings	**854**	527	62.0%
EQUITY			
Equity attributable to owners of the parent	**3,181**	2,866	11.0%

Discussions on Financial Position

The increase in property, plant and equipment balance of HK$383 million during the year represented the net effect of: (i) acquisition of property at Paramount Building, Chai Wan for use as the headquarters of the Blackbird Automotive Group; (ii) the reclassification of the property House 37 Repulse Bay Road, Hong Kong, which has been provided for use as quarters of the chief executive officer of the Blackbird Group during the year as his remuneration, from investment property account to property, plant and equipment account; (iii) acquisition of plant and equipment during the year and (iv) offset partly by the depreciation charge for the year.

The investment properties balance was HK$1,179 million, increased by HK$201 million or 20.6% compared with the prior year. This change was attributable to the combined effect of: (i) the acquisition of House 38 and House 39, 56 Repulse Bay Road during the year; (ii) the reclassification of House 37, Repulse Bay Road to "property, plant and machinery" account; and the (iii) net unrealised fair value loss arising from revaluation of the investment properties at year end.

Goodwill of HK$103 million arose from acquisition of AHM, the Macau audio and lighting business and HHL. As all these businesses delivered profits and its revenue and profits are expected to grow, no impairment of goodwill is considered necessary.

Increase in classic cars held for investment was primarily attributable to addition of collectible classic cars during the year.

Available-for-sale investment was HK$96 million, increased HK$82 million compared with one year earlier. This increase mainly represented the Group's additional investment during the year.

Deferred tax assets reduced to nil as the tax credit of HK$21 million in 2015 was utilised in 2016.

Stock of properties held for sale fell by HK$24 million to HK$337 million, primarily due to the impairment on the value of Russell Street Property, as a result of reduction of Chinese tourists visiting Hong Kong which has dampened the retail market in tourist area like Causeway Bay. There was no acquisition or addition of property project during the year.

Stock of classic car cars held for sale decreased by HK$13 million, mainly due to disposal of a trading classic cars. Non-current asset held for sale of HK$26 million, represented carrying value of a classic car held for investment and this investment classic car was sold subsequent to the year end.

Trade receivables surged to HK$1,812 million, increased HK$1,780 million during the year. This substantial change was primarily due to the disposal of all the Group's holdings of CCT Land Shares and CCT Convertible Bonds and inclusion of trade receivables of the newly acquired businesses during the year. Sufficient securities have been provided by the debtors to secure the trade receivables relating to the sale of the securities in CCT Land.

Investment in film production represented the balance of the Group's investment in films as at the year end. The Group intends to expand its investment in film production in the current year.

Prepayment, deposit and other receivables was HK$90 million, represented a decrease of HK$278 million or 75.5% compared with the comparable year. This change was primarily led by receipt of the other receivable of HK$300 million in respect of the sale of the promissory notes.

Balance of financial assets at fair value through profit or loss was HK$18 million, decreased by HK$1,079 million or 98.4% on a year-on-year basis. This change represented sale of all the Group's holdings of CCT Land Shares and the CCT Land Convertible Bonds during the year.

Cash and cash equivalents balance was HK$212 million, decreased by HK$143 million, representing the use of funds for working capital, acquisition of properties and new business ventures of the Group and dividend payment.

The carrying value of the convertible bonds at 31 December 2016 represented the 2024 Convertible Bonds with principal amount of HK$250,200,000 and outstanding balance of the 2018 Convertible Bonds of HK$50,000,000. The 2024 Convertible Bonds were issued to satisfy the share consideration for acquisition of the two group of property companies from Mr. Mak Shiu Tong, Clement, chairman and executive Director. None of the 2024 Convertible Bonds were converted up to 31 December 2016. The 2018 Convertible Bonds with the original principal amount of HK$100,000,000 were issued to an independent third investor for cash, of which principal amount of HK$50,000,000 was converted by the bondholder into new Shares during the year, leaving a balance of HK$50,000,000 outstanding at year end.

Equity attributable to owners of the parent at end of the year stood at HK$3,181 million, representing an increase of HK$315 million compared with HK$2,866 million at the beginning of the year. This favourable change was primarily attributable to the net profit attributable to owners of the parent for the year and issue of new shares less the dividend paid during the year.

CAPITAL STRUCTURE AND GEARING RATIO

	2016		2015	
HK$ million	**Amount**	**Relative %**	Amount	Relative %
Bank borrowings	**1,227**	**27.6%**	967	25.2%
Finance lease payable	**10**	**0.3%**	3	0.1%
Total borrowings	**1,237**	**27.9%**	970	25.3%
Equity	**3,202**	**72.1%**	2,866	74.7%
Total capital employed	**4,439**	**100.0%**	3,836	100.0%

The Group's gearing ratio marginally increased from 25.3% as at 31 December 2015 to 27.9% as at 31 December 2016, driven mainly by the increase of bank borrowings at percentage higher than the percentage increase of equity during the year. The Group's gearing ratio was maintained at low level, which reflected the strong financial position of the Group.

Total outstanding bank borrowings were HK$1,237 million (2015: HK$970 million). Approximately 69% of these bank borrowings were of long-term nature, primarily representing mortgage loans on properties held by the Group.

As at 31 December 2016, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth year and beyond five years amounted to HK$383 million, HK$519 million and HK$335 million, respectively (2015: HK$443 million, HK$316 million and HK$211 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	2016	2015
Current assets	**2,629**	2,396
Current liabilities	**591**	601
Current ratio	**444.8%**	398.7%

The Group's current ratio as at 31 December 2016 rose to 444.8% from 398.7% one year earlier, reflecting high liquidity of the Group's assets and a strong financial position.

The Group's cash balance (including pledged deposits) at year end was HK$212 million, decreased by HK$190 million as compared with HK$402 million cash balance one year earlier. This decrease was largely attributable to funds applied for working capital, acquisition of properties and new business, and dividend payments. In view of the Group's current cash position and the banking facilities available, the Group continued to maintain a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 31 December 2016, capital commitment of the Group amounted to HK$97 million. The Group intends to finance the capital commitment partly by internal resources and balance by bank borrowings.

TREASURY MANAGEMENT

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

During the financial year 2016, the Group's receipts were mainly denominated in Hong Kong dollar, USD, Euro and Pound Sterlings. Payments were mainly made in Hong Kong dollar, USD, Euro, Pound Sterlings and RMB. Cash was generally placed in short-term deposits denominated in Hong Kong dollar, and RMB. In 2016, the Group's borrowings were mainly denominated in Hong Kong dollar, and interest on the borrowings was principally determined on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk at present as the interest rates currently remain at low level.

The Group's exposure to foreign currency fluctuation is not significant. The current devaluation of RMB benefits our component manufacturing business as the wages and overhead of our factory in the PRC are paid in RMB.

As for Euro and Pound Sterlings, these currencies have experienced certain devaluation against USD in 2016. However as most of the payments and receipts arising from purchase and sale of classic cars were transacted in USD, Euro or Pound Sterlings, our exposure to the European currencies are naturally hedged and is considered not significant.

Our current exposure to foreign exchange risk is not significant. We will continue to monitor the currency exposure but we have no intention to enter into any high-risk exchange derivatives.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

During the year, save for the acquisition of the audio and lighting business, the stage engineering business and the Child Product Trading Business, the Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

SIGNIFICANT INVESTMENT

Save as disclosed in the other section of the financial review, the Group did not hold any significant investment as at 31 December 2016 (2015: nil).

PLEDGE OF ASSETS

As at 31 December 2016, certain of the Group's assets with a net book value of approximately HK$2,266 million (2015: HK$1,812 million) and there was no time deposits (2015: HK$47 million) which were pledged to secure the Group's bank loans.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had contingent liabilities in terms of corporate guarantees with aggregate amount of approximately HK$134 million (2015: HK$147 million) given by the Company to guarantee trade facilities of certain members of CCT Land Group, of which approximately HK$93 million of trade facilities were utilized by the CCT Land Group (2015: HK$112 million).

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2016 was 606 (2015: 635). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2016, there were no outstanding share options issued by the Company.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of employees for the year ended 31 December 2016 are set out below:

	Number of employees
Nil–$1,000,000	2
$1,000,001–$2,000,000	–
$2,000,001–$2,500,000	1
	3

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

An aggregate of 45,454,545 new Shares were allotted and issued under the Company's general mandate at the conversion price of HK$1.10 per Share to the bondholder upon conversion of the 2018 Convertible Bonds of principal amount of HK$50,000,000 during the year.

Save for the new Shares as allotted and issued as mentioned above, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year.

SUSTAINABLE OPERATIONS AND DEVELOPMENT

SUSTAINABILITY STRATEGY

We regard sustainability as a core strategy in maintaining and developing the Company for the long term and our efforts in fulfilling corporate social responsibility will contribute to the long-term value to the Company and the community in which we operate.

ENVIRONMENTAL PROTECTION AND PRODUCT SAFETY

Our environmental objective is to operate and develop our business in a manner that minimises the impacts to the environment and natural resources. We endeavor to improve our operation process and products in order to maximise efficiency and productivity and minimize wastages. Our policy is to ensure that our operations comply with relevant environmental laws, rules and regulations. We commit to provide high quality products and services and comply fully with the relevant international and local health, quality and safety standards.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE COMPANY

It is the Company's policy to comply with all the relevant laws and regulations in the places where we operate. The management always keep abreast of the latest development in the laws and regulations which are relevant and have a significant impact on the Group. During the year, there was no significant non-compliance of any laws, regulations or rules that have a significant impact on the Group and its operations.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group has committed to produce and deliver premium products and services to customers to meet their satisfaction and expectation.

Regarding the Group's property business, we have established very good working relationship with the major property agents in Hong Kong, which facilitate sale, purchase and leasing of properties in the most efficient manner.

Although our classic car business was established in 2014, some of the key personnel have been working the automotive industry in Hong Kong for many years and possess significant and extensive experience of working with classic cars. Due to our extensive knowledge and expertise in this field, a professional service level and comprehensive relationships with customers and suppliers have been well-established.

The audio and lighting business and the stage engineering business that we acquired during the year are market leaders in their respective sector and they have established strong reputation and relationship with their respective customers and suppliers.

With our 25 years' manufacturing experience, our component factory has a long history of working relationship with its major suppliers. We work closely with them in order to ensure that the component products will meet with customers' requirements at the competitive prices.

RELATIONSHIP WITH EMPLOYEES

We treasure our employees which are one of the most valuable assets to the Group. We offer competitive remuneration package, provident fund, welfare and benefits and comply with all the relevant labour laws and regulations which apply to our operations. The key management personnel have worked with the Group for a long time.

We encourage staff training and development. Hong Kong employees are encourage to join external training in job-related courses, seminars and programmes. A comprehensive training programme is in place for new workers in China. In addition, training courses and seminars are organized for different grades of employees from time to time.

Our factory has provided various sport and recreational facilities for enjoyment of employees during their leisure time. A staff club has been established, which organize various recreational and social activities from time to time for the staff and workers.

WORKPLACE QUALITY

The Group has placed significant resources in providing a safe, healthy, clean and comfortable workplace for our employees, both in Hong Kong and in China. Also, a safety committee has been established in our factory to maintain and monitor safety of the production facilities and the quarters and living areas of workers.

CONTRIBUTION TO THE COMMUNITY

CCT has contributed its efforts and resources to support the community in which it operates for many years. The Group has donated schools in China and has participated and provided support to various charity activities, both in Hong Kong and China. In 2016, the Group has made charitable donations of approximately HK$2 million. Furthermore, the Group also encourages its employees to participate in various charitable activities and volunteering events in the local community in which it has operations.

A corporate social responsibility report will be published on the Stock Exchange’s website and the Company’s website within three months after publication of Company’s annual report.

corporate information

COMPANY NAME
CCT Fortis Holdings Limited

BOARD OF DIRECTORS

Executive Directors
Mak Shiu Tong, Clement *(Chairman and CEO)*
Tam Ngai Hung, Terry *(Deputy Chairman)*
Cheng Yuk Ching, Flora
William Donald Putt

Independent Non-executive Directors
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor

COMPANY SECRETARY
Tam Ngai Hung, Terry

PRINCIPAL BANKERS
Nanyang Commercial Bank, Limited
OCBC Wing Hang Bank Limited
Hang Seng Bank Limited

SOLICITORS
Sidley Austin

AUDITORS
Ernst & Young, Certified Public Accountants

FINANCIAL YEAR END
31 December

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Hamilton HM 12
Bermuda

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Hong Kong

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Tricor Tengis Limited
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Hong Kong

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COMPANY WEBSITE
www.cct-fortis.com

STOCK CODE
138

CORPORATE GOVERNANCE

The Company has always recognised the importance of the Shareholders' transparency and accountability. It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the Shareholders.

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the financial year ended 31 December 2016, except for the following minor deviations from the Code Provisions of the CG Code:

Code Provision A.2.1

The Code Provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

There is no separation of the roles of chairman and chief executive officer of the Company and hence the Company has not complied with the Code Provision A.2.1 during the financial year ended 31 December 2016.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak is an executive of high caliber with a wide range of skills and diversified business expertise. He has substantial experience, strong leadership and a firmly established reputation in the diversified business that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. The Board is composed of four Executive Directors (including the Chairman) and three INEDs with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and the general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. Furthermore, the Board believes that the combined roles of Mr. Mak enhance the communication between the Board and the management and ensure the effective execution of the Board's strategy by the management because of Mr. Mak's extensive business experience.

Code Provision A.4.2

The Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy of Directors seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM of the Company is less than one year and is considered to be short.

Pursuant to the bye-laws of the Company, the Chairman and the managing Director (who is currently assumed by Mr. Mak Shiu Tong, Clement) shall not be subject to retirement by rotation or not shall he be taken into account in determining the number of Directors to retire in each year. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Group. On the other hand, the Board will ensure that all Directors save for the Chairman will rotate at least once every three years in order to comply with the Code Provision A.4.2.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year ended 31 December 2016.

THE BOARD

Responsibilities, accountabilities and contributions

The Board is charged with the responsibility for the promotion of the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company.

Matters reserved for the Board's decision include those relating to:

— the strategic direction and policies of the Group;

— the objectives of the Group;

— monitoring the performance of the management of the Group;

— ensuring prudent and internal control and risk management systems are in place;

— material bank facilities arrangements;

— material acquisitions and disposals of assets and significant investments;

— material transactions with connected persons;

— material corporate finance transactions including but not limited to placing or sale of shares or convertible bonds, corporate restructuring, take-over, including approval of the announcements and the circulars;

— reviewing and approving interim and annual financial statements, declaration of dividends;

— appointment, re-appointment of auditors and determination of their remuneration;

— reviewing and determination of the terms and remuneration of the Directors; and

— performing the corporate governance duties of the Company.

The management of the Group was delegated the authority and responsibility by the Board for day-to-day management of the businesses of the Group, with division heads responsible for different aspects of the business. The Board meets at least four times each year and meets as and when required. Appropriate and sufficient information including notices were provided to the Board's members in a timely manner. During the financial year ended 31 December 2016, the Board held 19 meetings.

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

The Board members have also attended the Shareholders' meeting to answer questions from Shareholders. During the financial year ended 31 December 2016, the Company held two Shareholders' meetings. The attendance of each of the Directors at the Board's meetings (either in person or by phone) and at the Shareholders' meetings is set out as follows:

	Number of Meetings Attended/Held	
Name of Directors	**Board**	**Shareholders**
Mak Shiu Tong, Clement	11/19	2/2
Tam Ngai Hung, Terry	19/19	2/2
Cheng Yuk Ching, Flora	19/19	2/2
William Donald Putt	19/19	0/2
Tam King Ching, Kenny	19/19	2/2
Chen Li	19/19	0/2
Chow Siu Ngor	19/19	1/2

The company secretary of the Company is responsible for taking minutes of the Board's meetings and all Board's minutes are open for inspection by the Directors upon reasonable notice.

The Directors have access to relevant and timely information and, upon reasonable request, may seek independent professional advice in appropriate circumstances, at the Company's expenses. Appropriate insurance cover has been arranged in respect of the legal action against the Directors and the management of the Group. The Board considers that the Group has sufficient and appropriate liability insurance to cover the Directors and the management of the Group against any legal liability arising from their performance of duties.

Board's composition

As at the date of the Annual Report, the Board was composed of four Executive Directors, namely Mr. Mak Shiu Tong, Clement (also acting as the Chairman and the CEO), Mr. Tam Ngai Hung, Terry (also acting as the deputy Chairman), Ms. Cheng Yuk Ching, Flora and Dr. William Donald Putt and three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor. The Board's composition has maintained a balance and diversity of skills, expertise, experience and qualifications appropriate of the requirements, promotion and development of the businesses of the Group. The biographies of the Directors are set out in the section headed "Directors and Senior Management" in this Annual Report, which demonstrate a diversity of skills, expertise, experience and qualifications.

All the Directors are appointed for a specific term of not more than three years. Save for the Chairman and the managing Director (both roles currently being assumed by Mr. Mak Shiu Tong, Clement) who shall not be subject to retirement by rotation nor shall he be taken into account in determining the number of Directors to retire in each year, all the other directors (including INEDs) are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

THE BOARD *(continued)*

Board's composition *(continued)*

Directors give sufficient time and attention to the Group's affairs. The Company also requires the Directors to disclose to the Company annually and in a timely manner for any change regarding the number and the nature of offices held in public companies or organizations and other significant commitments with indications of the time involved.

The Company has received annual confirmation of independence for the year ended 31 December 2016 from Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor who are the three INEDs of the Company, in accordance with Rule 3.13 of the Listing Rules. The Board has assessed the independence of all INEDs and concluded that all INEDs of the Company are independent within the definition of the Listing Rules.

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs, at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the board of directors throughout the financial year ended 31 December 2016.

None of the members of the Board has any financial, business, family or other material/relevant relationships with each other.

Directors' continuing professional development

A newly appointed Director is provided with necessary induction and information to ensure he/she has a proper understanding of the Group's operations and businesses as well as his/her responsibilities under the Listing Rules and the other applicable regulatory requirements. The Company also provides Directors with updates and briefings on the latest developments and changes regarding the Listing Rules and other applicable regulatory requirements from time to time so as to ensure compliance and enhance their awareness of good corporate governance practices. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are requested to provide the Company with a record of the training they received.

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2016 is as follows:

	Type of Continuous Professional Development	
Name of the Directors	**Receiving updates and briefings from the Company/self-study**	**Attending seminar(s)/ conference and/or forums organised by external parties**
Mak Shiu Tong, Clement	✓	
Tam Ngai Hung, Terry	✓	✓
Cheng Yuk Ching, Flora	✓	
William Donald Putt	✓	
Tam King Ching, Kenny	✓	✓
Chen Li	✓	
Chow Siu Ngor	✓	✓

The training participated by the Directors in 2016 is relevant to their duties and responsibilities as a director of the Company.

THE CHAIRMAN AND THE CEO

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. The reasons for the deviation from the Code Provision A.2.1 under the CG Code are set out in the section headed "Corporate Governance" above. Mr. Mak is responsible for the leadership of the Board, corporate planning and strategic direction of the Group and takes a leading role in managing the businesses of the Group.

RE-ELECTION AND RETIREMENT OF THE DIRECTORS

The bye-laws of the Company provide that (i) each Director (except the Chairman and the managing Director) is required to retire by rotation at least once every three years and that one-third (or the number nearest to but not less than one-third) of the Directors shall retire from office by rotation and be eligible for re-election at each AGM of the Company; and (ii) any Director appointed by the Board, either to fill a casual vacancy on or as an addition to the existing Board, shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

BOARD COMMITTEES

The Board currently has established three committees which are the Remuneration Committee, the Audit Committee and the Nomination Committee, with clearly defined written terms of reference. The main roles and responsibilities of these three committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cct-fortis.com in the sub-section of "Corporate Governance" under the section of "Investor Information".

Remuneration Committee

The Remuneration Committee was established in 2005 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The main responsibilities of the Remuneration Committee include, inter alia, (i) making recommendations to the Board on the policy and structure for the remuneration of the Directors and senior management of the Group; (ii) reviewing the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) making recommendations to the Board on the remuneration package of individual Executive Directors and senior management of the Group (adopting the approach described under Code Provision B.1.2 (c) of the CG Code); (iv) reviewing and making recommendations to the Board the fees payable to the INEDs of the Company; and (v) reviewing and making recommendations to the Board the compensation, if any, payable to Executive Directors and senior management in connection with any loss or termination of office or appointment.

The Remuneration Committee is composed of five members who are the three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor and two Executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is currently chaired by Mr. Chow.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

During the financial year ended 31 December 2016, the Remuneration Committee held three meetings and its main work during 2016 included:

(i) reviewing and making recommendations to the Board on the policy and structure for the remuneration of the Directors and senior management of the Group;

(ii) reviewing and recommending to the Board payment of the discretionary bonuses to executive directors; and

(iii) reviewing and making recommendations to the Board on the remuneration package of the Directors and senior management of the Group.

For the sake of good corporate governance practice, none of the members of the Remuneration Committee participated in the discussions and decision on matters relating to his or her remuneration.

The attendance record of the members at meetings of the Remuneration Committee in 2016 is set out as follows:

Members of the Remuneration Committee	Number of meetings attended/held
Chow Siu Ngor	3/3
Tam King Ching, Kenny	3/3
Chen Li	3/3
Mak Shiu Tong, Clement	3/3
Tam Ngai Hung, Terry	3/3

The Group provides competitive remuneration packages to the Directors and senior management. The emoluments of Directors are determined based on skill, knowledge, experience and performance of the Directors and achievements and performance of the Company and taking into account market conditions. In addition, approved share option scheme has been established to provide incentives and rewards to eligible participants which include Directors and senior management.

Audit Committee

The Company has established the Audit Committee since 2000 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting, risk management and internal control systems as well as to maintain an appropriate relationship with the external and internal auditors of the Company.

The main responsibilities of the Audit Committee include, inter alia, (i) reviewing the financial statements of the Group's interim and annual reports before submitting them to the Board for approval; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with the applicable standards; (v) reviewing and monitoring the financial reporting and the reporting judgment contained in them; (vi) reviewing the financial controls, risk management and internal control systems (including the adequacy of resources, and the effectiveness of the financial and internal audit function); and (vii) to review the Group's accounting policies and practices and any changes of them with the management of the Group, and the internal and external auditors of the Company.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The Audit Committee is composed of three members who are the three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor. Mr. Tam King Ching, Kenny is a qualified accountant and has extensive experience in accounting and financial matters. The Audit Committee is currently chaired by Mr. Tam.

The Audit Committee has been provided with sufficient resources to perform its duties.

During the financial year ended 31 December 2016, the Audit Committee held three meetings and its main work during 2016 included reviewing:

(i) the 2015 annual report, including the Corporate Governance Report, Directors' Report and the Financial Statements, as well as the related results announcement;

(ii) the 2016 interim report and interim results announcement;

(iii) the plans, reports, fees, involvement in non-audit services and terms of engagement of the external auditors;

(iv) the plans, resources and work of the Company's internal auditors; and

(v) the adequacy and effectiveness of the Company's financial reporting system, the system of internal controls in operation, risk management system and associated procedures within the Group.

The attendance record of the members at the meetings of the Audit Committee in 2016 is set out as follows:

Members of the Audit Committee	Number of meetings attended/held
Tam King Ching, Kenny	3/3
Chen Li	3/3
Chow Siu Ngor	3/3

Nomination Committee

The Company has established a Nomination Committee since 2012 with specific written terms of reference in line with the Code Provisions under the CG Code. The main responsibilities of the Nomination Committee include, inter alia, (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; (ii) making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iii) identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of INEDs; and (v) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. As from the adoption of the Board Diversity Policy, the Company seeks to achieve Board diversity through a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy, as appropriate to ensure its continued effectiveness from time to time.

The Nomination Committee is composed of five members who are the three INEDs, namely Mr. Tam King Ching, Kenny, Mr. Chen Li and Mr. Chow Siu Ngor and two Executive Directors, namely Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Nomination Committee is currently chaired by Mr. Mak.

During the financial year ended 31 December 2016, the Nomination Committee held one meeting and its main work during 2016 included:

(i) reviewing the structure, size, composition and diversity of the Board;

(ii) assessing the independence of the INED of the Company; and

(iii) reviewing the succession planning for the Board.

The attendance record of the members at the meeting of the Nomination Committee in 2016 is set out as follows:

Members of the Nomination Committee	Number of meeting attended/held
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1
Tam King Ching, Kenny	1/1
Chen Li	1/1
Chow Siu Ngor	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties which include (i) developing, reviewing and approving the Company's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the financial year ended 31 December 2016, the Board held one meeting to develop and review the Company's policy and practice on corporate governance and to perform other corporate governance duties stated in the paragraph above. The attendance record of the members of the Board at the corporate governance meeting in 2016 is set out as follows:

Directors	**Number of meeting attended/held**
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1
Cheng Yuk Ching, Flora	1/1
William Donald Putt	1/1
Tam King Ching, Kenny	1/1
Chen Li	1/1
Chow Siu Ngor	1/1

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2016 is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	2,400
Non-audit services:	
Tax compliance services	430
Other services	–
Total	2,830

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The statement of the external auditors of the Company, Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the section headed "Independent Auditor's Report" in this Annual Report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL AND INTERNAL AUDIT

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's risk management and internal control systems on an ongoing basis and reviewing their effectiveness. The Group's risk management and internal control systems have been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. The Board also reviews and considers the adequacy of resources, staff qualifications and experience, and training programmes and budget of the Company's accounting, internal audit and financial reporting function.

The Company has established the internal audit department for many years and the department performs risk-based audit on the effectiveness of the internal control systems of the Group. The internal audit team of the Company reports to the Chairman. The annual audit plan of the internal audit department is reviewed and approved by the Audit Committee and summary of major audit findings and control weaknesses, if any, and follow-up actions are reviewed by the Audit Committee.

Objective of risk management and internal control

The Company recognises the importance of the risk management and internal control in the achievement of its strategic goals. The Company maintains a conservative approach to manage and align risk to its strategy of achieving sustainability and delivering long-term returns to shareholders.

INTERNAL CONTROL AND INTERNAL AUDIT *(continued)*

Process and procedure for risk management and internal control

(i) The Board has the overall responsibility for evaluating the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems.

(ii) The Board through the Audit Committee, reviews the adequacy the Group's risk management and internal controls systems.

(iii) The Group employs an enterprise risk management framework to manage risk.

(iv) The management of business unit/divisions are responsible for the day-to-day management of operational risks and implementation of mitigation measures.

(v) All division heads are required to provide a confirmation annually to the Board on the effectiveness of the risk management and internal control systems.

(vi) The Internal Audit Department of the Group is responsible for review and appraising effectiveness of risk management and internal control systems and report results to the Board through the Audit Committee.

Top and emerging risks

Our top and emerging risks framework helps enable the Group to identify current and forward-looking risk so that the Group may take actions that either prevents them, crystallising or limits their effect. Top risks are those that may have a material impact on the financial results, reputation or business model of the Group in the year ahead. Emerging risks are those that have large unknown components any may form beyond a one-year horizon. If these risks were to occur, they could occur have material effect on the Group. The Group's top and emerging risks are summarized as follows:

— geopolitical risks;

— global economic outlook and capital flows;

— financial market risks including adverse changes on stock market, foreign exchange and the interest rate hike which affect the Group's operations;

— major changes of government policies that have significant impact on the Group's operations;

— information technology security and risks; and

— business risk.

The above list of top and emerging risks were reviewed by the Audit Committee and discussed by the Board in the year ended 31 December 2016. Measures have been formulated and implemented to mitigate such risks. These risks will be changed to respond to changes in the Group's business and the external environment.

COMPANY SECRETARY

Mr. Tam Ngai Hung, Terry who is the Executive Director and deputy Chairman, has been appointed as the company secretary of the Company since 10 May 2012. The biographical details of Mr. Tam are set out under the section headed "Directors and Senior Management".

Mr. Tam has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2016.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board and all such enquiries can be addressed to the Company Secretarial Department of the Company by mail to 31/F., Fortis Tower, 77–79 Gloucester Road, Hong Kong.

Right to put forward proposals at general meetings

Pursuant to Article 88 of the Company's Bye-laws, 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 a nomination notice signed by such Shareholder(s) individually or collectively holding not less than one-tenth of the then total paid up capital of the Company as at the date of the nomination notice carrying the right of attending and voting at the general meeting of the Company for which such nomination notice is given of his intention to propose such person(s) for election and also a notice signed by each person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the number of candidates to be nominated by the qualified Shareholder individually or the group of qualified Shareholders collectively for election at any general meeting shall be limited to three (3), subject to the maximum number of directors of the Company, if any, and provided that the minimum length of the period during which such notices are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on 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.

report of the directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of (i) property development and property trading in Hong Kong; (ii) property investment and holding; (iii) the securities business; (iv) the manufacture and sale of plastic components; (v) child product trading business; (vi) investment in classic cars; (vii) sale and trading of classic cars; (viii) film operations; (ix) audio and lighting operations; (x) stage engineering operations; and (xi) other operations which comprise business service business and start-up businesses.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out on pages 2 to 7 and pages 11 to 26.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the Group's financial position at that date are set out in the financial statements on pages 59 to 154.

An interim dividend of HK$0.035 per ordinary share was paid on 29 September 2016.

The Directors have recommended the payment of a final dividend of HK$0.035 (2015: HK$0.035) per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 2 June 2017 subject to the approval of the shareholders of the Company at the forthcoming AGM. This recommendation had been incorporated in the financial statements as an allocation of distributable reserve within the equity section of the statement of financial position.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 156. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS PROPERTIES

Details of movements in the property, plant and equipment and the investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL

During the year, a total of 45,454,545 new Shares were allotted and issued under the Company's general mandate at a price of HK$1.10 per share, credited as fully paid upon issue, to the bondholder upon conversion of the 2018 Convertible Bonds with the aggregate principal amount of HK$50,000,000.

Details of the shares issued by the Company during the year are disclosed in note 35 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

During the year, the Company entered into the Sale and Purchase Agreement with Mr. Mak as vendor in relation to the acquisition of the entire issued share capital of the companies which hold the properties situated at House 38 and House 39, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong and issued the 2024 Convertible Bonds with aggregate principal amount of HK$250,200,000 to Mr. Mak or his designated nominee(s) as settlement of the consideration for acquisition of the shares. The 2024 Convertible Bonds are unsecured, carry interest at 5% per annum on the outstanding principal amount, have a term of eight years from the date of issue and are redeemable at the option of the Company before the maturity date. Subject to the terms and conditions of the 2024 Convertible Bonds, holder(s) of the 2024 Convertible Bonds has a right to convert the convertible bonds into the Shares at current conversion price of HK$0.84 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds). New Shares will be allotted and issued upon conversion of the 2024 Convertible Bonds, created as fully paid and will rank pari passu with all existing shares of the Company.

The Sale and Purchase Agreement was approved by the independent shareholders of the Company on 29 March 2016 and listing approval has been granted by the Listing Committee of the Stock Exchange to permit the listing and dealing of the conversion shares. The 2024 Convertible Bonds with the aggregate principal amount of HK$250,200,000 were issued on 30 March 2016, of which convertible bonds with aggregate principal amount of HK$180,000,000 were issued to Capital Force and convertible bonds with aggregate principal amount of HK$70,200,000 were issued to New Capital. Details of movements of the 2024 Convertible Bonds during the year are set out in note 32 to the financial statements.

During the year, the Company also entered into the Subscription Agreement with Top Pride Limited in relation to the subscription and issue of the 2018 Convertible Bonds with aggregate principal amount of HK$100,000,000. The 2018 Convertible Bonds are unsecured, carry interest at 1.5% per annum on the outstanding principal amount, have a term of two years from the date of issue and are redeemable at the option of the Company before the maturity date. Subject to the terms and conditions of the 2018 Convertible Bonds, holder(s) of the 2018 Convertible Bonds has a right to convert the convertible bonds into the Shares at the conversion price of HK$1.10 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds) during the period from the issue date to the date immediately prior to the first anniversary of the issue date, and HK$1.20 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds) during the period from the date falling on the first anniversary of the issue date to the date falling on the third business days prior to the maturity date. New Shares will be allotted and issued upon conversion of the 2018 Convertible Bonds, created as fully paid and will rank pari passu with all existing shares of the Company.

The 2018 Convertible Bonds with the aggregate principal amount of HK$100,000,000 were issued to Top Pride Limited on 3 June 2016 under the Company's general mandate which was granted to the Directors by Shareholders at the Company's AGM held on 23 May 2016. Details of movements and conversion of the 2018 Convertible Bonds during the year are set out in note 32 to the financial statements.

EQUITY-LINKED AGREEMENT *(continued)*

Other than the 2024 Convertible Bonds and 2018 Convertible Bonds disclosed above and the share option scheme disclosed in other section of this directors' report, no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Save for the new Shares as allotted and issued as mentioned in the "Share Capital" section of this directors' report, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 50 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserve available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK$964 million, of which HK$31 million has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount to HK$226 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totally HK$2 million (2015: HK$1 million).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, during the financial year is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2016	2015	**2016**	2015
Largest customer	**8%**	12%		
Five largest customers in aggregate	**14%**	25%		
Five largest suppliers in aggregate			**39%**	65%

None of the directors of the Company or any of their associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this Annual Report were as follows:

Executive Directors:
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry
Cheng Yuk Ching, Flora
William Donald Putt

Independent non-executive Directors:
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor

Dr. William Donald Putt will retire and not offer himself for re-election at the forthcoming AGM of the Company. In addition, Ms. Cheng Yuk Ching, Flora and Mr. Tam King Ching, Kenny will retire and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company according to the bye-laws of the Company.

In accordance with the bye-laws of the Company, save for the Chairman and the managing Director (both roles currently being assumed by Mr. Mak Shiu Tong, Clement), who is not subject to retirement by retirement and is not taken into account in determining the number of Director to retire, all Directors are subject to retirement by rotation and re-election at least once every three years at the AGM of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 10 of this Annual Report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' SERVICE CONTRACTS

During the year, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Details of director's interests in contracts to which the Company or any of its subsidiaries during the year are set out in section of connected transactions and continuing connected transaction to this director's report.

SHARE OPTION SCHEME

At the AGM of the Company held on 27 May 2011, the Shareholders approved the adoption of the 2011 Scheme which has become effective since 30 May 2011. This is the date on which the Listing Committee of the Stock Exchange granted approval for the listing of, and permission to deal in, any Shares on the Stock Exchange, which may fall to be allotted and issued by the Company pursuant to the exercise of the share options in accordance with the terms and conditions of the 2011 Scheme. Unless otherwise cancelled or amended, the 2011 Scheme will be valid for a period of 10 years from the date of its adoption.

The purpose of the 2011 Scheme is to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any Invested Entity or the holding company of the Company (if applicable). Eligible participants of the 2011 Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the Group, any Invested Entity or the holding company of the Company (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the Group, any Invested Entity or the holding company of the Company (if applicable), or any holder of any securities issued or proposed to be issued by any member of the Group, any Invested Entity or the holding company of the Company (if applicable), who, in the sole discretion of the Board, will contribute or has contributed to the Group, the Invested Entity or the holding company of the Company (if applicable); and

(c) any person whom the Board in its sole discretion considers, will contribute or has contributed to any members of the Group, the Invested Entity or the holding company of the Company (if applicable) (as the case may be).

SHARE OPTION SCHEME *(continued)*

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of this Annual Report, the total number of Shares available for issue under the 2011 Scheme is 60,614,490, which represents 6.90% of the total issued share capital of the Company as at the date of this Annual Report.

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2011 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the INEDs of the Company, excluding the INED(s) of the Company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the total number of Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company and the approval of the Shareholders in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the 2011 Scheme, whichever is earlier. There is no specific requirement under the 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2011 Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the share options);

(ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

The Company's share options do not confer rights on the holders to dividends or to vote at the general meetings of the Company.

As at 31 December 2016, there was no share option outstanding under the 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the 2011 Scheme during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of 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 Part XV of the SFO or the Model Code adopted by the Company:

Interests and short positions in the Shares and the underlying Shares as at 31 December 2016

(i) *Long positions in the Shares:*

Name of the Directors	Number of the Shares interested and nature of interest Personal	 Corporate	Total	Approximate percentage of the total issued share capital of the Company (%)
Mr. Mak (Note)	11,789,652	446,025,079	457,814,731	52.15
Tam Ngai Hung, Terry	1,148,000	–	1,148,000	0.13
William Donald Putt	591,500	–	591,500	0.07

Note: Of the shareholding in which Mr. Mak was interested, an aggregate of 446,025,079 Shares were held by Capital Force, New Capital and Capital Winner, all of which are private corporations wholly-owned by Mr. Mak beneficially. Mr. Mak is deemed to be interested in 446,025,079 Shares under the SFO as he controls the exercise of all the voting power at general meetings of Capital Force, New Capital and Capital Winner.

(ii) *Long positions in the underlying Shares of the 2024 Convertible Bonds issued by the Company:*

Name of the Director	Number of the underlying Shares interested and nature of interest Personal	 Corporate	Total	Approximate percentage of the total issued share capital of the Company (%)
Mr. Mak (Note)	–	297,857,142	297,857,142	33.93

Note: The interest disclosed represented 297,857,142 underlying Shares at the existing conversion price of HK$0.84 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds) in respect of the 2024 Convertible Bonds issued by the Company to Capital Force and New Capital pursuant to the terms and conditions of the Sale and Purchase Agreement. Mr. Mak is deemed to be interested in such underlying Shares under the SFO as he controls the exercise of all the voting power at general meetings of Capital Force and New Capital.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2016 *(continued)*

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of 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 Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Directors' Interests in Shares and underlying Shares" above, at no time during the year was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2016, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests and short positions in the Shares and the underlying Shares as at 31 December 2016

(i) *Long positions in the Shares:*

Name of the Shareholders	Number of the Shares held	Approximate percentage of the total issued share capital of the Company (%)
Capital Force (Note 1)	96,868,792	11.03
New Capital (Note 1)	171,357,615	19.52
Capital Winner (Note 1)	177,798,672	20.25
Top Pride Limited (Note 2)	45,454,545	5.18
Lee Hung Shing (Notes 2 & 3)	85,454,545	9.73

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2016 *(continued)*

(i) Long positions in the Shares: (continued)

Notes:

1. Capital Force, New Capital and Capital Winner are private corporations, the shares in which are wholly-owned by Mr. Mak beneficially, whose interest in such Shares has also been disclosed under the section headed "Directors' Interests in Shares and underlying Shares" above.

2. The interest disclosed represented 45,454,545 Shares held directly by Top Pride Limited, the entire shareholding of which is owned by Mr. Lee Hung Shing.

3. The interest disclosed represented 40,000,000 Shares held directly by Mr. Lee Hung Shing and 45,454,545 Shares held through his controlling company stated in note 2 above.

(ii) Long positions in the underlying Shares of the convertible bonds issued by the Company:

(a) 2024 Convertible Bonds

Name of the Shareholders	Number of the underlying Shares held	Approximate percentage of the total issued share capital of the Company (%)
Capital Force (Note)	214,285,714	24.41
New Capital (Note)	83,571,428	9.52

Note: Capital Force and New Capital are private corporations, the shares in which are wholly-owned by Mr. Mak beneficially, whose interest in such underlying Shares has also been disclosed under the section headed "Directors' Interests in Shares and underlying Shares" above.

(b) 2018 Convertible Bonds

Name of the Shareholders	Number of the underlying Shares held	Approximate percentage of the total issued share capital of the Company (%)
Top Pride Limited (Note)	45,454,545	5.18
Lee Hung Shing (Note)	45,454,545	5.18

Note: The interest disclosed represented 45,454,545 underlying Shares at the lowest conversion price of HK$1.1 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds) in respect of the 2018 Convertible Bonds issued by the Company to Top Pride Limited pursuant to the terms and conditions of the Subscription Agreement. Mr. Lee Hung Shing is deemed to be interested in such underlying Shares under the SFO as he controls the exercise of all the voting power at general meeting of Top Pride Limited.

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2016 *(continued)*

Save for Mr. Mak who is a director and the beneficial owner of all the issued share capital of Capital Force, New Capital and Capital Winner, no other Director is a director or employee of the above substantial shareholders which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 31 December 2016, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

During the two years ended 31 December 2016 and 2015, the Group had conducted the following connected transactions and continuing connected transactions under the Listing Rules:

	Year ended 31 December	
HK$ million	**2016**	2015
Connected transactions:		
Acquisition of the property holding companies and issue of the 2024 Convertible Bonds (note 1)	**250**	–
Acquisition of shareholder's loan (note 1)	**26**	–
Continuing connected transaction:		
Rental income on investment properties (note 2)	**5**	–

Note 1: On 27 January 2016, the Company entered into the Sale and Purchase Agreement with Mr. Mak to acquire all the issued shares of Capital Top and Next Capital (collectively as the "**Property Groups**") from Mr. Mak and the shareholder's loans due to Mr. Mak for the share consideration of approximately HK$250 million and the cash consideration of approximately HK$26 million, respectively. The Property Groups hold the properties at House 38 and House 39, No. 56 Repulse Bay Road. The share consideration was satisfied by the issue by the Company of the 2024 Convertible Bonds of aggregate principal amount of HK$250,200,000 of which principal amount of HK$180,000,000 and HK$70,200,000 was issued to Capital Force and New Capital, respectively. The cash consideration was paid as consideration for the assignment of the shareholder's loan and was satisfied by cash. The 2024 Convertible Bonds have a term of eight years from the date of issue and carries interest at 5% per annum payable monthly. The transactions, which constituted a major and connected transaction for the Company under the Listing Rules were approved by the independent Shareholders and were completed on 30 March 2016. Details of the Sale and Purchase Agreement and the transactions under the Sale and Purchase Agreement have been disclosed in the Company's announcements dated 27 January 2016, 17 February 2016 and 30 March 2016 and the Company's circular dated 9 March 2016.

Note 2: On 30 March 2016, the Group entered into the tenancy agreements with Mr. Mak to lease the properties at House 38 and House 39, No. 56 Repulse Bay Road to Mr. Mak from 30 March 2016 to 31 December 2017 for a monthly rental of HK$270,000 and HK$260,000 (inclusive of management fee and government rent and rates), respectively, which was determined base on market rental. The rental transactions constitute continuing connected transactions for the Company under the Listing Rules, details of which have been disclosed in the Company's announcements dated 27 January 2016 and 30 March 2016 and the Company's circular dated 9 March 2016. During the year, rental income of approximately HK$5 million in aggregate was charged to Mr. Mak ("**Rental Transactions**").

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION *(continued)*

In relation to the Rental Transactions which constitute continuing connected transaction for the Company, the INEDs have reviewed and confirmed that:

(a) the aggregate value of the rental income of the Rental Transactions for the year ended 31 December 2016 as indicated in note 2 above did not exceed the cap amount of HK$6.0 million.

(b) the Rental Transactions for the year ended 31 December 2016 were entered into in the ordinary and usual course of businesses of the Group;

(c) the Rental Transactions were conducted on normal commercial terms or better; and

(d) the Rental Transactions were conducted in accordance with the terms of the agreements governing such transactions, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the Code Provisions under CG Code throughout the year from 1 January 2016 to 31 December 2016, except for the minor deviations from Code Provisions A.2.1 and A.4.2 of the CG Code. Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" in this Annual Report.

DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTOR PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Chen Li resigned as an executive director of First China Financial Network Holdings Limited (stock code: 08123) (a company listed on the Growth Enterprise Market of the Stock Exchange) on 1 July 2016.

Mr. Tam King Ching, Kenny was appointed as an INED of Wisdom Education International Holdings Company Limited (stock code: 06068) (a company listed on the main board of the Stock Exchange) on 3 January 2017.

PERMITTED INDEMNITY

The Company's bye-laws provide that each Director or other officer of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his or her duty in office. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the financial year under review and up to the date of this Annual Report.

EVENT AFTER THE REPORTING PERIOD

There was no significant event after the reporting period of the Group.

AUDITORS

The financial statements for the year ended 31 December 2016 have been audited by Ernst & Young, who will retire at the forthcoming AGM of the Company. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM of the Company.

ON BEHALF OF THE BOARD

Mak Shiu Tong, Clement
Chairman

Hong Kong
27 March 2017

Independent auditor's report

To the shareholders of CCT Fortis Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CCT Fortis Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 154, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS OF 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 responsibility 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.

To the shareholders of CCT Fortis Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Convertible bonds issued during the year	
On 30 March 2016, the Company issued convertible bonds with a principal amount of HK$250.2 million (the "2024 Convertible Bonds"), in exchange for the entire issued share capital of the companies which hold two properties in Hong Kong. The 2024 Convertible Bonds were split into liability and equity components upon initial recognition, by recognising the liability component at fair value, which is subsequently carried at amortised cost, and attributing to the equity component the residual amount, without subsequent remeasurement. On 3 June 2016, the Company issued convertible bonds with a principal amount of HK$100 million (the "2018 Convertible Bonds") for cash consideration. The entire 2018 Convertible Bonds were classified as financial liabilities at fair value through profit or loss. Complex accounting treatments, and significant management judgements and estimates are involved in the initial recognition and subsequent measurement of the convertible bonds. To assist with management's determination of the fair value of the convertible bonds, the Group engaged an external valuer. Disclosures of the convertible bonds are included in note 32 to the consolidated financial statements.	We read the terms of the 2024 Convertible Bonds and the 2018 Convertible Bonds and assessed whether the Group's accounting policy complied with the requirements of HKFRS. We also considered the objectivity, independence and competency of the external valuer. In addition, we evaluated the assumptions, methodologies and parameters adopted in the valuation, which included the credit rating of the convertible bonds, effective interest rate and time to maturity. We then assessed the disclosures relating to the assumptions given the estimation uncertainty and judgements involved and their sensitivity to the valuations.

To the shareholders of CCT Fortis Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
At 31 December 2016, the Group had trade receivables with a carrying amount of HK$1,814 million before provision for impairment. These trade receivables represented approximately 36% of the total assets of the Group. Significant judgements and estimations are applied by management in determining whether the receivables are recoverable and if a provision for impairment is required. Factors taken into account included the terms of the receivables, including due dates, the nature of the customers, evidence of disputes, past payment records and settlements received subsequent to the reporting date. Disclosures of trade receivables are included in note 24 to the consolidated financial statements.	Our audit procedures included evaluating management's processes and controls relating to the monitoring of trade receivables and testing the aging analysis of the trade receivables. For significant balances, we checked to the underlying sales documents, examined the subsequent settlement of the trade receivables and obtained confirmations. We then assessed whether the provision for impairment was adequate.
Valuation review of investment properties	
At 31 December 2016, the Group held investment properties with a carrying amount of HK$1,179 million stated at fair value. The investment properties represented approximately 24% of the total assets of the Group. Significant judgements and estimations are involved in determining the fair value of the investment properties. To assist with their determination of the fair value, management engaged an external valuer. Disclosures of investment properties are included in note 14 to the consolidated financial statements.	As part of our audit procedures, we have considered the objectivity, independence and competency of the external valuer. In addition, we evaluated the assumptions, methodologies and parameters adopted in the valuation, and examined the inputs used, including the unit rate per sq. ft. and the gross floor area. We then assessed the disclosures, particularly those relating to the assumptions adopted.

To the shareholders of CCT Fortis Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Asset impairment review on properties classified as property, plant and equipment and properties held for sale	
At 31 December 2016, the Group held properties classified as property, plant and equipment with a carrying amount of HK$750 million, stated at cost less accumulated depreciation and any impairment losses; and stock of properties held for sale with a carrying amount of HK$337 million, stated at the lower of cost or net realisable value. These properties represented approximately 22% of the total assets of the Group. Significant judgements and estimations are involved in determining whether there are impairment indicators for the properties. To assist with their determination of the recoverable amount for the properties, and whether an impairment provision was required, management engaged an external valuer to determine their fair value. Disclosures of the impairment of properties classified as property, plant and equipment, and stock of properties held for sale are included in notes 3, 13 and 21, respectively, to the consolidated financial statements.	As part of our audit procedures, we have considered the objectivity, independence and competency of the external valuer. In addition, we evaluated the assumptions, methodologies and parameters adopted in the valuation, and examined the inputs used, including the unit rate per sq. ft. and the gross floor area. We then assessed the disclosures, particularly those relating to the assumptions adopted.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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.

To the shareholders of CCT Fortis Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

To the shareholders of CCT Fortis Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

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

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

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

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

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

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

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

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

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

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

To the shareholders of CCT Fortis Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chiu, Caroline Su Yuen.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 March 2017

consolidated statement of profit or loss

Year ended 31 December 2016

HK$ million	Notes	2016	2015
REVENUE	5	**895**	608
Cost of sales		**(295)**	(253)
Gross profit		**600**	355
Other income and gains	5	**81**	175
Selling and distribution costs		**(3)**	(2)
Administrative expenses		**(193)**	(118)
Other expenses		**(93)**	(28)
Finance costs	7	**(40)**	(25)
Share of loss of an associate	16	**–**	(9)
PROFIT BEFORE TAX	6	**352**	348
Income tax (expense)/credit	10	**(39)**	21
PROFIT FOR THE YEAR		**313**	369
Attributable to:			
Owners of the parent		**303**	369
Non-controlling interests		**10**	–
		313	369
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK$0.36**	HK$0.44
Diluted		**HK$0.35**	HK$0.44

consolidated statement of comprehensive income

Year ended 31 December 2016

HK$ million	2016	2015
PROFIT FOR THE YEAR	**313**	369
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(5)**	–
Reclassification adjustments for losses included in the consolidated statement of profit or loss		
— impairment losses	**5**	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**313**	369
Attributable to:		
Owners of the parent	**303**	369
Non-controlling interests	**10**	–
	313	369

consolidated statement of financial position

31 December 2016

HK$ million	Notes	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	13	**837**	454
Investment properties	14	**1,179**	978
Prepayments for acquisition of property, plant and equipment		**9**	–
Goodwill	15	**103**	17
Interest in an associate	16	**13**	–
Classic cars held for investment	17	**92**	57
Available-for-sale investments	18	**96**	14
Held-to-maturity debt securities	19	**–**	48
Deposits and other receivables	26	**11**	47
Deferred tax assets	34	**–**	21
Total non-current assets		**2,340**	1,636
Current assets			
Inventories	20	**10**	10
Stock of properties held for sale	21	**337**	361
Stock of classic cars held for sale	22	**113**	126
Non-current assets held for sale	23	**26**	–
Trade receivables	24	**1,812**	32
Investment in film production	25	**11**	–
Prepayments, deposits and other receivables	26	**90**	368
Financial assets at fair value through profit or loss	27	**18**	1,097
Pledged time deposits	28	**–**	47
Cash and cash equivalents	28	**212**	355
Total current assets		**2,629**	2,396
Total assets		**4,969**	4,032

HK$ million	Notes	2016	2015
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	35	**88**	83
Reserves	37	**3,093**	2,783
		3,181	2,866
Non-controlling interests		**21**	–
Total equity		**3,202**	2,866
Non-current liabilities			
Interest-bearing bank and other borrowings	31	**854**	527
Convertible bonds	32	**280**	–
Deferred tax liabilities	34	**42**	38
Total non-current liabilities		**1,176**	565
Current liabilities			
Trade payables	29	**29**	16
Tax payable		**79**	61
Other payables and accruals	30	**100**	81
Interest-bearing bank and other borrowings	31	**383**	443
Total current liabilities		**591**	601
Total liabilities		**1,767**	1,166
Total equity and liabilities		**4,969**	4,032
Net current assets		**2,038**	1,795
Total assets less current liabilities		**4,378**	3,431

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2016

HK$ million	Notes	Issued capital	Share premium account	Capital reserve (note 37)	Distributable reserve	Investment revaluation reserve	Asset revaluation reserve	Equity component of convertible bonds (note 32)	Exchange fluctuation reserve	Capital redemption reserve	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to owners of the parent												
At 1 January 2015		83	181	741	1,078	2	36	–	29	24	377	2,551	–	2,551
Profit for the year		–	–	–	–	–	–	–	–	–	369	369	–	369
Total comprehensive income for the year		–	–	–	–	–	–	–	–	–	369	369	–	369
2014 final dividend		–	–	–	(29)	–	–	–	–	–	–	(29)	–	(29)
2015 interim dividend	11	–	–	–	(25)	–	–	–	–	–	–	(25)	–	(25)
At 31 December 2015 and at 1 January 2016		**83**	**181**	**741**	**1,024**	**2**	**36**	**–**	**29**	**24**	**746**	**2,866**	**–**	**2,866**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**303**	**303**	**10**	**313**
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investments		**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Reclassification adjustments for losses included in the consolidated statement of profit or loss		**–**	**–**	**–**	**–**	**–**	**5**	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**303**	**303**	**10**	**313**
Acquisition of subsidiaries	39	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**	**11**
Issuance of convertible bonds		**–**	**–**	**–**	**–**	**–**	**–**	**22**	**–**	**–**	**–**	**22**	**–**	**22**
Conversion of convertible bonds		**5**	**45**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50**	**–**	**50**
2015 final dividend	11	**–**	**–**	**–**	**(29)**	**–**	**–**	**–**	**–**	**–**	**–**	**(29)**	**–**	**(29)**
2016 interim dividend	11	**–**	**–**	**–**	**(31)**	**–**	**–**	**–**	**–**	**–**	**–**	**(31)**	**–**	**(31)**
		88	**226***	**741***	**964***	**2***	**36***	**22***	**29***	**24***	**1,049***	**3,181**	**21**	**3,202**

* These reserve accounts comprise the consolidated reserves of HK$3,093 million (2015: HK$2,783 million) in the consolidated statement of financial position.

CCT FORTIS

consolidated statement of cash flows

Year ended 31 December 2016

HK$ million	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**352**	348
Adjustments for:			
Finance costs	7	**40**	25
Share of profits and losses of an associate		**–**	9
Interest income		**(2)**	(32)
Depreciation	13	**28**	26
Impairment of trade receivables		**2**	–
Gain on disposal of investment in an associate		**–**	(110)
Loss on disposal of items of property, plant and equipment		**–**	1
Write-off of items of property, plant and equipment	13	**–**	10
Fair value loss/(gain) on investment properties, net	14	**19**	(20)
Fair value gains on classic cars held for investment	17	**(14)**	(2)
Impairment loss on properties held for sale to net realisable value		**24**	21
Impairment loss on available-for-sale investment		**5**	–
Net realised gains from disposal and change in fair value of trading securities, net		**–**	(404)
Gain on settlement of promissory notes	41	**(46)**	(12)
		408	(140)
Decrease in inventories		**3**	2
Increase in stock of properties held for trading		**–**	(1)
Decrease in stock of classic cars held for trading		**13**	13
(Increase)/decrease in trade receivables		**(495)**	24
Decrease/(increase) in prepayments, deposits and other receivables		**188**	(1)
(Decrease)/increase in trade payables, other payables and accruals		**(13)**	14
Increase in financial assets at fair value through profit or loss		**(18)**	–
Net proceeds from disposal of financial assets at fair value through profit or loss		**–**	377
Cash flows from operations		**86**	288

HK$ million	Notes	2016	2015
Interest received		2	9
Interest paid		(40)	(25)
Hong Kong profits tax paid		–	(2)
Net cash flows from operating activities		48	270
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(148)	(72)
Purchases of classic cars held for investment		(47)	(34)
Proceeds from disposal of items of property, plant and equipment		14	–
Net proceeds from disposal of investment in an associate		–	278
Additions to investment properties		(4)	–
Acquisition of subsidiaries and a business	39	(130)	(17)
Increase in an available-for-sale investment		(84)	(5)
Increase in promissory notes		–	(70)
Decrease in held-to-maturity debt securities		48	4
Decrease in pledged time deposits		47	59
Increase in prepayments, deposits and other receivables		(10)	(14)
Net cash flows (used in)/from investing activities		(314)	129
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		434	45
New trust receipt loans, net		5	–
Repayment of bank loans and trust receipt loans		(354)	(159)
Issuance of convertible bonds	32(b)	100	–
Capital element of finance lease rental payments		(2)	2
Dividends paid		(60)	(54)
Net cash flows from/(used in) financing activities		123	(166)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(143)	233
Cash and cash equivalents at beginning of year		355	122
CASH AND CASH EQUIVALENTS AT END OF YEAR		212	355
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	212	355

notes to financial statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands with limited liability and continued as an exempted company under the laws of Bermuda after the change of domicile from the Cayman Islands to Bermuda effective on 9 December 2005.

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

- development and trading of properties in Hong Kong;
- investment and holding of properties;
- trading in securities and holding of securities and treasury products;
- trading and sale of classic cars and car logistic business;
- acquisition of classic cars for long-term investment purpose;
- production, investment and distribution of films worldwide;
- provision and leasing of audio and lighting equipment and services for production of concert and entertainment events;
- provision of metal construction work and engineering business for stage performance events;
- child products trading business;
- manufacture and sale of plastic components; and
- other operations including classic cars service centre, magazine publication, e-commerce and mobile games and other new venture in the development and start-up stage.

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
AHM Engineering Company Limited ("AHM") #	Hong Kong	HK$10,000 Ordinary	–	70	Audio and lighting operation
Blackbird Automotive Limited #	Hong Kong	HK$1,111 Ordinary	–	100	Trading of classic cars
Blackbird Classic Automobiles Limited #	Hong Kong	HK$1,000 Ordinary	–	100	Investment in classic cars
Blackbird Classics Limited #	Hong Kong	HK$1,000 Ordinary	–	100	Trading of classic cars
Blackbird Heritage Motorworks Limited #	Hong Kong	HK$1 Ordinary	–	100	Classic car restoration and maintenance service
Canford Holdings Limited #	Hong Kong	HK$2 Ordinary	–	100	Property investment
Charter Base Development Limited #	Hong Kong	HK$1 Ordinary	–	100	Property investment and holding
CCT Telecom Securities Limited #	Hong Kong	HK$1 Ordinary	–	100	Securities business
CCT Plastic Limited #	Hong Kong	HK$1 Ordinary	–	100	Trading of components and products
Cyber Profit (HK) Limited # ("Cyber Profit")	Hong Kong	HK$2 Ordinary	–	100	Property investment and holding
Goldbay Capital Limited #	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Development Limited #	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Investments Limited #	Hong Kong	HK$2 Ordinary	–	100	Property investment and holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Goldbay Property (China) Limited #	Hong Kong	HK$1 Ordinary	–	100	Property development and trading
Goldbay Property (HK) Limited #	Hong Kong	HK$1 Ordinary	–	100	Property investment
Goldbay Strategy Limited #	Hong Kong	HK$1 Ordinary	–	100	Property investment
Hip Hing Loong Metal Works Limited ("HHL") #	Hong Kong	HK$1,000 Ordinary	–	51	Stage engineering operation
Huiyang CCT Plastic Products Co., Ltd. #	PRC/ Mainland China	HK$48,600,000 Registered^	–	100	Manufacture of casings and parts
JHM Engineering Company Limited #	Macau	MOP500,000 Registered	–	64	Audio and lighting operation
Ocean Investment Limited #	Hong Kong	HK$1 Ordinary	–	100	Property development and trading
Rich Full International Industries Limited #	Hong Kong	HK$1 Ordinary	–	100	Property holding
Topcon Investments Limited #	Hong Kong	HK$1 Ordinary	–	100	Property investment
Victory Way Investments Limited #	Hong Kong	HK$1 Ordinary	–	100	Property development and trading
World Leader Properties Limited #	Hong Kong	HK$1 Ordinary	–	100	Property development and trading

^ Registered as a wholly-foreign-owned enterprise in the People's Republic of China (the "PRC")

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, classic cars held for investment, certain available-for-sale investments and financial assets at fair value through profit or loss and portion of certain convertible bonds which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are to be applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the non-current assets held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

The Group has made an election to measure the investment in an associate held through a subsidiary with characteristics similar to an investment-related entity at fair value through profit or loss in accordance with HKAS 39, and the remaining portion of the investments in associates is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

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

Business combinations and goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF 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 to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

Property, plant and equipment and depreciation

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Leasehold land and buildings	2%–6%
Plant and machinery	10%–20%
Tools, moulds and equipment	10%–33%
Furniture and office equipment	10%–20%
Motor vehicles	15%–30%

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

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

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

Investment properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Classic cars held for investment

Classic cars held for long-term investment purposes and not traded in the ordinary course of business are initially measured at cost. Subsequent to initial recognition, classic cars held for long-term investment purposes are stated at fair value with gains and losses from the change in fair value recognised in the statement of profit or loss.

Inventories

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

Stock of classic cars held for sale

Stock of classic cars held for sale are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Stock of properties held for sale

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

Net realisable value is determined by reference to the sales proceeds from the properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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

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

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

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate.

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

The Group's financial liabilities include trade and other payables, accruals and interest-bearing and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

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

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

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds from issue of the securities is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds from issue of the securities to the liability and equity components when the instruments are first recognised.

If the contractual substance of convertible bonds is a single obligation to deliver a variable number of equity instruments, the entire obligation meets the definition of financial liability and the convertible bonds are classified as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, the convertible bonds are stated at fair value, and the gains and losses arising from the change in fair values are included in the statement of profit or loss.

Derecognition of financial liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities *(continued)*

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

Offsetting of financial instruments

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

Income tax

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Share-based payments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 36 to the financial statements.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

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

Foreign currencies

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Borrowing costs

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

Cash and cash equivalents

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

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

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) from the fair value gains in securities on the settlement dates when the securities are delivered, or the year end date when the securities are remeasured to fair value;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(e) dividend income, when the shareholders' right to receive payment has been established;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(f) from the sale of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the completed properties, that is when the construction of the relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sale agreement, and the collectability of related receivables is reasonably assured; and

(g) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services and costs of rendering services is recognised on satisfaction of a performance obligation by transferring a promised service to a customer.

Dividends

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Judgements

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

Classification between investment properties and owner-occupied properties

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

Classification between classic cars held for investment and stock of classic cars held for sale

The Group has determined whether a classic car is held for long-term investment purposes and not traded in the ordinary course of business, or held for short-term investment purposes and traded in the ordinary course of business. Judgement is made on an individual classic car basis to determine whether the classic car is classified as held for investment or held for sale.

Revenue recognition from the sale of properties

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership of the properties are transferred to the buyers, where judgement is made by the Group when assessing the terms and conditions of the respective agreements.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15 to the financial statements.

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 34 to the financial statements.

Impairment of available-for-sale investments

The Group classifies certain financial assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. During the year ended 31 December 2016, an impairment loss of HK$5 million (2015: Nil) has been recognised for available-for-sale investments.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Further details, including the key assumptions used for fair value measurements are given in note 14 to the financial statements.

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

Estimation uncertainty *(continued)*

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

Impairment of properties classified as property, plant and equipment

The Group assesses whether there are any indicators of impairment for all properties classified as property, plant and equipment at the end of each reporting period. Properties classified as property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the properties classified as property, plant and equipment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar properties or observable market prices less incremental costs for disposing of the property. When value in use calculations are undertaken, management must estimate the expected future cash flows from the property and choose a suitable discount rate in order to calculate the present value of those cash flows. During the years ended 31 December 2015 and 2016, no impairment has been recognised for properties classified as property, plant and equipment.

Impairment of stock of properties held for sale

The Group assesses whether there are any indicators of impairment for stock of properties held for sale at the end of each reporting period. Stock of properties held for sale are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the stock of properties held for sale exceeds its recoverable amount, which is the lower of cost and net realisable value. The calculation of the net realisable value is determined by reference to the sales proceeds from the properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions. During the year ended 31 December 2016, an impairment loss of HK$24 million (2015: HK$21 million) has been recognised for stock of properties held for sale.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:

(a) the Hong Kong property development and trading segment which is engaged in the development and trading of properties in Hong Kong;

(b) the property investment and holding segment which is the investment and holding of properties;

(c) the securities business segment which is the trading in securities and holding of securities and treasury products;

(d) classic cars trading and car logistic segment which is the trading and sale of classic cars and car logistic business;

(e) investment in classic cars segment which is acquisition of classic cars for long-term investment purpose;

(f) the film operations segment which is engaged in production, investment and distribution of films worldwide;

(g) the audio and lighting operations which is engaged in the provision and leasing of audio and lighting equipment and services for production of concert and entertainment events;

(h) the stage engineering operations which is engaged in the provision of metal construction works and engineering services for stage performance events;

(i) the child product trading segment which is the trading of child products.

(j) the components segment which is the manufacture and sale of plastic components; and

(k) other operations segment which mainly include the automotive service centre, magazine publication, e-commerce, mobile games and other new ventures which are in the development and start-up stage.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that finance costs, head office and corporate expenses, gain on settlement of promissory note and gain/loss on disposal of an associate under equity accounting are excluded from such measurement.

Segment assets exclude deferred tax assets and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2016

HK$ million	Property development and trading in Hong Kong	Property investment and holding	Securities business	Classic cars trading and logistic	Investment in classic cars	Film operations	Audio and lighting operations	Stage engineering operations	Plastic components business	Child product business	Other operations	Recon-ciliations	Total
Segment revenue:													
Sales to external customers	-	12	514	60	-	-	118	25	92	25	49	-	895
Other revenue	6	2	-	-	14	-	-	-	3	-	9	1	35
Intersegment revenue	-	3	-	-	-	-	-	-	-	-	1	(4)	-
	6	17	514	60	14	-	118	25	95	25	59	(3)	930
Operating (loss)/profit	(30)	(13)	506	(7)	13	(6)	22	8	(11)	-	(43)		439
Finance costs													(40)
Reconciled items:													
Corporate and other unallocated expenses													(93)
Gain on settlement of promissory notes													46
Profit before tax													352
Income tax expense													(39)
Profit for the year													313
Other segment information:													
Interest income	-	-	-	-	-	-	-	-	2	-	-	-	2
Expenditure for non-current assets	-	436	5	4	47	-	54	-	1	-	134	-	681
Depreciation	-	(5)	(1)	(2)	-	-	(6)	-	-	-	(14)	-	(28)
Other material non-cash items:													
Fair value loss on investment properties	-	(17)	-	-	-	-	-	-	-	-	(2)	-	(19)
Fair value gains on classic cars	-	-	-	-	14	-	-	-	-	-	-	-	14
Impairment of stock of properties held for trading	(24)	-	-	-	-	-	-	-	-	-	-	-	(24)
Impairment of available-for-sale investment	-	-	-	-	-	-	-	-	-	-	(5)	-	(5)
Loss on early redemption of held-to-maturity debt securities	-	-	(2)	-	-	-	-	-	-	-	-	-	(2)
Provision for doubtful debt	-	-	-	-	-	-	-	-	-	-	(2)	-	(2)
Segment assets	341	1,619	1,763	162	129	25	155	45	42	40	413	-	4,734
Reconciled items:													
Corporate and other unallocated assets	-	-	-	-	-	-	-	-	-	-	-	235	235
Total assets	341	1,619	1,763	162	129	25	155	45	42	40	413	235	4,969
Segment liabilities	166	789	345	21	1	6	69	23	28	16	127	-	1,591
Reconciled items:													
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	176	176
Total liabilities	166	789	345	21	1	6	69	23	28	16	127	176	1,767

4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2015

HK$ million	Property development and trading in Hong Kong	Property investment and holding	Securities business	Plastic components business	Trading and sale of classic cars	Investment in classic cars	Automotive Service business	Reconciliations	Total
Segment revenue:									
Sales to external customers	2	10	404	94	89	–	9	–	608
Other revenue	–	–	–	2	1	–	–	2	5
Intersegment revenue	–	3	–	–	–	–	1	(4)	–
	2	13	404	96	90	–	10	(2)	613
Operating (loss)/profit	(39)	20	397	(84)	(5)	(1)	(11)		277
Finance costs									(25)
Reconciled items:									
Corporate and other unallocated expenses									(44)
Gain on disposal of an associate									110
Gain on settlement of promissory notes									12
Interest income from promissory notes									28
Loss on disposal of items of property, plant and equipment									(1)
Share of loss of an associate									(9)
Profit before tax									348
Income tax credit									21
Profit for the year									369
Other segment information:									
Interest income	–	–	–	4	–	–	–	–	4
Expenditure for non-current assets	–	–	–	–	17	34	66	–	117
Depreciation	–	(5)	–	(15)	–	–	(6)	–	(26)
Other material non-cash items:									
Fair value gains on investment properties	–	19	–	–	–	–	1	–	20
Fair value gain on classic cars	–	–	–	–	–	2	–	–	2
Gains/(losses) from the change in fair value of trading securities, net	–	–	404	–	–	–	–	–	404
Impairment of stock of properties held for trading	(21)	–	–	–	–	–	–	–	(21)
Share of loss of an associate	–	–	–	–	–	–	–	(9)	(9)
Segment assets	363	1,202	1,147	120	148	62	244	–	3,286
Reconciled items:									
Corporate and other unallocated assets	–	–	–	–	–	–	–	746	746
Total assets	363	1,202	1,147	120	148	62	244	746	4,032
Segment liabilities	72	452	205	111	24	–	57	–	921
Reconciled items:									
Corporate and other unallocated liabilities	–	–	–	–	–	–	–	245	245
Total liabilities	72	452	205	111	24	–	57	245	1,166

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

HK$ million	2016	2015
Hong Kong, Mainland China and Macau	854	569
Europe	11	18
USA and Canada	18	21
Elsewhere	12	–
	895	608

The revenue information above is based on the final locations where the Group's products were sold to customers.

(b) *Non-current assets*

HK$ million	2016	2015
Hong Kong and Macau	2,233	1,506

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

Information about major customers

For the year ended 31 December 2016, revenue of approximately HK$75 million was derived from sales of the component segment to a single customer representing 20% of the Group's total revenue excluding the Group's net realised gains from disposal and change in fair value of securities investment at fair value through profit or loss.

For the year ended 31 December 2015, revenue of approximately HK$75 million and HK$26 million was derived from sales of the component segment to a single customer and sales of the classic car sale and trading segment to a single customer, respectively, representing 37% and 13%, respectively, of the Group's total revenue excluding the Group's net realised gains from disposal and change in fair value of securities investment at fair value through profit or loss.

The Group's net realised gains/(losses) from disposal and change in fair value of securities investment at fair value through profit or loss are excluded from total revenue for the purpose of identifying major customers of the Group who accounted for over 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, gross income from treasury investment which includes interest income on bank deposits and other financial assets, net gains or losses from disposal and change in fair value of trading securities investment (which includes dividend income), proceeds from sale of properties (net of discounts and business tax), rental income from investment properties, trading of classic cars, provision of automotive services and provision of audio and lighting equipment and stage engineering work and services.

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

HK$ million	2016	2015
Revenue		
Rental income from investment properties	12	12
Net realised gains from disposal and change in fair value of trading securities	514	404
Sale of classic cars	47	89
Classic cars services income	13	9
Provision and leasing of lighting and audio equipment and services	118	–
Income from stage engineering operations	25	–
Manufacture and sale of plastics components	90	91
Sale of child products	25	–
Bank interest income	2	3
Income from other operations	49	–
	895	608
Other income and gains		
Fair value gain on investment properties	–	20
Interest income on promissory notes	–	28
Gain on disposal of an associate	–	110
Gain on settlement of promissory notes	46	12
Fair value gain on classic cars, net	14	2
Others	21	3
	81	175

6. PROFIT BEFORE TAX

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

HK$ million	Note	2016	2015
Cost of inventories sold		**109**	162
Cost of classic cars sold		**42**	84
Cost of automotive services provided		**7**	7
Cost of provision and leasing of lighting and audio equipment and services		**91**	–
Cost of stage engineering		**12**	–
Cost of other operations		**34**	–
Depreciation	13	**28**	26
Minimum lease payments under operating leases		**9**	6
Auditor's remuneration		**2**	2
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**56**	22
Pension scheme contributions[3]		**3**	1
		59	23
Foreign exchange differences, net[2]		**2**	9
Net realised gains from disposal and change in fair value of trading securities, net[4]		**(514)**	(404)
Impairment loss on stock of properties held for sale[1]		**24**	21
Fair value loss on investment properties, net [1]		**19**	–
Impairment loss on available-for-sale investment [1]		**5**	–
Loss on early redemption of held-to-maturity debt securities [1]		**2**	–
Loss on disposal of items of property, plant and equipment, net[1]		**–**	1
Write-off of property, plant and equipment[1][5]		**–**	10

[1] Included in "Other expenses" on the face of the consolidated statement of profit or loss.

[2] Included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

[3] The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years, were not material.

[4] Included in "Revenue" on the face of the consolidated statement of profit or loss.

[5] Included in "Cost of sales" on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

HK$ million	2016	2015
Interest on bank loans	29	25
Interest on convertible bonds	11	—
Total interest expense on financial liabilities not at fair value through profit or loss	40	25

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

HK$ million	2016	2015
Fees:		
Executive directors and chief executive	–	–
Independent non-executive directors	–	–
	–	–
Executive directors' and chief executive's other emoluments:		
Salaries, allowances and benefits in kind	13	15
Discretionary bonuses	28	16
Pension scheme contributions	1	1
	42	32
	42	32

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

(a) Independent non-executive directors

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

	Fees HK$'000
2016	
Tam King Ching, Kenny	**240**
Chow Siu Ngor	**–**
Chen Li	**240**
	480
2015	
Tam King Ching, Kenny	240
Chow Siu Ngor	–
Chen Li	120
	360

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

(b) Executive directors and the chief executive

HK$ million	Salaries, allowances and benefits in kind	Discre-tionary bonuses	Pension scheme contributions	Total remuneration
2016				
Executive director and chief executive:				
Mak Shiu Tong, Clement ("Mr. Mak")	**8**	**22**	**1**	**31**
Executive directors:				
Tam Ngai Hung, Terry	**3**	**3**	**–**	**6**
Cheng Yuk Ching, Flora	**2**	**3**	**–**	**5**
William Donald Putt	**–**	**–**	**–**	**–**
	5	**6**	**–**	**11**
	13	**28**	**1**	**42**

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

(b) Executive directors and the chief executive *(continued)*

HK$ million	Salaries, allowances and benefits in kind	Discre-tionary bonuses	Pension scheme contributions	Total remuneration
2015				
Executive director and chief executive:				
Mak Shiu Tong, Clement ("Mr. Mak")	10	10	1	21
Executive directors:				
Tam Ngai Hung, Terry	3	3	–	6
Cheng Yuk Ching, Flora	2	3	–	5
William Donald Putt	–	–	–	–
	5	6	–	11
	15	16	1	32

With effect from 1 July 2011, quarters have been provided to Mr. Mak free of charge and at the same time his remuneration receivable from the Company has been reduced by HK$200,000 per month. The amount of Mr. Mak's remuneration for 2016 and 2015 has included the estimated value of the housing benefit provided to him for the periods.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

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

HK$ million	**2016**	2015
Salaries, allowances and benefits in kind	**4**	3

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	Number of employees	
	2016	2015
HK$500,001 — HK$1,000,000	**–**	1
HK$1,000,001 — HK$1,500,000	**1**	–
HK$2,000,001 — HK$2,500,000	**1**	1
	2	2

10. INCOME TAX

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

HK$ million	**2016**	2015
Current — Hong Kong		
Charge for the year	**18**	–
Deferred	**21**	(21)
Total tax charge/(credit) for the year	**39**	(21)

10. INCOME TAX *(continued)*

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

2016

HK$ million	Hong Kong	%	Mainland China	%	Total	%
Profit/(loss) before tax	**354.5**		**(3.0)**		**351.5**	
Tax at the statutory or appropriate tax rate	**58.5**	**16.5**	**(0.8)**	**25.0**	**57.7**	**16.4**
Adjustments in respect of current tax of previous periods	**(2.7)**	**(0.8)**	**–**	**–**	**(2.7)**	**(0.8)**
Income not subject to tax	**(14.2)**	**(4.0)**	**–**	**–**	**(14.2)**	**(4.0)**
Expenses not deductible for tax	**3.0**	**0.9**	**–**	**–**	**3.0**	**0.9**
Tax losses not recognised	**28.8**	**8.1**	**0.8**	**(25.0)**	**29.6**	**8.4**
Tax losses utilised from previous periods	**(34.3)**	**(9.7)**	**–**	**–**	**(34.3)**	**(9.8)**
Tax charge at the Group's effective rate	**39.1**	**11.0**	**–**	**–**	**39.1**	**11.1**

2015

HK$ million	Hong Kong	%	Mainland China	%	Total	%
Profit/(loss) before tax	412.2		(63.8)		348.4	
Tax at the statutory or appropriate tax rate	68.0	16.5	(16.0)	25.0	52.0	15.0
Adjustments in respect of deferred tax of previous periods	(21.0)	(5.1)	–	–	(21.0)	(6.0)
Income not subject to tax	(32.7)	(7.9)	(0.3)	0.5	(33.0)	(9.5)
Expenses not deductible for tax	3.7	0.9	0.1	(0.1)	3.8	1.1
Tax losses not recognised	17.2	4.1	16.2	(25.4)	33.4	9.5
Tax losses utilised from previous periods	(56.2)	(13.6)	–	–	(56.2)	(16.1)
Tax credit at the Group's effective rate	(21.0)	(5.1)	–	–	(21.0)	(6.0)

11. DIVIDENDS

HK$ million	2016	2015
Paid interim — HK$0.035 (2015: HK$0.030) per ordinary share	**31**	25
Proposed final — HK$0.035 (2015: HK$0.035) per ordinary share	**31**	29
Total	**62**	54

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings per share are based on:

HK$ million	2016	2015
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	**303**	369
Interest on convertible bonds	**9**	–
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**312**	369

	Number of shares	
	2016	2015
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**847,670,615**	832,394,907
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	**40,469,435**	–
	888,140,050	832,394,907

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2015 in respect of a dilution as the impact of the outstanding convertible bonds issued by the Company had an anti-dilutive effect or no dilutive effect on the basic earnings per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Total
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	495	121	17	35	9	677
Accumulated depreciation	(70)	(118)	(17)	(15)	(3)	(223)
Net carrying amount	425	3	–	20	6	454
At 1 January 2016, net of accumulated depreciation	425	3	–	20	6	454
Additions	124	3	2	17	10	156
Disposals	–	–	–	(11)	(3)	(14)
Transfer from investment properties (note 14)	218	–	–	–	–	218
Acquisition of subsidiaries and a business (note 39)	–	–	51	–	–	51
Depreciation provided during the year	(17)	(1)	(6)	(2)	(2)	(28)
At 31 December 2016, net of accumulated depreciation	750	5	47	24	11	837
At 31 December 2016:						
Cost	837	6	69	46	16	974
Accumulated depreciation	(87)	(1)	(22)	(22)	(5)	(137)
Net carrying amount	750	5	47	24	11	837

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

HK$ million	Leasehold land and buildings	Plant and machinery	Tools, moulds and equipment	Furniture and office equipment	Motor vehicles	Total
31 December 2015						
At 1 January 2015:						
Cost	426	132	17	32	5	612
Accumulated depreciation	(60)	(114)	(16)	(12)	(2)	(204)
Net carrying amount	366	18	1	20	3	408
At 1 January 2015, net of accumulated depreciation	366	18	1	20	3	408
Additions	73	3	–	2	3	81
Disposals	–	–	(1)	–	–	(1)
Written off	(5)	(4)	–	–	(1)	(10)
Acquisition of a business (note 39)	–	–	–	–	2	2
Depreciation provided during the year	(9)	(14)	–	(2)	(1)	(26)
At 31 December 2015, net of accumulated depreciation	425	3	–	20	6	454
At 31 December 2015:						
Cost	495	121	17	35	9	677
Accumulated depreciation	(70)	(118)	(17)	(15)	(3)	(223)
Net carrying amount	425	3	–	20	6	454

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles as at 31 December 2016 was approximately HK$4 million (2015: HK$3 million).

At 31 December 2016, certain of the Group's leasehold land and buildings with an aggregate net carrying amount of approximately HK$750 million (2015: HK$425 million) were pledged to secure general banking facilities granted to the Group (note 31(b)(i)).

14. INVESTMENT PROPERTIES

HK$ million	2016	2015
Carrying amount at 1 January	978	958
Additions	4	–
Transfer to an owner-occupied property (note 13)	(218)	–
Acquisition of a subsidiary that is not a business (note 40)	434	–
Fair value (losses)/gains on investment properties, net	(19)	20
Carrying amount at 31 December	1,179	978

The Group's investment properties consist of eight commercial and three residential properties in Hong Kong. The directors of the Company have determined that the investment properties consist of two classes of assets, i.e., commercial and residential, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2016 based on valuations performed by Grant Sherman Appraisal Limited, independent professionally qualified valuers. Each year, the Group's directors decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance director has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2016, the Group's investment properties with an aggregate carrying amount of HK$1,179 million (2015: HK$978 million) were pledged to secure banking facilities granted to the Group (note 31(b)(ii)).

Fair value hierarchy

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

	Fair value measurement as at 31 December 2016 using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	553	553
Residential properties	–	–	626	626
	–	–	1,179	1,179

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

HK$ million	Fair value measurement as at 31 December 2015 using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	580	580
Residential properties	–	–	398	398
	–	–	978	978

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

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

HK$ million	**Commercial properties**	**Residential properties**
Carrying amount at 1 January 2015	567	391
Net gains from a fair value adjustment recognised in other income and gains in profit or loss	13	7
Carrying amount at 31 December 2015 and 1 January 2016	580	398
Additions	**–**	**4**
Acquisition of a subsidiary that is not a business (note 40)	**–**	**434**
Net (losses)/gains from fair value adjustments recognised in other income and gains and other expenses in profit or loss	**(27)**	**8**
Transfer to an owner-occupied property	**–**	**(218)**
Carrying amount at 31 December 2016	**553**	**626**

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2016	2015
Commercial properties	Market comparison method	Adopted unit rate (per sq. ft.)	**HK$3,300 to HK$47,000**	HK$3,200 to HK$50,000
Residential properties	Market comparison method	Adopted unit rate (per sq. ft.)	**HK$47,000 to HK$53,500**	HK$46,000 to HK$53,000

Under the market comparison method, fair value is estimated using the unit rate of comparable transactions of similar properties and adjusted for the uniqueness of each property multiplied by the gross floor area of each property.

A significant increase/(decrease) in the adopted unit rate would result in a significant increase/(decrease) in the fair value of the investment properties.

15. GOODWILL

HK$ million	
At 1 January 2015	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2015, net of accumulated impairment	–
Acquisition of a business (note 39)	17
At 31 December 2015	17
At 31 December 2015 and 1 January 2016	
Cost	**17**
Accumulated impairment	**–**
Net carrying amount	**17**
Cost at 1 January 2016, net of accumulated impairment	**17**
Acquisition of subsidiaries and a business (note 39)	**86**
Cost and net carrying amount at 31 December 2016	**103**
At 31 December 2016	
Cost	**103**
Accumulated impairment	**–**
Net carrying amount	**103**

15. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Car logistic cash-generating unit;
- Audio and lighting operations cash-generating unit; and
- Stage engineering operations cash-generating unit.

Car logistic cash-generating unit

The recoverable amount of the car logistic cash-generating unit was determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of the car logistic unit for 2016 was 15% (2015: 15%). The cash flow projections of the car logistic unit beyond the respective periods of financial budgets were extrapolated using a growth rate of 3% (2015: 3%), which did not exceed the long term average growth rate of the industry.

Audio and lighting operations cash-generating unit

The recoverable amount of the audio and lighting operations cash-generating unit was determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of the audio and lighting operations for 2016 was 15%. The cash flow projections of the audio and lighting operations unit beyond the respective periods of financial budgets were extrapolated using a growth rate of 3%, which did not exceed the long term average growth rate of the industry.

Stage engineering operations cash-generating unit

The recoverable amount of the stage engineering operations cash-generating unit was determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of the stage engineering operations for 2016 was 15%. The cash flow projections of the stage engineering operations unit beyond the respective periods of financial budgets were extrapolated using a growth rate of 3%, which did not exceed the long term average growth rate of the industry.

15. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Stage engineering operations cash-generating unit (continued)

The carrying amount of goodwill allocated to each of the cash-generating units is as follow:

HK$ million	2016	2015
Classic cars logistic	17	17
Audio and lighting operations	61	–
Stage engineering operations	25	–
	103	17

Assumptions were used in the value in use calculation of the classic cars logistic, audio and lighting operations and stage engineering operations cash-generating units for 31 December 2015 and 2016. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Discount rate — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Business environment — There was no major change in the existing political, legal and economic conditions in the countries with which and the countries in which the cash-generating units carry on their businesses.

16. INVESTMENT IN AN ASSOCIATE

HK$ million	2016	2015
Share of net assets	13	–

The following table illustrates the financial information of the Group's associate that is not individually material:

HK$ million	2016	2015
Share of the associate's profit for the year	–	–
Share of the associate's total comprehensive income	–	–
Aggregate carrying amount of the Group's investment in an associate	13	–

16. INVESTMENT IN AN ASSOCIATE *(continued)*

As at 31 December 2015, the Group's shareholdings in the associate, CCT Land Holdings Limited ("CCT Land"), which was incorporated in Bermuda and whose principal place of business is in Hong Kong, were held through the wholly-owned subsidiaries of the Company. The principal business of CCT Land is investment holding. The principal activities of CCT Land's subsidiaries comprise the design and development, manufacture and sale of telecom, electronic and child products and property development in the mainland China.

As at 31 December 2015, the Group held 9,000,000,000 shares in CCT Land (representing approximately 9.75% of the then issued share capital of CCT Land) and the convertible bonds of CCT Land with the principal amount of approximately HK$706 million, through an indirect wholly-owned subsidiary of nature similar to venture capital. These shares and the convertible bonds of CCT Land held by the subsidiary have been classified as financial assets at fair value through profit or loss under current assets.

HK$ million	**2016**	2015
Market value of listed shares (note (i))	–	288
Convertible bonds (note (ii))	–	809

Notes:

(i) This represented the 9,000,000,000 shares in CCT Land as at 31 December 2015, classified as financial assets and measured at fair value through profit or loss, further details are given in note 27 to the financial statements.

(ii) This represented the convertible bonds in CCT Land with the principal amount of approximately HK$706 million as at 31 December 2015, classified as financial assets and measured at fair value through profit or loss, further details are given in note 27 to the financial statements.

The following tables illustrate the summarised financial information in respect of CCT Land adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

HK$ million	2015
Current assets	1,813
Non-current assets, excluding goodwill	528
Current liabilities	(660)
Non-current financial liabilities, excluding trade and other payables and provisions	(68)
Non-current liabilities	(110)
Net assets	1,503
Net assets, excluding goodwill	1,503
Loss and total comprehensive income for the period	35

17. CLASSIC CARS HELD FOR INVESTMENT

HK$ million	**2016**	2015
Classic cars held for investment, at fair value	**92**	57

The following table illustrates the fair value measurement hierarchy of the Group's classic cars held for investment:

	Fair value measurement as at 31 December 2016 using			
HK$ million	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Classic cars held for investment	**–**	**–**	**92**	**92**

	Fair value measurement as at 31 December 2015 using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Classic cars held for investment	–	–	57	57

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

17. CLASSIC CARS HELD FOR INVESTMENT *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

HK$ million	
Carrying amount at 1 January 2015	21
Additions	34
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	2
Carrying amount at 31 December 2015 and 1 January 2016	**57**
Additions	**47**
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	**14**
Transfer to non-current assets held for sale (note 23)	**(26)**
Carrying amount at 31 December 2016	**92**

Below is a summary of the valuation technique used and the key input to the valuation of classic cars held for investment:

	Valuation technique	Significant unobservable input	Range or weighted average	
			2016	2015
Classic cars held for investment	Direct comparison method	Transaction price (per unit)	**HK$2 million to HK$35 million**	HK$10 million to HK$34 million

Under the direct comparison method, fair value is estimated using the market price of comparable transactions of similar classic cars held for investment and adjusted for the uniqueness of each classic car.

A significant increase/(decrease) in the transaction price would result in a significant increase/(decrease) in the fair value of the classic cars held for investment.

18. AVAILABLE-FOR-SALE INVESTMENTS

HK$ million	2016	2015
Unlisted equity investments, at cost	**92**	10
Other assets, at fair value	**4**	4
	96	14

The above unlisted investments and other assets consist of investments in equity securities and club debentures which are designated as available-for-sale investments and have no fixed maturity date or coupon rate. The Group's investment in equity investment is carried at cost as its fair value cannot be reliably measured.

19. HELD-TO-MATURITY DEBT SECURITIES

HK$ million	2016	2015
Unlisted bonds, at amortised cost	–	48

At 31 December 2015, the held-to-maturity debt securities represented RMB denominated bonds which will mature in January 2017. The held-to-maturity debt securities with an aggregate carrying amount of approximately HK$48 million were pledged to secure general banking securities granted to the Group (note 31(b)(iv)). During the year ended 31 December 2016, the RMB denominated bonds were early redeemed in respond to the declining value of RMB.

20. INVENTORIES

HK$ million	2016	2015
Raw materials	5	7
Work in progress	2	2
Finished goods	3	1
	10	10

21. STOCK OF PROPERTIES HELD FOR SALE

All the stock of properties held for sale are stated at lower of cost and net realisable value.

At 31 December 2016, certain of the Group's stock of properties held for sale with an aggregate net carrying amount of approximately HK$337 million (2015: HK$361 million) were pledged to secure general banking facilities granted to the Group (note 31(b)(iii)).

22. STOCK OF CLASSIC CARS HELD FOR SALE

HK$ million	2016	2015
Stock of classic cars held for sale, at lower of cost and net realisable value	113	126

23. NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2016, the Group entered into an agreement for the disposal of a classic car held for investment of HK$26 million and the sale is considered to be highly probable in the forthcoming year. The recoverable amount of the non-current assets held for sale as at the end of the reporting period, being the fair value less costs to sell, was estimated with reference to the amount of the disposal consideration.

24. TRADE RECEIVABLES

HK$ million	2016	2015
Trade receivables	**1,814**	32
Impairment	**(2)**	–
	1,812	32

The Group's trading terms with its customers of components operation are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. In respect of the Group's classic cars logistic business, the credit period is generally one month. The credit term granted to the customers of trading securities is up to 270 days. Each customer has a maximum credit limit. The Group seek to maintain strict control over its outstanding receivables and has a credit control department for each segment to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 47% (2015: 75%) and 82% (2015: 95%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. As at 31 December 2016, an aggregate amount of HK$1,729 million of the trade receivables were secured by charge over the shares and convertible bonds of CCT Land and share charge over certain equity interests. Save as mentioned above, the Group does not hold any collateral or other credit enhancement over its trade receivables balances. Trade receivables are non-interest-bearing.

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

	2016		2015	
HK$ million	Balance	Percentage	Balance	Percentage
Within 30 days	**1,117**	**62**	9	28
31 to 60 days	**23**	**1**	12	38
61 to 90 days	**14**	**1**	9	28
Over 90 days	**658**	**36**	2	6
	1,812	**100**	32	100

The movements in provision for impairment of trade receivables are as follows:

HK$ million	2016	2015
At 1 January	**–**	4
Impairment losses recognised	**2**	–
Amount written off as uncollectible	**–**	(4)
At 31 December	**2**	–

As at 31 December 2016, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2 million with a carrying amount before provision of HK$2 million. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

24. TRADE RECEIVABLES *(continued)*

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

HK$ million	2016	2015
Neither past due nor impaired	1,792	29
Past due but not impaired — within 6 months	20	3
	1,812	32

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2015, included in the Group's trade receivables are amounts due from the Group's associates of HK$24 million, which are repayable on credit terms similar to those offered to the major customers of the Group.

25. INVESTMENT IN FILM PRODUCTION

HK$ million	2016	2015
Investment in film production	11	-

As at 31 December 2016, investment in film production of HK$11 million is unsecured, has a minimum guaranteed return of 70% of the amount invested and has no fixed terms of repayment. The investment is governed by the relevant agreement entered into between the Group and the film producer whereby the Group is entitled to benefits generated from the distribution of the related film. Since the amount is expected to be recovered by the Group within one year, the amount is classified as a current financial asset at 31 December 2016.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

HK$ million	2016	2015
Prepayments	17	1
Deposits and other receivables	84	414
	101	415
Current portion	(90)	(368)
Non-current portion	11	47

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

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

As at 31 December 2016, included in the Group's deposits and other receivables are amounts due from certain independent third parties of HK$12 million (2015: HK$65 million), which are secured by collateral provided to the Group on certain commercial properties located in Hong Kong owned by the independent third parties.

As at 31 December 2015, included in the Group's deposits and other receivables was an amount due from Glory Merit of HK$300 million, arising from the disposal of promissory notes receivables of the Group during the year ended 31 December 2015. Details of the disposals are set out in the announcement of the Company dated 25 September 2015. The amount was interest-free and settled in full during the year.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HK$ million	Notes	2016	2015
Fund investments, at fair value		18	–
Listed shares, at market value	(i)	–	288
Convertible bonds, at fair value	(ii)	–	809
		18	1,097

The above fund investments at 31 December 2016 were classified as held for trading.

Notes:

(i) The listed shares at the end of 2015 represented the 9,000,000,000 shares in CCT Land, which were held by the Group for sale and have been classified as financial assets under current assets. These shares were measured at year end based on the closing market price of HK$0.032 per share. During the year ended 31 December 2016, the Group had disposed of its entire equity interest in CCT Land.

(ii) On 7 December 2015, CCT Telecom Securities Limited, an indirect wholly-owned subsidiary of the Company, subscribed for the zero-coupon convertible bonds with a principal value of HK$796 million from CCT Land as settlement of the promissory notes receivables held by the Group. The maturity date of the convertible bonds was on the third anniversary of the date of issue of the convertible bonds, i.e., 7 December 2018 (the "Maturity Date"). The convertible bonds bore no interest on the principal amount.

The bonds were convertible at the option of the bondholders into ordinary shares on the basis of one ordinary share at the existing conversion price of HK$0.01 (subject to adjustment pursuant to the terms and conditions of the convertible bonds) and the bonds were not redeemable at the option of CCT Land at any time on or before the Maturity Date. Any convertible bonds not converted would be automatically converted into ordinary shares of CCT Land on the above basis on the Maturity Date.

The Group recognised the convertible bonds as financial assets at fair value through profit or loss under current assets at the inception date and at the end of the reporting period.

During the year ended 31 December 2015, convertible bonds with a principal amount of HK$90 million were converted into 9,000,000,000 ordinary shares of CCT Land. As at 31 December 2015, the Group held convertible bonds with a principal value of HK$706 million. The conversion in full of the remaining convertible bonds held by the Group, assuming no other shares of CCT Land would be issued after the year end, the Group's interest in CCT Land would be increased to 48.86% of the total issued share capital of CCT Land as enlarged by the issue of the conversion shares, taking into account the Group's existing issued shares in CCT Land. However, conversion of the convertible bonds was subject to restriction that the Group's shareholding interest in CCT Land could not exceed 30% threshold which would trigger any mandatory offer obligation under the Codes on Takeovers and Mergers and Share Buy-backs of the Securities and Futures Commission.

During the year ended 31 December 2016, convertible bonds with a principle amount of HK$210 million were converted into 21,000,000 ordinary shares of CCT Land. The principal amount of remaining convertible bonds was HK$496 million, which were sold to an independent third party at a price of HK$843 million in 2016.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Notes: *(continued)*

(ii) *(continued)*

The fair values of the convertible bonds were HK$796 million and HK$809 million, as at the date of initial recognition and 31 December 2015, respectively, which were estimated under risk-neutral valuation using the fair value of each share of CCT Land, taking into account the terms and conditions upon which the convertible bonds were received. The following table lists the inputs to the model used:

	At 7 December 2015 (date of initial recognition)	At 31 December 2015
Stock price (HK$)	**0.018**	0.032
Conversion price (HK$)	**0.01**	0.01
Time to maturity (year)	**3.0027**	2.9370
Cap rate (%)	**30.00**	30.00

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Any changes in the major inputs into the model will result in changes in fair value of the convertible bonds.

No other feature of the convertible bonds acquired was incorporated into the measurement of fair value.

28. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

HK$ million	**2016**	2015
Cash and bank balances	**212**	355
Time deposits	**–**	47
	212	402
Less: Time deposits pledged for banking facilities included in current portion (note 31(b)(v))	**–**	(47)
Cash and cash equivalents	**212**	355

At the end of the reporting period, the cash and cash equivalents and pledged time deposits of the Group denominated in Renminbi (“RMB”) amounted to HK$3 million (2015: HK$74 million). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

29. TRADE PAYABLES

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

	2016		2015	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**22**	**76**	6	37
31 to 60 days	**3**	**10**	4	25
61 to 90 days	**1**	**4**	3	19
Over 90 days	**3**	**10**	3	19
	29	**100**	16	100

The trade payables are non-interest-bearing, unsecured and are normally settled on 60-days term.

30. OTHER PAYABLES AND ACCRUALS

HK$ million	**2016**	2015
Other payables	**72**	64
Accruals	**28**	17
	100	81

Other payables are non-interest-bearing and have an average term of three months.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**HK$ million**	Effective interest rate (%)	Maturity	HK$ million
Current						
Finance lease payable (note 33)	**1.80–3.79**	**2017**	**4**	1.80–3.79	2016	1
Bank loans — secured	**1.43–3.18**	**2017 or on demand**	**379**	1.21–2.96	2016 or on demand	442
			383			443
Non-current						
Finance lease payable (note 33)	**1.80–3.79**	**2018–2019**	**6**	1.80–3.79	2017–2019	2
Bank loans — secured	**1.43–3.18**	**2018–2031**	**848**	1.21–2.96	2017–2031	525
			854			527
			1,237			970

HK$ million	**2016**	2015
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**379**	442
In the second year	**98**	165
In the third to fifth years, inclusive	**415**	149
Beyond five years	**335**	211
	1,227	967
Other borrowings repayable:		
Within one year or on demand	**4**	1
In the second year	**3**	1
In the third to fifth years, inclusive	**3**	1
	10	3
	1,237	970

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

(a) The Group's trading line banking facilities amounted to HK$53 million (2015: Nil), of which HK$14 million (2015: Nil) has been utilised as at the end of the reporting period.

(b) Certain of the Group's bank loans were secured by:

(i) pledge of certain of the Group's leasehold land and buildings situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$750 million (2015: HK$425 million) (note 13);

(ii) pledge of the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$1,179 million (2015: HK$978 million) (note 14);

(iii) pledge of certain of the Group's stock of properties held for sale situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$337 million (2015: HK$361 million) (note 21);

(iv) As at 31 December 2015, pledge of certain of the Group's held-to-maturity debt securities, which had a carrying amount at the end of the reporting period of approximately HK$48 million (note 19); and

(v) As at 31 December 2015, pledge of certain of the Group's time deposits amounting to HK$47 million (note 28).

(c) The Group's bank and other borrowings were denominated in Hong Kong dollars as at the end of the reporting periods.

32. CONVERTIBLE BONDS

On 30 March 2016 and 3 June 2016, the Group issued 5% coupon convertible bonds ("2024 Convertible Bonds") with the aggregate principal amount of HK$250,200,000 issued to Capital Force International Limited ("Capital Force") and New Capital Industrial Limited ("New Capital") and 1.5% coupon convertible bonds ("2018 Convertible Bonds") with the aggregate principal amount of HK$100,000,000 issued to Top Pride Limited, respectively.

32. CONVERTIBLE BONDS *(continued)*

(a) 2024 Convertible Bonds

On 30 March 2016, pursuant to the sale and purchase agreement dated 27 January 2016 (as amended by the supplemental agreement dated 17 February 2016) entered into between Mr. Mak, the chairman, executive director, chief executive officer and controlling shareholder of the Company, as vendor and the Company as purchaser in respect of acquisition from Mr. Mak of the entire issued share capital of the companies which hold the properties situated at House 38 and House 39, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong, the Company issued the 2024 Convertible Bonds with an aggregate principal amount of HK$250,200,000 of which principal amount of HK$180,000,000 and HK$70,200,000 was issued to Capital Force and New Capital, respectively. The maturity date of the 2024 Convertible Bonds will fall on the eight anniversary of the date of issue of the 2024 Convertible Bonds, which will fall due on 30 March 2024. The bonds are convertible at the option of the bondholders into ordinary shares at initial conversion price of HK$0.90 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds) and the bonds shall be redeemable at the option of the Company at any time on or before 30 March 2024. The 2024 Convertible Bonds are unsecured, carry interest at 5% per annum on the outstanding principal amount. Interest is payable monthly.

The 2024 Convertible Bonds were split into liability and equity components upon initial recognition by recognising the liability component at fair value and attributing to the equity component the residual amount. The fair value of the liability component of these convertible bonds were estimated at the issuance date using cash flows discounted at a rate based on effective interest rate of 6.57%. The residual amount is assigned as the equity component and is included in shareholders' equity. The fair value of the 2024 Convertible Bonds was determined as of the date of issue by reference to the valuations performed by an independent firm of professionally qualified valuers, Greater China Appraisal Limited.

The conversion price of the 2024 Convertible Bonds has been adjusted to HK$0.87 per conversion share with effect from 1 June 2016, pursuant to the terms and conditions of the convertible bonds, as a result of the approval by the shareholders of the final dividend of HK$0.035 per share for the year ended 31 December 2015.

The conversion price of the 2024 Convertible Bonds has been further adjusted to HK$0.84 per conversion share with effect from 15 September 2016, pursuant to the terms and conditions of the convertible bonds, as a result of the approval by the Board of interim dividend of HK$0.035 per share for the financial year of 2016.

During the year ended 31 December 2016, there was no conversion or movement of the 2024 Convertible Bonds.

32. CONVERTIBLE BONDS *(continued)*

(b) 2018 Convertible Bonds

On 3 June 2016, pursuant to the subscription agreement entered into between Top Pride Limited, an independent third party, as subscriber and the Company as issuer in respect of subscription and issue of the 2018 Convertible Bonds for cash, the Company issued the 2018 Convertible Bonds with an aggregate principal amount of HK$100 million for cash. The maturity date of the 2018 Convertible Bonds will fall on the second anniversary of the date of issue of the convertible bonds, which will fall due on 3 June 2018. The bonds are convertible at the option of the bondholders into ordinary shares at the conversion price of HK$1.10 per conversion share (subject to adjustment pursuant to the terms and conditions of the convertible bonds) during the period from the issue date to the date immediately prior to the first anniversary of the issue date, and HK$1.20 per conversion share (subject to adjustment pursuant to the terms and conditions of the convertible bonds) during the period from the date falling on the first anniversary of the issue date to the date falling on the third business days prior to the maturity date of the 2018 Convertible Bonds. The 2018 Convertible Bonds are unsecured and carry interest at 1.5% per annum on the outstanding principal amount. Interest is payable semi-annually after the date of issue of the convertible bonds.

The fair value of the 2018 Convertible Bonds was estimated at the issuance date using cash flows discounted at a rate based on effective interest rate of 3.68%. The total fair value of the 2018 Convertible Bonds was classified as a liability for accounting purposes. The fair value of the 2018 Convertible Bonds was determined as of the date of issue and at the end of the reporting period by reference to the valuations performed by an independent firm of professionally qualified valuers, Greater China Appraisal Limited.

During the year ended 31 December 2016, convertible bonds with a principal amount of HK$50 million were converted into 45,454,545 ordinary shares, resulting in an additional share issued capital of HK$5 million and share premium of HK$45 million (note 35).

The convertible bonds issued during the year have been split into the liability and equity components as follows:

HK$ million	**2016**	2015
Nominal value of convertible bonds issued during the year	**350**	–
Equity component	**(22)**	–
Liability component at the issuance date	**328**	–
Conversion of convertible bonds	**(50)**	–
Interest expense	**11**	–
Interest paid	**(9)**	–
Liability component at 31 December	**280**	–

33. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for business use. At the end of the reporting period, these leases were classified as finance leases and had remaining leases of four years. The total future minimum lease payments under finance leases and their present values were as follows:

HK$ million	**Minimum lease payments 2016**	Minimum lease payments 2015	**Present value of minimum lease payments 2016**	Present value of minimum lease payments 2015
Amounts payable:				
Within one year	**4**	1	**3**	1
In the second year	**3**	1	**3**	1
In the third to fifth years	**3**	1	**3**	1
Total minimum finance lease payments	**10**	3	**9**	3
Future finance charges	**(1)**	–		
Total net finance lease payables	**9**	3		
Portion classified as current liabilities (note 31)	**(3)**	(1)		
Non-current portion (note 31)	**6**	2		

34. DEFERRED TAX

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

Deferred tax liabilities

HK$ million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Total
Gross deferred tax liabilities at 1 January 2015, 31 December 2015 and 1 January 2016	–	38	38
Acquisition of a subsidiary (note 39)	4	–	4
Gross deferred tax liabilities at 31 December 2016	4	38	42

Deferred tax assets

During the year ended 31 December 2015, the Group recognised deferred tax asset of HK$21 million in respect of tax losses of HK$127 million as it was considered probable that taxable profits would be available against which the tax losses could be utilised in current year in full.

At 31 December 2016, the Group has tax losses of HK$211 million (2015: HK$245 million), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, for which, no deferred tax assets have been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

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

35. SHARE CAPITAL

Shares

HK$ million	2016	2015
Authorised:		
2,000,000,000 (2015: 2,000,000,000) ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
877,849,452 (2015: 832,394,907) ordinary shares of HK$0.10 each	**88**	83

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

	Number of ordinary shares of HK$0.10 each in issue	Issued capital HK$ million	Share premium account HK$ million	Total HK$ million
At 1 January 2015, 31 December 2015, 1 January 2016	832,394,907	83	181	264
Conversion of convertible bond (Note)	45,454,545	5	45	50
At 31 December 2016	877,849,452	88	226	314

Note:

The conversion rights attaching to convertible bonds with principal amount of HK$50 million were exercised at the conversion price of HK$1.10 per share, resulting in the issue of 45,454,545 shares.

Share options

Details of the Group's share option scheme are detailed in note 36 to the financial statements.

36. SHARE OPTION SCHEMES

Share option scheme

At the annual general meeting ("AGM") of the Company held on 27 May 2011, the Shareholders approved the adoption of the 2011 Scheme (the "2011 Scheme"). The 2011 Scheme has become effective since 30 May 2011, the date on which the Listing Committee of the Stock Exchange granted approval for the listing of, and permission to deal in, any shares of the Company (the "Shares") on the Stock Exchange, which may fall to be allotted and issued by the Company pursuant to the exercise of the share options in accordance with the terms and conditions of the 2011 Scheme. Unless otherwise cancelled or amended, the 2011 Scheme will be valid for a period of 10 years from the date of its adoption.

The purpose of the 2011 Scheme is to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any entity in which any member of the Group holds any equity interest ("Invested Entity") or the holding company of the Company (if applicable). Eligible participants of the 2011 Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the Group, any Invested Entity or the holding company of the Company (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the Group, any Invested Entity or the holding company of the Company (if applicable), or any holder of any securities issued or proposed to be issued by any member of the Group, any Invested Entity or the holding company of the Company (if applicable), who, in the sole discretion of the Board, will contribute or has contributed to the Group, the Invested Entity or the holding company of the Company (if applicable); and

(c) any person whom the Board at its sole discretion considers, will contribute or has contributed to any members of the Group, the Invested Entity or the holding company of the Company (if applicable) (as the case may be).

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded. As at the date of approval of this Annual Report, the total number of Shares available for issue under the 2011 Scheme is 60,614,490, which represents 7.28% of the total issued share capital of the Company as at the date of approval of these financial statements.

36. SHARE OPTION SCHEMES *(continued)*

Share option scheme *(continued)*

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2011 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive director(s) ("INED(s)") of the Company, excluding the INED(s) of the Company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the total number of Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company and the approval of the Shareholders in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the 2011 Scheme, whichever is earlier. There is no specific requirement under the 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2011 Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the share options);

(ii) the average of the closing prices of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

The Company's share options do not confer rights on the holders to dividends or to vote at the general meetings of the Company.

As at 31 December 2016, there was no share option outstanding under the 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the 2011 Scheme during the year.

37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 63 of the financial statements.

The Group's capital reserve was created from the reduction of the Company's share capital which became effective on 7 August 2002.

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2016
Percentage of equity interest held by non-controlling interests:	
AHM	30%
HHL	49%
Profit for the year allocated to non-controlling interests:	
AHM	5
HHL	4
Accumulated balances of non-controlling interests at the reporting date:	
AHM	15
HHL	5

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	AHM	HHL
2016		
Revenue	88	33
Total expenses	(74)	(22)
Profit for the year	14	11
Total comprehensive income for the year	14	11
Current assets	35	20
Non-current assets	32	–
Current liabilities	16	7
Non-current liabilities	5	–

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

	AHM	HHL
2016		
Net cash flows from operating activities	9	4
Net cash flows used in investing activities	(4)	–
Net cash flows used in financing activities	(1)	–
Net increase in cash and cash equivalents	4	4

39. BUSINESS COMBINATIONS

(a) On 30 March 2016, the Group acquired 70% equity interest in AHM from an independent third party. AHM is engaged in the provision and leasing of audio and lighting equipment and services for concerts and entertainment events. The acquisition was made as part of the Group's strategy to expand its cultural entertainment business. The purchase consideration of HK$62 million for the acquisition was satisfied by cash. The Group has elected to measure the non-controlling interest in AHM at the non-controlling interest's proportionate share of AHM's identifiable net assets.

On 12 July 2016, an indirect non-wholly-owned subsidiary of the Group acquired 73% in HHL from independent third parties. HHL is engaged in the stage engineering work and services for concert and entertainment events. The acquisition was made as part of the Group's strategy to expand its cultural entertainment business. The purchase consideration of HK$28 million for the acquisition was satisfied by cash. The Group has elected to measure the non-controlling interest in HHL at the non-controlling interest's proportionate share of HHL's identifiable net assets.

On 2 October 2016, the Group acquired the audio and lighting equipment and the business of the event production in Macau ("ALM") from independent third parties. The acquisition was made as part of the Group's strategy to expand AHM's audio, lighting and services operations in Macau. The purchase consideration of HK$43 million for the acquisition was satisfied by cash.

On 30 September 2016, the Group acquired 100% equity interest in Suremark Holdings Limited ("Suremark") from CCT Land. Suremark and its subsidiaries are engaged in the trading of the child products. The acquisition was made as part of the Group's strategy to increase the Group's operating profit by acquiring the child product trading business with potential growth. The purchase consideration of HK$24 million for the acquisition was satisfied by set off of an interest-free loan owed by CCT Land to the Company of HK$24 million.

39. BUSINESS COMBINATIONS *(continued)*

(a) *(continued)*

The fair values of the identifiable assets and liabilities of AHM, HHL, ALM and Suremark as at the date of acquisition were as follows:

	Fair value recognised on acquisition				
HK$ million	**AHM and ALM**	**HHL**	**Suremark**	**Others**	**Total**
Property, plant and equipment	51	–	–	–	51
Inventories	–	–	3	–	3
Trade receivables	10	6	25	9	50
Prepayments, deposits and other receivables	3	–	–	2	5
Investment in an associate	–	–	–	13	13
Cash and cash equivalents	8	1	10	2	21
Trade payables	(3)	(1)	–	(8)	(12)
Other payables and accruals	(5)	(2)	–	(18)	(25)
Finance lease payable	(3)	–	–	–	(3)
Interest-bearing bank and other borrowings	(3)	–	(14)	–	(17)
Deferred tax liabilities	(4)	–	–	–	(4)
	54	4	24	–	82
Non-controlling interests	(10)	(1)	–	–	(11)
Goodwill on acquisition (note 15)	61	25	–	–	86
	105	28	24	–	157
Satisfied by:					
Cash consideration	105	28	–	–	133
Set-off of interest-free loan	–	–	24	–	24
	105	28	24	–	157

39. BUSINESS COMBINATIONS *(continued)*

(a) *(continued)*

An analysis of the cash flows in respect of the acquisitions of AHM, HHL, ALM and Suremark as at the date of acquisition were as follows:

HK$ million	**AHM and ALM**	**HHL**	**Suremark**	**Others**	**Total**
Cash consideration	(105)	(28)	–	–	(133)
Cash and cash equivalents acquired	8	1	10	2	21
Other payable	–	11	–	–	11
Net (outflow)/inflow of cash and cash equivalents included in cash flows from investing activities	(97)	(16)	10	2	(101)

The Group incurred transaction costs of HK$4 million for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$61 million and HK$25 million in AHM and ALM and HHL recognised above are customer lists, which are not recognised separately. Because the lists are subject to a confidentiality agreement, they are not separable and therefore they do not meet the criteria for recognition as an intangible asset under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, AHM and ALM, HHL and Suremark contributed HK$118 million, HK$25 million and HK$25 million to the Group's revenue, respectively, and profit of HK$19 million, HK$8 million and loss of HK$0.3 million to the consolidated profit for the year ended 31 December 2016, respectively.

Had the business combinations taken place at the beginning of the year, the revenue of the Group and the profit of the Group would have been HK$1,117 million and HK$344 million, respectively.

(b) On 1 July 2015, the Group acquired the car towing business from an independent third party. The acquisition was made as part of the Group's strategy to expand its automotive service business in Hong Kong. The purchase consideration of HK$17 million for the acquisition was satisfied by cash, and the finance lease of the towing car of HK$2 million was also taken up by the Group.

39. BUSINESS COMBINATIONS *(continued)*

(b) *(continued)*

The net assets and liabilities acquired by the Group in the above transaction are as follows:

HK$ million	**Fair value recognised on acquisition**
Net assets and liabilities acquired:	
Property, plant and equipment	2
Finance lease payable	(2)
	–
Goodwill on acquisition (note 15)	17
	17
Satisfied by:	
Cash consideration	(17)

An analysis of the net cash outflow of cash and cash equivalents in respect of the business acquisition is as follows:

Net outflow of cash and cash equivalents included in cash flows from investing activities	(17)

The Group incurred transaction costs of HK$1 million for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$17 million recognised above is a customer list, which is not recognised separately. Because the list is subject to a confidentiality agreement, it is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, the automotive service business contributed HK$5 million to the Group's revenue and HK$1 million to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group would have been HK$612 million and HK$370 million, respectively.

40. ACQUISITION OF A SUBSIDIARY THAT IS NOT A BUSINESS

On 27 January 2016, the Company entered into an agreement ("the Agreement") with Mr. Mak, under which Mr. Mak agreed to sell and the Company agreed to acquire the entire equity interest and shareholder's loans in Capital Top Industrial Limited and Next Capital Investments Limited (collectively, the "Property Holding Companies"), at an aggregate consideration of approximately HK$250 million satisfied by issue of convertible bonds in the Company and a cash consideration of approximately HK$29 million for assignment of the shareholder's loans due to Mr. Mak by the Property Holding Companies on the date of completion of the transaction under the Agreement. Details of the acquisition is set out in note 32(a) to the financial statements. Property Holding Companies are engaged through their respectively subsidiary in the investment and holding of properties which are the residential properties situated at House No. 38 and House No. 39, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong, respectively. As the Property Holding Companies had not carried out any significant business activities except for holding two properties, the acquisition was accounted for by the Group as an asset acquisition in 2016.

The net assets acquired by the Group in the above transaction are as follows:

HK$ million	2016
Net assets and liabilities acquired:	
Investment property (note 14)	434
Interest-bearing bank borrowings	(155)
	279

HK$ million	2016
Satisfied by convertible bonds (note 32(a))	(250)
Cash consideration	(29)
	(279)

An analysis of the net cash outflow of cash and cash equivalents in respect of the asset acquisition is as follows:

Net outflow of cash and cash equivalents included in cash flows from investing activities	(29)

The Group incurred transaction costs of HK$1 million for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

41. MAJOR NON-CASH TRANSACTIONS

(a) On 27 January 2016, the Company entered into an agreement with Mr. Mak, under which Mr. Mak agreed to sell and the Company agreed to acquire the entire equity interest and shareholder's loans due by the Property Holding Companies at an aggregate consideration of approximately HK$250 million for the acquisition of the equity interest in the Property Holding Companies, satisfied by issue of convertible bonds in the Company and a cash consideration of HK$29 million for the assignment of the shareholder's loans due to Mr. Mak by the Property Holding Companies on the date of completion of the transaction. Details of the acquisition is set out in note 40 to the financial statements.

(b) On 30 March 2016, the Group acquired 70% equity interest in AHM from an independent third party. AHM is engaged in the provision and leasing of audio and lighting equipment and services for concerts and entertainment events. The purchase consideration of HK$62 million for the acquisition was satisfied by cash, payable by instalments with full settlement within six months of completion of the transaction. As at 31 December 2016, the outstanding consideration has been fully repaid. Details of the acquisition is set out in note 39 to the financial statements.

(c) On 12 July 2016, AHM acquired 73% equity interest in HHL from independent third parties. HHL is engaged in the stage engineering work and services for concert and entertainment events. The purchase consideration of HK$28 million for the acquisition was satisfied by cash, payable by instalments with full settlement within nine months of completion of the transaction. As at 31 December 2016, consideration payable of HK$11 million remain unsettled. Details of the acquisition is set out in note 39 to the financial statements.

(d) On 30 September 2016, the Group acquired a 100% interest in Suremark from CCT Land. Suremark and its subsidiaries are engaged in the trading of child products. The purchase consideration of HK$24 million for the acquisition was satisfied by set off an interest-free loan owed by CCT Land to the Company of HK$24 million. Details of the acquisition is set out in note 39 to the financial statements.

(e) On 7 December 2015, CCT Land issued zero-coupon convertible bonds with aggregate principal value of HK$796 million to CCT Telecom Securities Limited (an indirect wholly-owned subsidiary of the Company) as settlement of the promissory notes held by the Group. The transaction resulted in the recognition of a gain on settlement of promissory notes receivables of HK$12 million. Details of the convertible bonds are set out in note 27 to the financial statements.

42. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

HK$ million	**2016**	2015
Corporate guarantees given to banks in connection with facilities granted to the CCT Land Group	**134**	147

As at 31 December 2016, the banking facilities granted to the CCT Land Group subject to corporate guarantees given to the banks by the Company were utilised to the extent of approximately HK$93 million (2015: HK$112 million).

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors exercise judgement in the evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised in the financial statements.

43. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group are included in note 31(b) to the financial statements.

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from two to three years.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK$ million	**2016**	2015
Within one year	**15**	6
In the second to fifth years, inclusive	**7**	5
	22	11

(b) As lessee

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

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	**2016**	2015
Within one year	**6**	3

45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44 above, as at 31 December 2016, the Group had capital commitment of EUR9 million (equivalent to HK$97 million) for purchase of an unlisted equity investment.

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the reporting period.

HK$ million	Notes	2016	2015
Sales of components to the CCT Land Group	(i)	**83**	76
Quality claim expenses charged by CCT Land Group	(ii)	**–**	24
Factory rental expenses paid to the CCT Land Group	(iii)	**6**	6
Office rental income from the CCT Land Group	(iv)	**1**	1
Management information system service expense paid to the CCT Land Group	(v)	**6**	6
Promissory notes receivable due by CCT Land	(vi)	**–**	75
Interest on promissory notes receivable from CCT Land	(vii)	**–**	28
Convertible bonds issued by CCT Land	(viii)	**–**	796
Purchase of child products from CCT Land	(ix)	**20**	–
Acquisition of Suremark from CCT Land	(x)	**24**	–
Acquisition of the property holding companies and issue of the 2024 Convertible Bonds	(xi)	**250**	–
Acquisition of shareholder's loan	(xi)	**29**	–
Interest expense on the 2024 Convertible Bonds	(xi)	**11**	–
Office rental income from a company controlled by a key management personnel of the Group	(xii)	**1**	1
Consultancy fee paid to a company controlled by a key management personnel of the Group	(xiii)	**1**	1
Rental income on investment properties	(xiv)	**5**	–

46. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) The components were sold by a wholly-owned subsidiary of the Company to the CCT Land Group, based on terms and conditions of a manufacturing agreement (the "Component Manufacturing Agreement") dated 9 October 2012 entered into between the Company and CCT Land. The Component Manufacturing Agreement has a term of three years commenced from 1 January 2013 to 31 December 2015, pursuant to which the Company agreed to manufacture and supply through the Group certain plastic casings, components and any other component products and toolings to the CCT Land Group for the production of telecom and electronic products. The agreement was renewed on 9 November 2015 by a new agreement for a term of three years commenced from 1 January 2016 to 31 December 2018. The terms and conditions of the renewed agreement are similar to the previous agreement. The selling prices of plastic casings, components and any other component products were determined based on the direct material costs plus a mark-up of no more than 250%. The tooling charges for the production of telecom and electronic products for the CCT Land Group were determined based on the total costs plus a mark-up of no more than 50%.

(ii) The quality claim expense was charged to CCT Plastic Limited ("CCT Plastic"), an indirect wholly-owned subsidiary of the Company, by CCT Tech (HK) Limited, an indirect wholly-owned subsidiary of the CCT Land Group, in relation to quality issues on plastic components supplied by CCT Plastic to CCT Tech (HK) Limited under the terms and conditions in the Component Manufacturing Agreement described in note (i) above during the year ended 31 December 2015. The quality claim expense was determined with reference to the selling price of the components supplied.

(iii) The factory expenses was charged to Shine Best Developments Limited ("Shine Best"), an indirect wholly-owned subsidiary of the Company, by CCT Enterprise Limited ("CCT Ent"), an indirect wholly-owned subsidiary of the CCT Land Group, for the provision of factory space in Huiyang City, Guangdong Province, the mainland China, at a rent determined in accordance with the terms and conditions set out in a tenancy agreement entered into between Shine Best and CCT Ent on 10 December 2014, which had a term of three years commenced from 1 January 2015 to 31 December 2017.

(iv) The office rental income was charged to CCT Land by Goldbay Investments Limited ("Goldbay"), an indirect wholly-owned subsidiary of the Company, for the provision of office space in Hong Kong, at a rent determined in accordance with the terms and conditions set out in the tenancy agreement entered into between the CCT Land and Goldbay on 10 December 2014, which had a term of three years from 1 January 2015 to 31 December 2017.

(v) The management information system service fee was charged to the Company by CCT Land for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement entered into between the Company and CCT Land on 10 December 2014, which had a term of three years from 1 January 2015 to 31 December 2017.

(vi) On 1 January 2015, 12 May 2015, 8 June 2015 and 3 July 2015, CCT Land entered into agreements with the Company for loans in cash of HK$20 million, HK$25 million, HK$10 million and HK$20 million, respectively, which were satisfied by promissory notes issued by CCT Land which had a term of three years from the date of issue and carried interest at 3% per annum payable annually.

(vii) During the year ended 31 December 2015, interest income of HK$28 million has been accrued for the promissory notes issued by CCT Land. Details of the promissory notes are set out in note 16 to the financial statements.

(viii) On 7 December 2015, CCT Land issued zero-coupon convertible bonds with aggregate principal value of HK$796 million to CCT Telecom Securities Limited, an indirect wholly-owned subsidiary of the Company. Details of the convertible bonds are set out in note 27 to the financial statements.

(ix) This represented transaction amount for the supply of feeding, health care, hygiene, safety, toy and other related products for infants and babies which were manufactured by the CCT Land Group to the Group during 2016. On 3 August 2016, CCT Tech Global Holdings Limited ("CCT Global"), a wholly-owned subsidiary of the CCT Land entered into a manufacturing agreement ("Child Products Manufacturing Agreement") which had a term commenced from 14 October 2016 (being the date on which the disposal of trading business of child products to the Company or its nominee(s) as described in paragraph (x) below was completed) to 31 December 2018. On 31 August 2016, 14 September 2016 and 4 October 2016, CCT Global and the Company entered into the first supplemental manufacturing agreement, the second supplemental manufacturing agreement and the third supplemental manufacturing agreement (collectively as the "Supplemental Manufacturing Agreements"), respectively, pursuant to which the parties to the supplemental manufacturing agreements agreed to amend and supplement the pricing terms and policies of the Child Products Manufacturing Agreement. In respect of the transactions contemplated Child Products Manufacturing Agreement as amended and supplemented by the Supplemental Manufacturing Agreements, the price of the child products to be manufactured and supplied by the CCT Land Group for the Group will be the higher of the sum of the direct material costs plus a mark-up no more than 250% of the direct material costs or the selling prices that the Company sells to independent third parties less a discount of up to 10%. The prices for the continuing connected transactions conducted under the Child Products Manufacturing Agreement (as amended and supplemented by the Supplemental Manufacturing Agreements during the year have been set in accordance with the pricing terms described above).

46. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

(x) On 30 September 2016, the Group acquired a 100% equity interest in Suremark from CCT Glotal. Suremark and its subsidiaries are engaged in the trading of child products. The purchase consideration of HK$24 million for the acquisition was satisfied by set off of an interest-free loan owed by CCT Land to the Company of HK$24 million. Details of the acquisition is set out in note 40 to the financial statements.

(xi) On 27 January 2016, the Company entered into the sale and purchase agreement with Mr. Mak to acquire all the issued shares of the Property Holding Companies from Mr. Mak and the shareholder's loans due to Mr. Mak by the Property Holding Companies for the share consideration of approximately HK$250 million and the cash consideration of approximately HK$29 million, respectively. Details of the acquisition is set out in notes 32(a) and note 40 to the financial statements. Details of the sale and purchase agreement and the transactions under the sale and purchase agreement have been disclosed in the Company's announcements dated 27 January 2016, 17 February 2016 and 30 March 2016 and the Company's circular dated 9 March 2016. During the year ended 31 December 2016, interest on the 2024 Convertible Bonds of HK$9 million was paid by the Company to Capital Force and New Capital.

(xii) The rental income was charged to Silly Thing Company Limited ("Silly Thing"), a company controlled by Mr. Mak Chun Kiu, son of Mr. Mak, by Cyber Profit, an indirect wholly-owned subsidiary of the Company, for the provision of office space in Hong Kong, at rental determined in accordance with the terms and conditions set out in a tenancy agreement entered into between Cyber Profit and Silly Thing on 19 June 2014, which has a term of three years from 19 June 2014 to 18 June 2017.

(xiii) The consultancy fee was charged to Sino Famous (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, by Silly Thing, for the provision of general administrative services. The charge was substantially in line with those offered by Silly Thing to its major customers.

(xiv) On 30 March 2016, the Group entered into the tenancy agreements with Mr. Mak to lease the properties situated at House 38 and House 39, No. 56 Repulse Bay Road to Mr. Mak from 30 March 2016 to 31 December 2017 for a monthly rental of HK$270,000 and HK$260,000 (inclusive of management fee and government rent and rates), respectively. The rental transactions constitute continuing connected transactions for the Company under the Listing Rules, details of which have been disclosed in the Company's announcements dated 27 January 2016 and 30 March 2016 and the Company's circular dated 9 March 2016. During the year, rental income of approximately HK$5 million in aggregate was charged to Mr. Mak.

(xv) The Company has complied with the relevant requirements under the Listing Rules in respect of the non-exempt connected transaction and continuing connected transactions set out in paragraphs (xi) and (xiv) above.

(b) Compensation of key management personnel of the Group

HK$ million	**2016**	2015
Short term employee benefits	**48**	35

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

HK$ million

Financial assets

	Financial assets at fair value through profit or loss-held for trading	Loans and receivables	Available-for-sale investments	Total
Available-for-sale investments	–	–	96	96
Trade receivables	–	1,812	–	1,812
Investment in film production	–	11	–	11
Financial assets included in prepayments, deposits and other receivables	–	101	–	101
Financial assets at fair value through profit or loss	18	–	–	18
Cash and cash equivalents	–	212	–	212
	18	2,136	96	2,250

Financial liabilities

	Financial liabilities at fair value through profit or loss-designated as such upon recognition	Financial liabilities at amortised cost	Total
Trade payables	–	29	29
Other payables and accruals	–	100	100
Interest-bearing bank and other borrowings	–	1,237	1,237
Convertible bonds	230	50	280
	230	1,416	1,646

47. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2015

HK$ million

Financial assets

	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale investments	Held-to-maturity debt securities	Total
Available-for-sale investments	–	–	14	–	14
Held-to-maturity debt securities	–	–	–	48	48
Trade receivables	–	32	–	–	32
Financial assets included in prepayments, deposits and other receivables	–	404	–	–	404
Financial assets at fair value through profit or loss	1,097	–	–	–	1,097
Pledged time deposits	–	47	–	–	47
Cash and cash equivalents	–	355	–	–	355
	1,097	838	14	48	1,997

Financial liabilities

	Financial liabilities at amortised cost
Trade payables	16
Other payables and accruals	81
Interest-bearing bank and other borrowings	970
	1,067

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments reasonably approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, time deposits with original maturity of more than three months, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the group finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the directors and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

The fair values of listed equity investments and held-to-maturity securities are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated based on market prices of recent transactions of similar investments. The fair values of classic cars carried at fair value have been estimated based on market prices of recent transactions of similar investments. The directors believe that the estimated fair values resulting from the recent market prices, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

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

Fair value hierarchy

	Fair value measurement using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value as at 31 December 2016:				
Available-for-sale investments:				
— Other assets, at fair value	**4**	**–**	**–**	**4**
Financial assets at fair value through profit or loss				
— Fund investment, at fair value	**18**	**–**	**–**	**18**
	22	**–**	**–**	**22**
Assets measured at fair value as at 31 December 2015:				
Available-for-sale investments:				
— Other assets, at fair value	4	–	–	4
Financial assets at fair value through profit or loss				
— Listed shares	288	–	–	288
— Convertible bonds	–	809	–	809
	292	809	–	1,101
Liabilities measured at fair value as at 31 December 2016:				
Financial liabilities at fair value through profit or loss				
— Convertible bonds	**–**	**–**	**230**	**230**
	–	**–**	**230**	**230**

The Group did not have any financial liabilities measured at fair value as at 31 December 2015.

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

Fair value hierarchy *(continued)*

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

Assets for which fair values are disclosed:

	Fair value measurement using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2016				
Other receivables	**–**	**10**	**–**	**10**
As at 31 December 2015				
Other receivables	–	36	–	36
Held-to-maturity securities	48	–	–	48
	48	36	–	84

Liabilities for which fair values are disclosed:

	Fair value measurement using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2016				
Interest-bearing bank and other borrowings	**–**	**1,237**	**–**	**1,237**
As at 31 December 2015				
Interest-bearing bank and other borrowings	–	970	–	970

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group operates at a low gearing ratio and as the market interest rates are stable and are maintained at a relatively low level, the Group's interest rate risk is not significant.

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$ million
2016		
HK$	**100**	**(10)**
HK$	**(100)**	**10**
2015		
HK$	100	(9)
HK$	(100)	9

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

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional currencies. During the year, the Group did not use any financial instruments for hedging purposes.

A reasonably possible strengthening/(weakening) in the exchange rate of RMB against Hong Kong dollar of 7.23% would not have a significant impact on the Group's profit before tax in 2016. A reasonably possible strengthening/(weakening) in the exchange rate of RMB against Hong Kong dollar of 5.92% would result in decrease/(increase) on the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) by HK$4 million in 2015.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments and held-to-maturity debt securities, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For the Group's trade receivables, since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentration of credit risk is managed by counterparty.

Certain of the Group's trade receivables, deposits and other receivables are secured by collaterals provided by independent third parties, details of which are described in notes 24 and 26 to the financial statements.

There is no significant concentration of credit risk in relation to the Group's financial assets, other than trade receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, other interest-bearing loans and finance leases. In addition, banking facilities have been put in place for contingency purposes.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2016

HK$ million	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
Trade payables	29	–	–	–	29
Other payables and accruals	99	–	–	1	100
Convertible bonds	–	50	–	230	280
Interest-bearing bank and other borrowings	415	123	411	343	1,292
	543	173	411	574	1,701

As at 31 December 2015

HK$ million	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
Trade payables	16	–	–	–	16
Other payables and accruals	81	–	–	–	81
Interest-bearing bank and other borrowings	466	178	157	216	1,017
	563	178	157	216	1,114

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

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

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

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital plus total borrowings. The Group includes interest-bearing bank and other borrowings in the total borrowings. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods are as follows:

HK$ million	**2016**	2015
Interest-bearing bank and other borrowings	**1,237**	970
Total borrowings	**1,237**	970
Total capital	**3,202**	2,866
Total capital and borrowings	**4,439**	3,836
Gearing ratio	**27.9%**	25.3%

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

HK$ million	2016	2015
ASSETS		
Non-current assets		
Investments in subsidiaries	1,342	603
Current assets		
Due from subsidiaries	2,024	1,930
Prepayments, deposits and other receivables	5	196
Cash and cash equivalents	114	277
Total current assets	2,143	2,403
Total assets	3,485	3,006
EQUITY AND LIABILITIES		
Issued capital	88	83
Reserves (note)	1,879	1,539
Total equity	1,967	1,622
Non-current liabilities		
Convertible bonds	280	–
Current liabilities		
Other payables and accruals	2	3
Tax payable	1	–
Due to subsidiaries	1,076	1,252
Interest-bearing bank and other borrowings	159	129
Total current liabilities	1,238	1,384
Total liabilities	1,518	1,384
Total equity and liabilities	3,485	3,006
Net current assets	905	1,019
Total assets less current liabilities	2,247	1,622

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

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

HK$ million	Capital redemption reserve	Share premium account	Capital reserve*	Distributable reserve	Equity component of convertible bonds	Accumulated losses	Total
At 1 January 2015	24	181	741	1,078	–	(798)	1,226
Total comprehensive income for the year	–	–	–	–	–	367	367
2014 final dividend	–	–	–	(29)	–	–	(29)
2015 interim dividend	–	–	–	(25)	–	–	(25)
At 31 December 2015 and 1 January 2016	**24**	**181**	**741**	**1,024**	**–**	**(431)**	**1,539**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**331**	**331**
Issuance of convertible bonds	**–**	**–**	**–**	**–**	**22**	**–**	**22**
Conversion of convertible bonds	**–**	**45**	**–**	**–**	**–**	**–**	**45**
2015 final dividend	**–**	**–**	**–**	**(29)**	**–**	**–**	**(29)**
2016 interim dividend	**–**	**–**	**–**	**(31)**	**–**	**–**	**(31)**
At 31 December 2016	**24**	**226**	**741**	**964**	**22**	**(100)**	**1,877**

* The Company's capital reserve was created from the reduction of share capital which became effective on 7 August 2002.

51. APPROVAL OF THE FINANCIAL STATEMENTS

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

other information

PARTICULARS OF THE GROUP'S INVESTMENT PROPERTIES AS AT 31 DECEMBER 2016

Location	Lot number	Use	Tenure	Attributable interest of the Group
House No. 38 and car park space P14 and P15, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong	344/16,363rd parts of Rural Building Lot No. 172	Residential	Long term lease	100%
House No. 39 and car park space P5 and P6, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong	335/16,363rd parts of Rural Building Lot No. 172	Residential	Long term lease	100%
House No. 7, Rosecliff, No. 20 Tai Tam Road, Hong Kong	2,310/26,070th parts of Rural Building Lot No. 147	Residential	Long term lease	100%
32nd Floor, Carpark 5, 6 & 11 Fortis Tower 77–79 Gloucester Road, Hong Kong	103/3,100th parts of Inland Lot No. 2782	Commercial	Long term lease	100%
Shop Nos. 297A, 297B, 297C, 297D, 298, 299, 300 and 301 which will be stratified from Unit Nos. 1–45 (inclusive) on the portion of the Basement of the podium of Blocks 1, 2 and 3, City Garden, Hong Kong	1,135/100,180th shares of Inland Lot No. 8580	Commercial	Medium term lease	100%
Shop A on Ground floor, Gramercy, No. 38 Caine Road, Hong Kong	2,150/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop B on Ground floor, Gramercy, No. 38 Caine Road, Hong Kong	945/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop A on first floor, Gramercy, No. 38 Caine Road, Hong Kong	2,504/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Shop B on first floor, Gramercy, No. 38 Caine Road, Hong Kong	853/89,772th of section A of Inland Lot No. 150	Commercial	Long term lease	100%
Workshop 8 on Ground Floor, MP Industrial Centre, No. 18 Ka Yip Street, Hong Kong	48/8,899th equal and undivided shares of and in Chai Wan Inland Lot No. 139	Commercial	Long term lease	100%
18th Floor, CCT Telecom Building, No. 11 Wo Shing Street, Shatin, N.T., Hong Kong	14,427/289,200th equal and undivided shares of and in the Remaining Portion of Sha Tin Town Lot No. 17	Commercial	Medium term lease	100%

five year financial summary

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

RESULTS

	Year ended 31 December				
HK$ million	**2016**	2015	2014	2013	2012
CONTINUING OPERATIONS					
REVENUE	**895**	608	198	690	140
PROFIT BEFORE TAX	**352**	348	397	319	16
Income tax (expense)/credit	**(39)**	21	(2)	(58)	(21)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**313**	369	395	261	(5)
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations	**–**	–	(66)	(60)	(62)
PROFIT/(LOSS) FOR THE YEAR	**313**	369	329	201	(67)
Profit/(loss) attributable to:					
Owners of the parent	**303**	369	358	232	(31)
Non-controlling interests	**10**	–	(29)	(31)	(36)
	313	369	329	201	(67)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
HK$ million	**2016**	2015	2014	2013	2012
TOTAL ASSETS	**4,969**	4,032	3,812	4,217	3,755
TOTAL LIABILITIES	**(1,767)**	(1,166)	(1,261)	(2,021)	(1,669)
	3,202	2,866	2,551	2,196	2,086
EQUITY:					
Equity attributable to owners of the parent	**3,181**	2,866	2,551	2,032	1,833
Non-controlling interests	**21**	–	–	164	253
	3,202	2,866	2,551	2,196	2,086

glossary of terms

GENERAL TERMS

"2011 Scheme"	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
"2018 Convertible Bonds"	The 1.5% coupon convertible bonds with the aggregate principal amount of HK$100,000,000 issued by the Company to Top Pride Limited on 3 June 2016 pursuant to the terms and conditions of the Subscription Agreement
"2024 Convertible Bonds"	The 5% coupon convertible bonds with the aggregate principal amount of HK$250,200,000 issued by the Company to Capital Force and New Capital on 30 March 2016 pursuant to the terms and conditions of the Sale and Purchase Agreement
"AGM"	Annual general meeting
"AHM"	AHM Engineering Company Limited, a company incorporated in Hong Kong and an indirect non-wholly-owned subsidiary of the Company
"Audit Committee"	The audit committee of the Company
"Blackbird Automotive Group"	The Blackbird automotive group established by the Company, which is engaged in the multi-facet automotive business
"Board"	The board of Directors
"Capital Force"	Capital Force International Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak
"Capital Winner"	Capital Winner Investments Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak
"CCT Land"	CCT Land Holdings Limited, a company listed on the main board of the Stock Exchange
"CCT Land Convertible Bonds"	The zero coupon convertible bonds in the original aggregate principal amount of HK$1,095,671,000 issued by CCT Land on 7 December 2015, of which principal amount of HK$495,671,000 of the CCT Land Convertible Bonds was outstanding as at 31 December 2016
"CCT Land Group"	CCT Land and its subsidiaries

"CCT Land Shares"	The ordinary shares of par value of HK$0.01 each in the capital of CCT Land
"CCT Securities"	CCT Telecom Securities Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, which is principally engaged in securities business
"CEO"	The chief executive officer of the Company
"CG Code"	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	The chairman of the Company
"Child Products"	Feeding, health care, hygiene, safety, toy and other related products for infants and babies, which are the child products currently traded by the Group
"Child Product Trading Business"	The business of trading and sale of the Child Products currently engaged by the Group
"Company"	CCT Fortis Holdings Limited
"Cultural Entertainment Group"	An operating group established by the Company, which is engaged in the cultural entertainment operations
"Director(s)"	The director(s) of the Company
"Executive Director(s)"	The executive director(s) of the Company
"Film Group"	An operating group established by the Company, which is engaged in the investment, production and global distribution of films
"Group"	The Company and its subsidiaries
"HK" or "Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HK$" or "$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"INED(s)"	Independent non-executive director(s)
"Invested Entity"	Any entity in which any member of the Group holds any equity interest
"Listing Committee"	The listing committee of the Stock Exchange for considering applications for listing and the granting of listing
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
"Mr. Mak"	Mr. Mak Shiu Tong, Clement, a Director and the controlling shareholder of the Company
"N/A"	Not applicable
"New Capital"	New Capital Industrial Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak
"Nomination Committee"	The nomination committee of the Company
"Percentage Ratios"	The assets ratio, the profits ratio, the revenue ratio, the consideration ratio and the equity capital ratio as defined under Rule 14.07 of the Listing Rules
"PRC" or "China"	The People's Republic of China
"Remuneration Committee"	The remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	The agreement dated 27 January 2016 (as amended by the supplemental agreement dated 17 February 2016) entered into between Mr. Mak as vendor and the Company as purchaser in respect of acquisition from Mr. Mak of the entire issued share capital of the companies which hold the properties at House 38 and House 39, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	The ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	Holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	The agreement dated 30 May 2016 entered into between Top Pride Limited as subscriber and the Company as issuer in respect of subscription and issue of the 2018 Convertible Bonds for cash
"Telecom Product Business"	The business of manufacture and sale of telecom, electronic and child products engaged by the CCT Land Group
"US"	The United States of America
"US$"	United States dollar(s), the lawful currency of the US
"%"	Per cent.

FINANCIAL TERMS

"Current Ratio"	Current assets divided by current liabilities
"Gearing Ratio"	Total borrowings (representing bank & other borrowings and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
"G.P. Ratio"	Gross profit margin as a percentage of revenue