



與時創建  
Building with the times

# Directory

## Directors

### Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)  
Mr. Lincoln Lu  
Mr. Lambert Lu

### Non-executive Director

Mr. Lam Sing Tai

### Independent Non-executive Directors

Mr. Walujo Santoso, Wally  
Mr. Leung Hok Lim  
Mr. Chung Pui Lam

## Audit Committee

Mr. Leung Hok Lim (*Chairman*)  
Mr. Walujo Santoso, Wally  
Mr. Chung Pui Lam

## Nomination Committee

Mr. Lu Wing Chi (*Chairman*)  
Mr. Walujo Santoso, Wally  
Mr. Leung Hok Lim

## Remuneration Committee

Mr. Chung Pui Lam (*Chairman*)  
Mr. Lu Wing Chi  
Mr. Lambert Lu  
Mr. Walujo Santoso, Wally  
Mr. Leung Hok Lim

## Authorised Representatives

Mr. Lambert Lu  
Ms. Chow Siu Yin, Dora

## Company Secretary

Ms. Chow Siu Yin, Dora

## Legal Advisers

Stephenson Harwood  
Mayer Brown JSM  
Conyers Dill & Pearman

## Independent Auditor

Deloitte Touche Tohmatsu

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited  
Credit Suisse AG Hong Kong Branch  
Standard Chartered Bank (Hong Kong) Limited  
Hang Seng Bank Limited

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## Principal Place of Business

26/F., Dah Sing Financial Centre  
108 Gloucester Road  
Wanchai, Hong Kong  
Tel: (852) 2828 6363  
Fax: (852) 2598 6861  
E-mail: [info@seagroup.com.hk](mailto:info@seagroup.com.hk)

## Branch Registrar in Hong Kong

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Tel: (852) 2980 1333  
Fax: (852) 2528 3158

## Listing

The shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited.

## Stock Code and Board Lot

251/2,000 shares

The shares of Asian Growth Properties Limited, a subsidiary of the Company, are admitted for trading on the AIM Market of The London Stock Exchange plc.

## Website

[www.seagroup.com.hk](http://www.seagroup.com.hk)



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## Financial Highlights

### Five-Year Financial Summary

#### Results

	For the year ended 31 December				
	2016 HK\$'m	2015 HK\$'m	2014 HK\$'m	2013 HK\$'m	2012 HK\$'m
Revenue	566.0	732.7	668.5	884.2	607.3
Profit for the year before non-controlling interests	571.9	1,463.2	703.6	524.8	1,173.1
Non-controlling interests	112.4	(27.3)	(19.1)	(14.7)	(11.8)
Profit for the year attributable to the Company's shareholders	684.3	1,435.9	684.5	510.1	1,161.3

#### Assets and Liabilities

	As at 31 December				
	2016 HK\$'m	2015 HK\$'m	2014 HK\$'m	2013 HK\$'m	2012 HK\$'m
Total assets	17,279.9	19,079.7	17,947.5	16,249.9	15,317.7
Total liabilities	(4,947.2)	(5,561.3)	(5,322.9)	(4,288.5)	(4,045.7)
Non-controlling interests	(281.7)	(444.0)	(427.6)	(410.3)	(302.2)
Equity attributable to the Company's shareholders	12,051.0	13,074.4	12,197.0	11,551.1	10,969.8

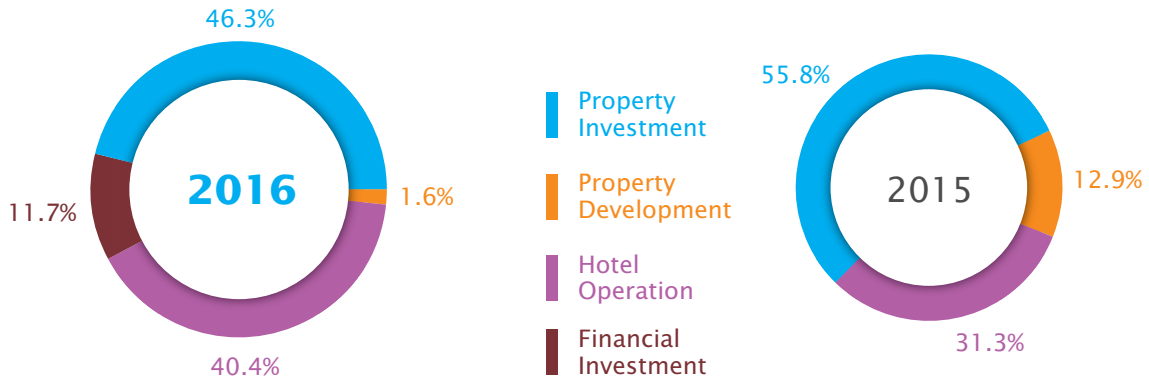
#### Performance Data

	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$
Basic earnings per share for profit attributable to the Company's shareholders	1.01	2.09	1.00	0.76	1.74
Basic earnings/(loss) per share excluding fair value changes on investment properties net of deferred tax	1.13	0.70	0.15	0.39	(0.06)
Dividends declared (per share)	0.11	2.11	0.11	0.11	0.11
Net asset value per share attributable to the Company's shareholders	17.81	19.29	17.69	17.18	16.34

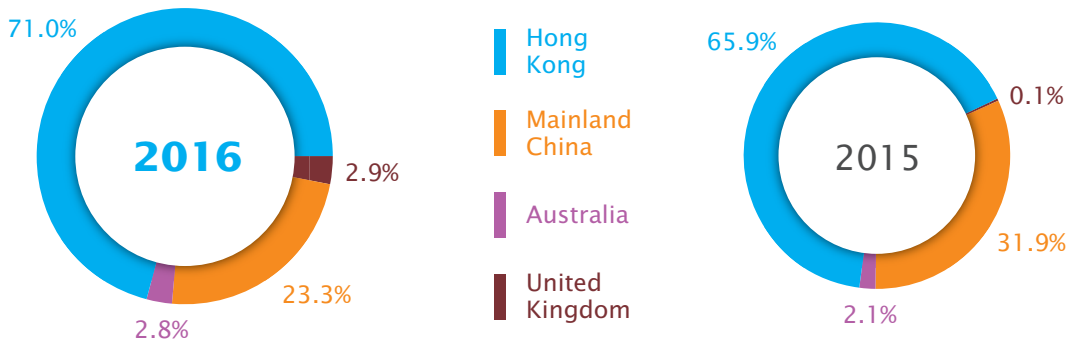


## Financial Highlights

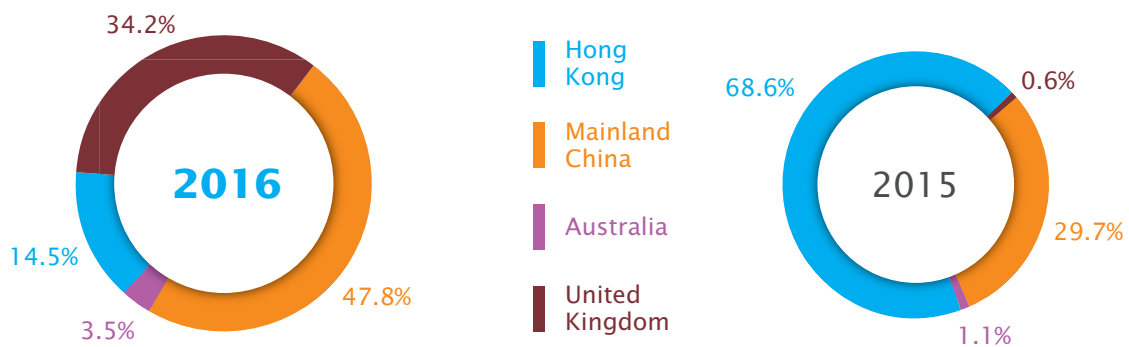
### Segment Revenue for External Sales



### Revenue from External Customers by Geographical Location of Properties



### Property Assets by Geographical Segment



## Property Portfolio

At 31 December 2016

Particulars of Investment Properties					
Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
<b>MAINLAND CHINA</b>					
Plaza Central	8 Shunchengda Street, Yanshikou, Jinjiang District, Chengdu, Sichuan Province	6 October 2063	Commercial/Office	91,455 (including car parking floors)	97.2
Commercial podium in Zone B and car parking spaces on Basements 2 and 3, New Century Plaza	No. 6 Xi Yu Long Street, Qingyang District, Chengdu, Sichuan Province	18 May 2063	Commercial	19,261 (including car parking spaces)	97.2
Office Tower, Westmin Plaza Phase II	50 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province	23 May 2050	Office	16,112	97.2
<b>AUSTRALIA</b>					
Lizard Island Resort	Lizard Island Tropical North Queensland	30 September 2050	Resort Hotel	10,500	100
<b>UNITED KINGDOM</b>					
John Sinclair House	16 Bernard Terrace, Edinburgh, Scotland	Freehold	Office	2,991 and 53 car parking spaces	100
20 Moorgate, London EC2R 6DA	20 Moorgate, London EC2R 6DA, England	Leasehold	Office	14,386.3	97.2

## Particulars of Hotel Building

Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
<b>HONG KONG</b>					
Crowne Plaza Hong Kong Causeway Bay	8 Leighton Road, Causeway Bay	6 November 2049	Hotel	14,945	97.2

## Property Portfolio

At 31 December 2016

### Particulars of Properties Held for Sale

Name	Location	Stage of Completion	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
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#### MAINLAND CHINA

Commercial podium, Westmin Plaza Phase II	48-58 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province	Completed	Commercial	45,984 (including car parking floors)	97.2
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## Location of the Group's Properties/Projects

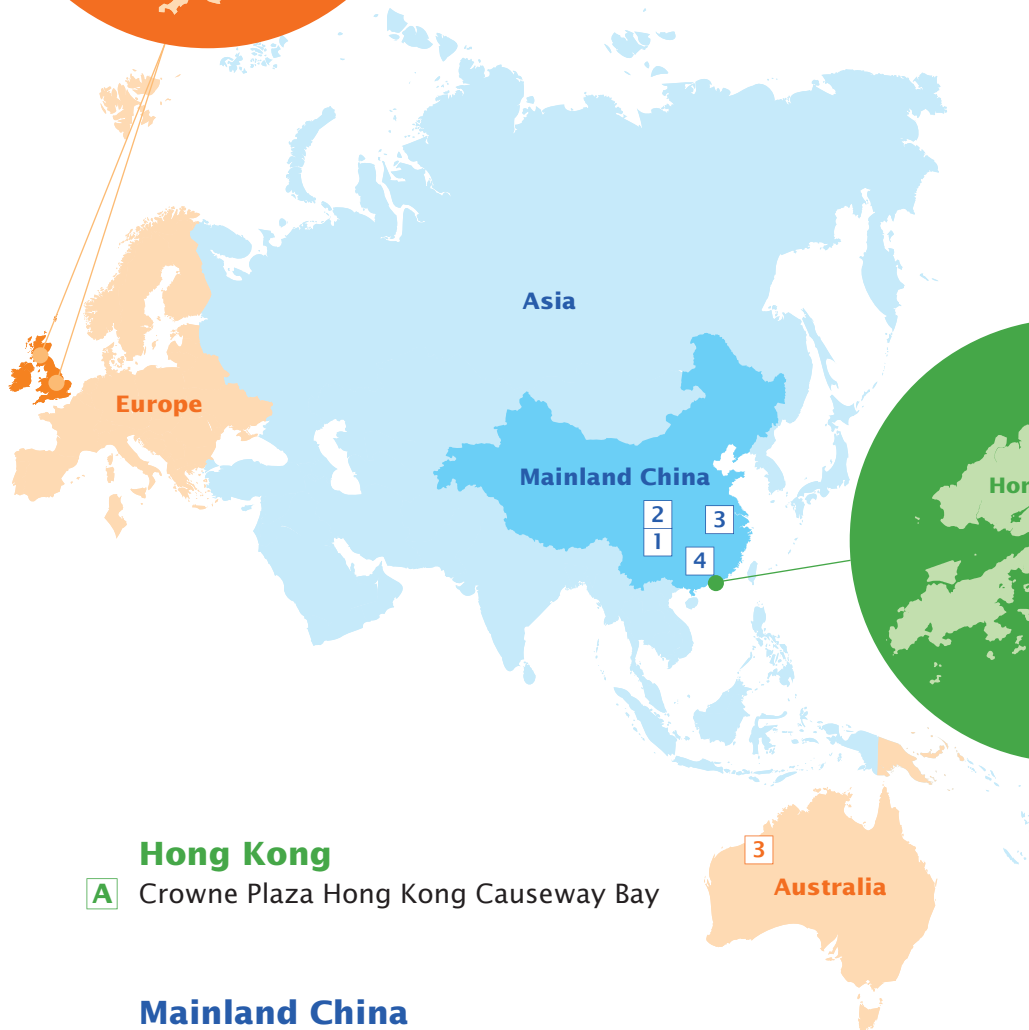


### United Kingdom

- 1 John Sinclair House, Scotland
- 2 20 Moorgate, London, EC2R 6DA

### Australia

- 3 Lizard Island Resort, Queensland



### Hong Kong

- A Crowne Plaza Hong Kong Causeway Bay

### Mainland China

- 1 Plaza Central, Sichuan Province
- 2 New Century Plaza, Sichuan Province
- 3 Nanjing Project, Jiangsu Province
- 4 Westmin Plaza Phase II, Guangdong Province

## Financial Calendar

### Results Announcements

2016 Annual results announcement	27 March 2017 (Monday)
2017 Interim results announcement	on or before 31 August 2017 (Thursday)

### Book Close Date

#### **For ascertaining Shareholders' entitlement to attend and vote at 2017 Annual General Meeting**

Latest time to lodge transfer documents	4:30 p.m. on 26 May 2017 (Friday)
Record date and time	4:30 p.m. on 26 May 2017 (Friday)

#### **For ascertaining Shareholders' entitlement to the proposed final dividend**

Latest time to lodge transfer documents	4:30 p.m. on 13 June 2017 (Tuesday)
Closure of register of members	14 June 2017 (Wednesday)
Record date	14 June 2017 (Wednesday)

### Annual General Meeting

2017 AGM	29 May 2017 (Monday)
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### Final Dividend

Ex-dividend date for 2016 final dividend	12 June 2017 (Monday)
Payment of 2016 final dividend (subject to Shareholders' approval at the 2017 AGM)	21 June 2017 (Wednesday)

## Directors' Biographical Information



**LU WING CHI**  
*Executive Director*

Mr. Lu, aged 70, joined the Group in 1969 and is the Chairman and Managing Director, the chairman of the Nomination Committee and the Executive Committee and a member of the Remuneration Committee. He is also an executive director of AGP (a subsidiary of the Company listed in London) and a director of various members of the Group. In addition, he is a director of NLI (the Company's controlling shareholder) and JCS (the former's immediate holding company). He has over 45 years of experience in property development and investment in Hong Kong and overseas as well as godown and factory operations. To date, Mr. Lu continues to steer and chart the Group's development direction and strategies.

Mr. Lu is the son of Mr. Lu Chu Mang, the founder of the Group, and the father of Mr. Lincoln Lu and Mr. Lambert Lu, both Executive Directors.



**LINCOLN LU**  
*Executive Director*

Mr. Lu, aged 42, joined the Group in 1998 and was appointed as an Executive Director in December 2003. He is a member of the Executive Committee, an executive director of AGP (a subsidiary of the Company listed in London) and a director of various members of the Group. In addition, he is a director of NLI (the Company's controlling shareholder) and JCS (the former's immediate holding company). Mr. Lu is primarily responsible for the Group's hotel and project management operations. He is a member of the Sichuan Committee of Chinese People's Political Consultative Conference and an executive member of All-China Federation of Industry and Commerce. Mr. Lu holds a Bachelor of Arts degree from the University of British Columbia in Canada.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company, the elder brother of Mr. Lambert Lu, Executive Director.



## Directors' Biographical Information



**LAMBERT LU**

*Executive Director*

Mr. Lu, aged 40, joined the Group in 1999 and was appointed as an Executive Director in December 2003. He is a member of both the Executive Committee and Remuneration Committee. Mr. Lu is an executive director of AGP (a subsidiary of the Company listed in London) and a director of various members of the Group. In addition, he is a director of NLI (the Company's controlling shareholder) and JCS (the former's immediate holding company). He is a member of the Henan Committee of Chinese People's Political Consultative Conference and was previously a vice chairman of The Chamber of Hong Kong Listed Companies. He holds a Bachelor's degree from the University of British Columbia in Canada.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director, and the younger brother of Mr. Lincoln Lu, Executive Director.



**LAM SING TAI**

*Non-Executive Director*

Mr. Lam, aged 70, joined the Group in 1973 and was appointed as a Non-executive Director in April 2006. He has over 40 years of solid experience in property development and investment. He is currently the general manager of South-East Asia Investment And Agency Company, Limited (a principal wholly-owned subsidiary of the Company), a non-executive director of AGP (a subsidiary of the Company listed in London) and a director of various members of the Group. Mr. Lam is primarily responsible for the sales and marketing matters of the Group's properties in Hong Kong and Mainland China.

## Directors' Biographical Information



**WALUJO SANTOSO,  
WALLY**

*Independent Non-Executive Director*

Mr. Santoso, aged 63, has acted as an Independent Non-executive Director since December 1994 and is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He is also the managing director of Grand Ocean (International) Limited (a private limited liability company in which Mr. Santoso is a shareholder) and has over 40 years of experience in international trading and manufacturing. Mr. Santoso also holds a Diploma in Accounting.

Mr. Santoso did not hold any directorship in other listed public companies in the last three years.



**LEUNG HOK LIM**

*Independent Non-Executive Director*

Mr. Leung, *FCPA(Aust.), FCPA(Practising), CPA(Macau)*, aged 81, has acted as an Independent Non-executive Director since February 1999 and is the chairman of the Audit Committee and a member of both the Nomination Committee and Remuneration Committee.

Mr. Leung is the founding and senior partner of PKF, Accountants and Business Advisers. Mr. Leung is the independent non-executive director of a number of listed companies, namely Fujian Holdings Limited, High Fashion International Limited, Phoenix Satellite Television Holdings Limited, Yangtzekiang Garment Limited and YGM Trading Limited.

## Directors' Biographical Information



Mr. Chung, *GBS, OBE, JP*, aged 76, has acted as an Independent Non-executive Director since September 2004 and is a practicing solicitor in Hong Kong. He is the chairman of the Remuneration Committee and a member of the Audit Committee. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of Datronix Holdings Limited (both are listed companies in Hong Kong). In addition, Mr. Chung is serving as consultant for numerous district organisations, industrial and commercial associations, trade unions and body corporates.

### **CHUNG PUI LAM**

*Independent Non-Executive Director*



## Chairman's Statement

I am pleased to present the consolidated financial results of the Group for the year 2016 to the Shareholders.

### Financial Summary

Turnover for the year ended 31 December 2016 amounted to HK\$566.0 million (2015: HK\$732.7 million). The turnover was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation, the sales of residential units in Kaifeng Nova City and income from financial investments.

Profit attributable to the Shareholders for the year amounted to HK\$684.3 million (2015: HK\$1,435.9 million), equivalent to a basic earnings per share of HK101.0 cents (2015: HK209.3 cents). The reported profit attributable to the Shareholders included a revaluation deficit on investment properties net of deferred taxation of HK\$80.1 million (2015: revaluation surplus HK\$984.2 million). By excluding the effect of such deficit, the Group's net profit attributable to the Shareholders was HK\$762.3 million (2015: HK\$479.5 million), equivalent to HK112.5 cents (2015: HK69.9 cents) per share.

As at 31 December 2016, the Group's equity attributable to the Shareholders amounted to HK\$12,051.0 million (2015: HK\$13,074.4 million). The net asset value per share attributable to the Shareholders as at 31 December 2016 was HK\$17.81 as compared with HK\$19.29 as at 31 December 2015.

The Group's hotel property is stated at cost less accumulated depreciation charges at a carrying value of HK\$646.2 million, whereas the market value as at 31 December 2016 as determined by an independent professional market valuation carried out by CBRE Limited is HK\$3,500.0 million. For the purpose of providing supplementary information, if the carrying value of the Group's hotel property was restated to its market value as at 31 December 2016, the adjusted net asset value and adjusted net asset value per share attributable to the Shareholders would be HK\$14,831.0 million and HK\$21.9 respectively.



20 Moorgate, London, EC2R 6DA, England

## Chairman's Statement

The Group's property assets by geographical location at the year end were as follow:

	31 December 2016 HK\$' million	31 December 2015 HK\$' million
Hong Kong	660.7	9,880.4
Mainland China	2,174.0	4,278.7
Australia	158.4	158.7
United Kingdom	1,555.5	79.7
Total	4,548.6	14,397.5

## Dividends

The Board has resolved to recommend for Shareholders' approval at the 2017 AGM of the Company the payment of a final dividend of HK6 cents (2015: a final dividend of HK6 cents and a special dividend of HK\$2) per share for the year ended 31 December 2016 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 14 June 2017. The relevant dividend warrants are expected to be despatched on or before Wednesday, 21 June 2017.

Together with the interim dividend of HK5 cents per share already paid (2015: HK5 cents), the total dividend for the year will be HK11 cents (2015: HK\$2.11) per share.

## Business Review

### Property Investment and Development

The Group continues to focus on property development and property investment projects. It is the Group's approach to review and optimise the project portfolios from time to time. The Group's core projects located in Hong Kong, United Kingdom and Mainland China are listed below.

Following the disposal of certain properties projects as summarized in these results, the Group principally owns one property in Hong Kong (Crowne Plaza Hong Kong Causeway Bay), two properties in United Kingdom and four properties in Mainland China (three investment properties and one property held for sales).

### Hong Kong

The Group entered into an agreement in February 2016 to conditionally dispose of its entire interest in companies which beneficially owned the property of Dah Sing Financial Centre, for a consideration of approximately HK\$10,000.0 million, subject to adjustment. The disposal was completed in May 2016 and generated a net cash consideration (after repayment of bank loans) of approximately HK\$8,019.0 million.



Crowne Plaza Hong Kong Causeway Bay,  
Hong Kong



## Chairman's Statement

### United Kingdom

On 7 November 2016, the Group entered into a sale and purchase agreement in relation to acquire the entire issued units in a trust that owns the property known as 20 Moorgate, London, EC2R 6DA at a total consideration of approximately £154.0 million. The acquisition was funded by a £100 million five year term loan facility secured by a mortgage over the property and its existing cash resources. Completion of the acquisition took place on 7 November 2016.

The property is a seven-storey office with approximately 154,854 square feet (approximately 14,386.3 square metres) and is fully occupied mostly by the Prudential Regulatory Authority (a regulatory body of the Bank of England) until 30 June 2027. The property currently generates a net rental income of HK\$65.1 million per annum with the net yield of 4.4%.

A commercial property at Edinburgh, the United Kingdom which is fully let to a government body. Turnover generated from the property investment projects in the United Kingdom for the year ended 31 December 2016 was HK\$4.8 million (2015: nil).



20 Moorgate, London, EC2R 6DA, England



Plaza Central, Chengdu

### Mainland China

#### Chengdu, Sichuan Province

During the year under review, the occupancy rate for the two 30-storey office towers of Plaza Central remained at a high level and its retail podium with a gross floor area of about 29,000 square metres is fully let principally to Chengdu New World Department Store on a long-term lease. As at 31 December 2016, the aggregate occupancy rate for the two office towers and the retail podium was approximately 79% (31 December 2015: 84%). Leasing activities for the remaining areas of Plaza Central continue.

The shopping arcade of New Century Plaza with a gross floor area of about 16,300 square metres is fully let to a hotel on a long-term lease.

## Chairman's Statement

On 22 August 2016, the Group entered into a sale and purchase agreement in relation to the disposal of Chengdu Nova City Project for a consideration of HK\$890.0 million in cash, of which HK\$445 million has been received to date with the balance due in August 2017. Completion of the disposal took place on 29 August 2016.

### *Kaifeng, Henan Province*

On 19 April 2016, the Group entered into a sale and purchase agreement in relation to the disposal of Kaifeng Nova City Project for a consideration of HK\$900.0 million in cash. Completion of the disposal took place on 26 April 2016.

### *Guangzhou, Guangdong Province*

As at 31 December 2016, the occupancy rate of the 14-storey office tower of Westmin Plaza Phase II of about 16,100 square metres was 95% with more than one-third of the total office space being leased to AIA (31 December 2015: 100%). Leasing activities for the 3-storey shopping arcade of Westmin Plaza Phase II with a total gross floor area of about 26,400 square metres are in progress.

### *Huangshan, Anhui Province*

On 3 August 2016, the Group entered into a sale and purchase agreement with an independent third party to sell the entire interest in companies which beneficially own the properties under development in Huangshan City, Anhui Province, the PRC for a consideration of HK\$2.0 million. The disposal was completed on the same date.



Westmin Plaza, Guangzhou



Lizard Island Resort, Queensland

### **Australia**

Turnover generated from the property investment projects in Australia for the year ended 31 December 2016 was HK\$15.7 million (2015: HK\$15.2 million).

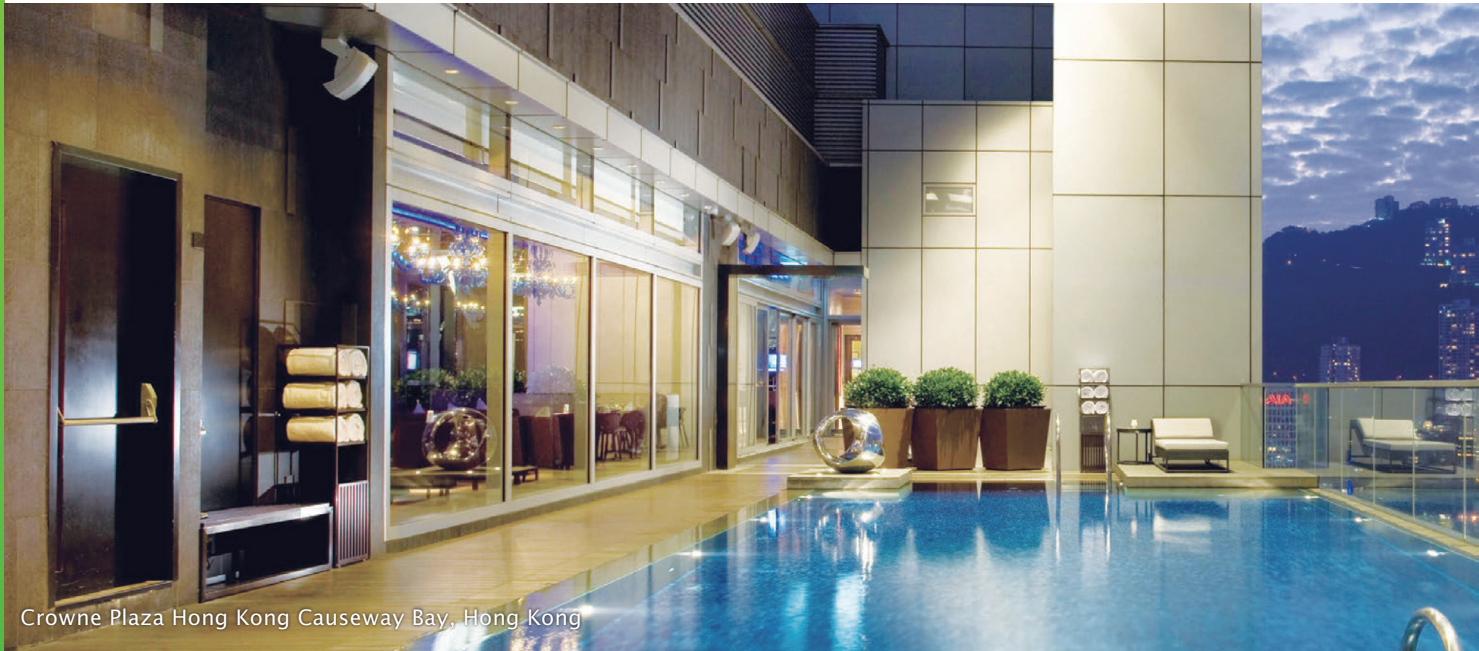
### **Hotel Operation**

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is managed by the InterContinental Hotels Group. The Group's hotel property is stated at cost less accumulated depreciation charges at carrying

value of HK\$646.2 million, whereas their fair values as at 31 December 2016 based on an independent professional market valuation carried out by CBRE Limited is HK\$3,500.0 million. Its performance steadied compared to 2015, which was a result in line with the weakening hotel business market. The hotel will strive to gain further market share and look for cost saving measures in the challenging market conditions.



## Chairman's Statement



Crowne Plaza Hong Kong Causeway Bay, Hong Kong

## Financial Resources and Liquidity

### Working Capital and Loan Facilities

As at 31 December 2016, the Group's total bank deposits, bank balances and cash was HK\$10,537.8 million (2015: HK\$3,928.6 million) and unutilised facilities were HK\$687.4 million (2015: HK\$500.2 million).

During the year, the Group has acquired certain unlisted and listed debt securities with carrying amount of approximately HK\$496.7 million and HK\$882.1 million respectively as at 31 December 2016. Further details are set out in the note 26 to the audited financial statements. We expect such investment will continue to provide stable return to the Group in next year.

As at 31 December 2016, after netting off bank borrowings of HK\$4,290.7 million, the Group had a net cash position of HK\$6,247.1 million, compared to a net debt position of HK\$561.5 million with gearing ratio of 3.9% as at 31 December 2015.

As at 31 December 2016, maturity of the Group's outstanding borrowings was as follows:

	31 December 2016 HK\$' million	31 December 2015 HK\$' million
Due		
Within 1 year	2,189.6	1,539.2
1-2 years	99.5	164.1
3-5 years	1,965.5	1,869.4
Over 5 years	53.8	939.5
	4,308.4	4,512.2
Less: Front-end fee	(17.7)	(22.1)
	4,290.7	4,490.1



## Chairman's Statement

Subsequent to the end of the reporting period, the Group has issued guaranteed notes with a principal amount of US\$200,000,000, due on 19 January 2020 (the "Notes"). At maturity, the Notes are payable at their principal amount.

The Notes will bear interest from, and including 19 January 2017 at the rate of 4.50% per annum, until 19 January 2020, payable semi-annually in arrear on 19 January and 19 July in each year.

### Pledge of Assets

For the Company's subsidiaries operating in Hong Kong and Mainland China, the total bank loans drawn as at 31 December 2016 amounted to HK\$3,223.5 million (2015: HK\$4,416.4 million) which comprised of secured bank loans of HK\$2,423.5 million (2015: HK\$4,013.4 million) and unsecured bank loans of HK\$800.0 million (2015: HK\$403.0 million). The secured bank loans were secured by properties valued at HK\$1,998.7 million (2015: HK\$11,796.0 million), note receivables of HK\$54.3 million (2015: HK\$54.3 million) and listed debt securities of HK\$882.1 million and pledged cash of HK\$533.1 million.

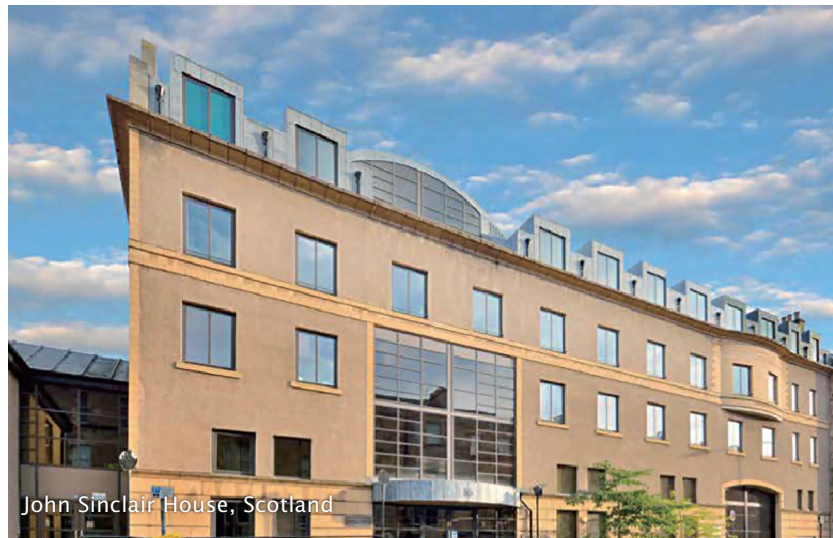
Subsidiaries of the Company operating in Australia and United Kingdom pledged its investment properties with an aggregate carrying value of HK\$1,713.9 million as at 31 December 2016 (2015: HK\$158.7 million) to secure bank loans of HK\$1,067.1 million (2015: HK\$73.7 million).

### Treasury Policies

The Group adheres to prudent treasury policies. As at 31 December 2016, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

### Staff and Emolument Policy

As at 31 December 2016, the Group had a total of 301 employees (2015: 459 employees) in Hong Kong and Mainland China. Employee costs, including the emoluments of the directors of the Group, amounted to HK\$175.1 million for the year ended 31 December 2016 (2015: HK\$267.0 million).



John Sinclair House, Scotland

The Group maintains a good working relationship with its employees and continues to recruit, retain and develop competent individuals committed for its long-term success and growth. Salary and benefits of employees are reviewed at least annually both in response to market conditions and trends, and in conjunction with individual appraisals based on qualifications, experience, skills, responsibilities, performance and development potentials. Discretionary bonuses are granted in line with the Group's financial results and employees' performance. Fringe benefits including medical insurance scheme, study and training allowances, examination leave and voluntary employer contributions to retirement schemes are offered to employees. In addition, to retain and motivate management staff and good performers, the Company has adopted an employee share option scheme and a share award scheme with options to subscribe for shares in the Company and awards of shares being granted by the Board to the Group's employees (including directors of the Company) on a discretionary basis. To further enhance employee relations and communications, recreational activities for general staff with senior management's participation are arranged.

## Chairman's Statement

### Outlook

The global economy and political environment continue to be clouded with uncertainties and rapid changes, as a result of the decision by Britain to leave the European Union (Brexit), the new president of the United States of America, the recovery pace of the Eurozone economies, the strengthening of US dollar and the upward pressure on US interest rates. It is widely expected that market volatility will increase over time. The Group are closely monitoring the evolving market developments and has equipped itself to face the various challenges ahead by adopting a prudent and effective policy in managing risks.

China was able to achieve 6.7% GDP growth rate in 2016 by implementing a proactive fiscal policy and prudent monetary policy, which was within the Central Government's targeted range. Moreover, "The Belt and Road initiative" has continued to promote development and business co-operation among the participating regions and nations, which should benefit Hong Kong and China.

The Hong Kong economy picked up slightly in the third quarter of 2016 with GDP up by 1.9% year-on-year, an improvement relative to the 1.7% year-on-year growth in the preceding quarter. As one of the international financial centers in the world, Hong Kong will inevitably be affected by global economic factors. The growth of the Hong Kong economy will be dominated by Mainland China's policy and performance and the pace of US interest rate hikes.



Crowne Plaza Hong Kong Causeway Bay,  
Hong Kong

## Chairman's Statement

Mainland China buyers were active in Hong Kong's property market in 2016 given ongoing depreciation of the renminbi and shrinking profits in the Mainland, and these buyers are expected to continue to invest in the local Hong Kong property market. We have noted signs of a pick-up in the primary sales market and a sustained increase in residential prices. We therefore expect a highly competitive land sales market in the near term will remain.

Amid an uncertain global economy and a strong Hong Kong dollar, the tourism in Hong Kong is expected to remain weak. The one-trip-per-week policy and the depreciation of the yuan will continue to affect the number of Mainland China visitors. With the challenging hotel business environment in Hong Kong, Crowne Plaza Hong Kong Causeway Bay was able to maintain the market share among the primary competitors. We will continue to strive for market share, improve hotel operation's efficiency and at the same time look for cost saving measures, so as to maintain the return of the operations.

The Group's office properties in Mainland China are facing a challenging environment arising from increasing supply and depreciation of Renminbi. Having said that, our office properties in Mainland China have been maintaining a relatively high occupancy rate and rent as compared with the market and provides stable cash flows to the Group. We will continue to build on the strong foundation of our leasing portfolio, execute an effective leasing strategy and add value on our properties through asset enhancement initiative.

As for the office market in the UK, despite global political events of the past year with more European elections to come, the attractiveness of properties in London with prime location still remains, given the depreciation of sterling, a low interest rate environment and stable income and cash flows generated from long leases with tenants.

The Group has significant funds for future investments after the disposal of Dah Sing Financial Centre and various Mainland China property development projects in prior year. The Group will remain sceptically proactive and continue to monitor the property markets of Hong Kong, Mainland China and overseas closely in order to identify potential acquisition targets at opportune times.

**Lu Wing Chi**

*Chairman and Managing Director*

Hong Kong, 27 March 2017

## Corporate Governance Report

The Company recognises the importance of good corporate governance to the Company's development and has devoted considerable efforts to identifying, formulating, establishing and enhancing corporate governance practices appropriate to the Company's needs. The Board, having regard to the size and nature of businesses of the Group, periodically reviews the Company's corporate governance practices to meet the rising expectations of Shareholders and comply with increasingly stringent regulatory requirements.

### Corporate Governance Practices

Throughout the year ended 31 December 2016, the Company has applied the principles and complied with all the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules except for the following deviations:

CG Code	Deviations and reasons
A.2.1	<p>The roles of the chairman and chief executive should be separate and should not be performed by the same individual.</p> <p>Mr. Lu Wing Chi, the Chairman who is holding the office of Managing Director, currently oversees the management and the Group's business. The Board considers that the present management structure has been effective in facilitating the operations and development of the Group for a considerably long period and has withstood the test of time and that no benefit will be derived from changing it. The current structure allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing environment while the market sentiment may vary quite significantly in different areas of the Asia Pacific region in which the Group operates. In addition, the Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises conscientious, experienced and high calibre individuals including three Independent Non-executive Directors.</p>
A.4.1	<p>Non-executive directors should be appointed for a specific term, subject to re-election.</p> <p>Each of the existing Non-executive Directors (including the INED) does not have a specific term of appointment but is subject to retirement by rotation and re-election at the AGMs pursuant to the Bye-laws of the Company. The Bye-laws require that every Director will retire from office no later than the third AGM after he was last elected or re-elected. Further, any person appointed by the Board to fill a casual vacancy or as an additional Director (including Non-executive Director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision and therefore does not intend to take any remedial steps in this regard.</p>

The Board will continuously review and recommend such proposals as appropriate in the circumstances of such deviations.



# Corporate Governance Report

## Board of Directors

### Composition

The Directors who served the Board during the year under review and up to the date of this report are named as follows:

### Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)

Mr. Lincoln Lu

Mr. Lambert Lu

Mr. Lu Wing Yuk, Andrew (*retired on 30 May 2016*)

### Non-executive Director

Mr. Lam Sing Tai

### Independent Non-executive Directors

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

Mr. Chung Pui Lam

An updated list of Directors and their respective roles and functions have been maintained on the websites of the Company and HKEX. Biographical particulars of the existing Directors are set out in the section headed "Directors' Biographical Information" on pages 8 to 11.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and has adopted a board diversity policy (the "Board Diversity Policy"). Board diversity will be considered by the Company from a number of aspects, including but not limited to cultural and educational background, experience, skills, knowledge, length of service, age and gender. The Company's business model and specific needs will also be taken into account in determining the optimum composition of the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and will from time to time review the Policy, as appropriate.

### Role and Function

The Company is governed by the Board and the Directors are accountable to the Shareholders for the activities and performance of the Group. To oversee the Group's business and development, the Board has reserved for its decision and consideration the following matters:

- (i) adoption and overall oversight of objectives and strategic plans;
- (ii) amendment to memorandum of association and bye-laws as well as alteration of share capital;
- (iii) approval of interim dividends and other distribution and recommendation of final dividends for Shareholders' approval;



## Corporate Governance Report

- (iv) establishment of Board committees and delegation of powers of the Board to the Board committees;
- (v) appointment, re-appointment, re-designation and removal of Board members;
- (vi) approval of significant accounting policies and practices;
- (vii) oversight of corporate governance, risk management and internal controls; and
- (viii) other significant matters.

Matters other than the above mentioned have been delegated by the Board to the management and the major ones are execution of the Board's decisions (including business strategies and initiatives it has adopted) and daily operations, preparation of annual and interim financial statements for the Board's approval before public reporting, implementation of adequate systems of internal control and risk management as well as compliance with relevant requirements, rules and regulations.

### Corporate Governance Function

The Board is also responsible for performing the corporate governance duties including:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2016, the Board reviewed the Company's corporate governance practices.

### Retirement and Re-election

Pursuant to the Company's Bye-laws and the CG Code, every Director shall retire from office no later than the third AGM after he was last elected or re-elected. Further, any Director appointed by the Board as an additional Board member or to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election.

For an INED who has served the Company for more than nine years, his further appointment will be subject to a separate resolution to be approved by the Shareholders. The papers to the Shareholders accompanying that resolution will include the reasons why the Board believes he is still independent and should be re-elected.

## Corporate Governance Report

### Meetings

The Board conducts meetings on a regular basis with at least 14 days' notice and on an ad hoc basis with reasonable notice that are required for significant and important issues. Before each Board and committee meetings, relevant agendas and documents with appropriate information are sent to Directors who are consulted for including matters in the agendas. The Board has four scheduled meetings a year to, amongst other matters, approve the final results and interim results respectively and consider financial and operating performances of the Company. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments.

During the year ended 31 December 2016, the Board held four meetings and the attendance record of each Director is set out in the following table:

Directors	Attendance/Number of Board meetings held in 2016
<i>Executive Directors</i>	
Mr. Lu Wing Chi ( <i>Chairman and Managing Director</i> )	4/4
Mr. Lincoln Lu	4/4
Mr. Lambert Lu	4/4
Mr. Lu Wing Yuk, Andrew ( <i>retired on 30 May 2016</i> )	1/1
<i>Non-executive Director</i>	
Mr. Lam Sing Tai	4/4
<i>INED</i>	
Mr. Walujo Santoso, Wally	4/4
Mr. Leung Hok Lim	4/4
Mr. Chung Pui Lam	4/4

### Relationship

Of the Directors, Mr. Lu Wing Chi is the father of Messrs. Lincoln Lu and Lambert Lu and a cousin of Mr. Lu Wing Yuk, Andrew who is an uncle of Messrs. Lincoln Lu and Lambert Lu. Other than these, there is no financial, business, family and other material relationship among other members of the Board.

Notwithstanding the above relationships, there has been an effective and balanced board collectively responsible for the Company's activities and affairs. Throughout the year ended 31 December 2016, almost half of the Board members were Executive Directors and more than half were Non-executive Directors (including INED) whose views carry significant weight in the Board's decisions. The Board members have been free to discuss issues properly put to the Board meetings and express their views and concerns. No individual or small group can dominate the Board's decision-making process.

## Corporate Governance Report

### Training and Insurance for Directors

Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group. The Company also encourages its Directors to enroll in relevant professional development courses to continually update and further improve their relevant knowledge and skills. An in-house training session conducted by solicitors' firm was organised by the Company for the year 2016 as part of the continuous professional development for its Directors to update them on the latest developments regarding the Listing Rules and applicable regulatory requirements in discharging their duties.

During the year ended 31 December 2016, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

A summary of training participated by the Directors during the year ended 31 December 2016 is as follows:

Directors	Attend seminars and/or reading materials in relation to updates on laws, rules and regulations	Reading regulatory updates and information relevant to the Group or its business
<i>Executive Directors</i>		
Mr. Lu Wing Chi ( <i>Chairman and Managing Director</i> )	✓	✓
Mr. Lincoln Lu	✓	✓
Mr. Lambert Lu	✓	✓
Mr. Lu Wing Yuk, Andrew ( <i>retired on 30 May 2016</i> )	—	—
<i>Non-executive Director</i>		
Mr. Lam Sing Tai	✓	✓
<i>INED</i>		
Mr. Walujo Santoso, Wally	✓	✓
Mr. Leung Hok Lim	✓	✓
Mr. Chung Pui Lam	✓	✓

The Company has also arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

### Non-executive Directors

The Non-executive Directors (including INED) serve the relevant function of bringing independent judgement and valuable guidance and advice on the development, performance and risk management of the Group.

## Corporate Governance Report

### Independent Non-executive Directors

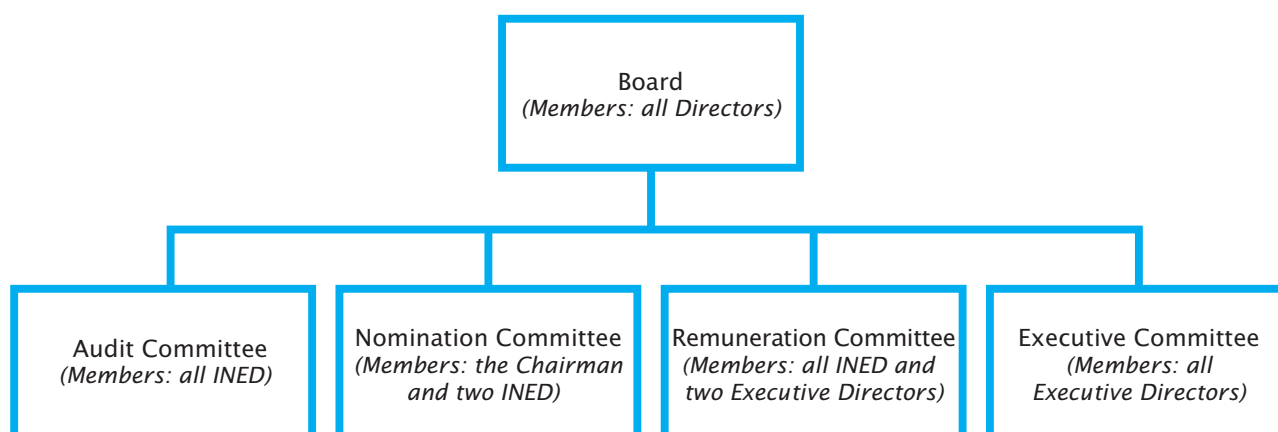
Currently, the Board consists of a total of seven Directors, comprising three Executive Directors, one Non-executive Director and three INED. More than one-third of the Board are INED of which at least an INED possessing appropriate professional qualifications or accounting or related financial management expertise.

The three INED come from diverse business and professional backgrounds in the fields of international trading, accounting and laws, rendering valuable expertise and experience to promote the best interests of the Company and its Shareholders as a whole and ensuring that issues are considered in an independent and a more objective manner. All of them serve on the Audit and Remuneration Committees and two of them serve on the Nomination Committee.

The Company has received from each of the INED an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INED are independent since their appointment.

### Delegation — Board Committees

The Board has properly delegated its powers and established several Board committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Executive Committee, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Company's affairs and assist in the execution of the Board's responsibilities.



## Corporate Governance Report

### Audit Committee

#### Composition

The Audit Committee was established in 1999. Its terms of reference can be found in the websites of the Company and HKEX. The Audit Committee currently comprises of three members and all of them are INED. The attendance record of the committee members at the meetings held during the year ended 31 December 2016 is set out in the following table:

Directors	Attendance/Number of Audit Committee meetings held in 2016
<i>INED</i>	
Mr. Leung Hok Lim ( <i>chairman</i> )	2/2
Mr. Walujo Santoso, Wally	2/2
Mr. Chung Pui Lam	2/2

#### Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting, the effectiveness of the audit process in accordance with applicable standards, the effectiveness and adequacy of the Group's risk management and internal control systems as well as to maintain an appropriate relationship with the independent external auditor of the Company.

During the year ended 31 December 2016, the Audit Committee met twice with the representatives of the management and the independent auditor of the Company to discuss the auditing and financial reporting matters. During the meetings, the Audit Committee in particular reviewed and discussed about:

- (i) the accounting principles and policies adopted by the Group;
- (ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 December 2015;
- (iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 June 2016;
- (iv) any significant findings by the independent auditor during the financial audit and other audit issues;
- (v) the letters of management representations issued to the independent auditor in connection with the audit or review of the Group's relevant financial statements; and
- (vi) the risk management and internal control systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

It also recommended to the Board for the re-appointment of the independent auditor and reviewed the relevant audit fees. In March 2017, the Audit Committee reviewed with representatives of the management and the independent auditor of the Company the audited consolidated financial statements of the Company for the year ended 31 December 2016 and was of the opinion that such financial statements had been prepared in compliance with applicable financial reporting standards and requirements and adequate disclosure had been made.



## Corporate Governance Report

### Nomination Committee

#### Composition

The Nomination Committee was established in 2012. Its terms of reference can be found in the websites of the Company and HKEX. The Nomination Committee currently comprises of three members including the Chairman and two INED. The attendance record of the committee members at the meeting held during the year ended 31 December 2016 is set out in the following table:

Directors	Attendance/Number of Nomination Committee meeting held in 2016
<i>Executive Director</i>	
Mr. Lu Wing Chi ( <i>chairman</i> )	1/1
<i>INED</i>	
Mr. Walujo Santoso, Wally	1/1
Mr. Leung Hok Lim	1/1

#### Role and Function

The principal role of the Nomination Committee includes, inter alia, reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company and assess the independence of INED taking into account the independence requirements set out in Rule 3.13 of the Listing Rules.

The Nomination Committee held one meeting in the financial year under review and a meeting in March 2017 to review the structure, size, composition of the Board and the Board Diversity Policy, assess the independence of INED and make recommendations in relation to the re-appointment of retiring Directors at AGM.

### Remuneration Committee

#### Composition

The Remuneration Committee was established in 2005. Its terms of reference can be found in the websites of the Company and HKEX. The Remuneration Committee currently comprises of five members including the Chairman, one Executive Director and three INED. The attendance record of the committee members at the meetings held during the year ended 31 December 2016 is set out in the following table:

## Corporate Governance Report

Directors	Attendance/Number of Remuneration Committee meeting held in 2016
<i>INED</i>	
Mr. Chung Pui Lam ( <i>chairman</i> )	1/1
Mr. Walujo Santoso, Wally	1/1
Mr. Leung Hok Lim	1/1
<i>Executive Directors</i>	
Mr. Lu Wing Chi	1/1
Mr. Lambert Lu	1/1

### Role and Function

The Remuneration Committee is responsible for, amongst other matters, establishing a formal and transparent procedure for developing remuneration policies and overseeing the remuneration packages for the Executive Directors and Non-executive Directors and ensuring that no Director will be involved in deciding his own remuneration. The Remuneration Committee has adopted the operation model where it determines the remuneration packages of individual Executive Directors and makes recommendations to the Board on the remuneration packages of individual Non-executive Directors.

In determining the Directors' emoluments, the Remuneration Committee takes into consideration factors such as the qualifications, experience, time commitment, responsibilities, performance, contribution and remuneration of the Directors for previous years, the Company's profitability, emoluments paid by comparable companies and employment conditions elsewhere in the Group.

At the AGM held in 2005, the Shareholders passed an ordinary resolution to authorise the Directors to fix the Directors' fees for an aggregate amount not exceeding HK\$1.0 million per annum. During the year, the Remuneration Committee met once for the purposes of determining matters relating to the remuneration packages and emoluments of Executive Directors as well as making recommendation to the Board on the remuneration packages and emoluments of Non-executive Directors.

In March 2017, the Remuneration Committee held a meeting to review, determine or make recommendation to the Board on the bonus of the Directors for the year ended 31 December 2016 as well as their Director's fees and salary increment for the current year.

Details of the Directors' remuneration for the year ended 31 December 2016 is set out in note 15 to the consolidated financial statements.

### Executive Committee

#### Composition

The Executive Committee was set up in 1990 and is currently comprised of the Chairman and all other Executive Directors, namely:

Mr. Lu Wing Chi (*Chairman and Managing Director*)  
 Mr. Lincoln Lu  
 Mr. Lambert Lu

Mr. Lu Wing Yuk, Andrew retired as Executive Director upon the conclusion of 2016 AGM held on 30 May 2016.

## Corporate Governance Report

### Role and Function

The Executive Committee is primarily responsible for supervising and undertaking the day-to-day operations of the Group. It exercises leadership and develops and keeps under review business development initiatives of the Group and monitors their implementation. The Executive Committee meets as and when necessary.

### Securities Transactions by Directors and Employees

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

In response to the specific enquiry made on them by the Company, all the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 December 2016.

Directors' interests in shares and underlying shares in the Company are contained in the section headed "Directors' Report" on pages 40 and 41, and pages 45 and 46.

The Company has also adopted a code with no less exacting terms than the Model Code for the directors and employees of the Group (other than the Directors) (the "Relevant Employees") to regulate their dealings in the listed shares of the Company and AGP (a subsidiary of the Company listed in London), as the Relevant Employees are likely to be in possession of inside information in relation to such shares because of their office or employment.

### Directors' Responsibility for Preparing Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group which give a true and fair view of the state of the Group's affairs and of its results. Their responsibilities have also been stated in the section headed "Independent Auditor's Report" on pages 54 and 55. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance department of the Company, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

In addition, the Directors ensure timely publication of the financial statements of the Group.

### Independent Auditor's Reporting Responsibility

The statement of Deloitte, Certified Public Accountants, the independent auditor of the Company, about their reporting responsibility on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 55 and 56. Representatives of Deloitte also attend the AGMs to answer questions which the Shareholders may have.

## Corporate Governance Report

### Independent Auditor's Remuneration

At the AGM held on 30 May 2016, Deloitte were re-appointed by the Shareholders as independent auditor of the Company at a fee to be agreed by the Board. The total fees paid/payable to Deloitte and its affiliated firms in respect of the audit and non-audit services provided during the year ended 31 December 2016 is set out as follows:

	HK\$'000
Audit services	3,772
Non-audit services (reviewing and other reporting services)	1,300
<b>Total</b>	<b>5,072</b>

In addition, fees for the audit of the financial statements of certain members of the Group for the year under review conducted by other auditors amounted to about HK\$159,000.

### Going Concern

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

### Risk Management and Internal Control

The Board has overall responsibility for maintaining and ensuring effective implementation of the risk management and internal control systems of the Group and review their effectiveness to safeguard the Shareholders' interest and the Company's assets.

The Group has implemented an effective internal control system which includes a defined management structure with clear lines of responsibility and limits of authority, proper procedures for income and expenditure, monthly review by the Executive Directors of operational and financial reports provided by the management, regular business meetings between the Executive Directors and the core management team and periodic review of the Group's financial results by the Board.

The Board, through the Audit Committee, continue to review the effectiveness and adequacy of the Group's system of internal control which includes financial, operational and compliance mechanisms and risk management functions in order to identify, evaluate and manage risks and take appropriate measures to avoid or mitigate those risks that could adversely impact the Group's business activities. The review also includes the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The review process consists of, amongst other matters, assessment and implementation of material control issues identified by an independent external auditor during statutory audit.

## Corporate Governance Report

The Company has engaged an independent internal audit consultant (the “Independent Internal Audit Consultant”) to assist the management to carry out an entity-level risk assessment which includes identification, evaluation and prioritization of risk factors that the Company is facing. During the year 2016, the Independent Internal Audit Consultant completed the risk assessment and has submitted the assessment results (including an annual internal audit plan) to the management of the Company for review and reported to the Audit Committee for approval. The Board considered that the risk management and internal control system was adequate and effective.

### Internal Audit

The Independent Internal Audit Consultant, who provides risk assessment services to the Company, has also performed the internal audit reviews for the Group. The Independent Internal Audit Consultant has recommended an internal audit plan to the management of the Company and the Board, and assisted the Company to review the internal control system on certain selected processes for the financial year of 2016. The management of the Company agreed on the findings and adopted the recommendations accordingly.

### Communication with Shareholders

The Board has adopted shareholders’ communication policy with the objective of ensuring that its communications with the Shareholders are timely, transparent, accurate and open. Information of the Company is disseminated to the Shareholders through a number of channels as follows:

- (i) corporate communication such as annual reports, interim reports and circulars are issued in printed form and are available on the websites of the Company and HKEX;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Company and HKEX;
- (iii) corporate information is made available on the Company’s website;
- (iv) AGMs and SGMs provide a forum for Shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Company’s Hong Kong branch share registrar serves the Shareholders in respect of share registration and related matters.

Separate resolutions are proposed at general meetings on each substantial issue including the election of individual Directors.

During the year ended 31 December 2016, a SGM and an AGM were held on 29 April 2016 and 30 May 2016 respectively. All resolutions relating to ordinary businesses and special businesses proposed at the SGM and AGM were duly passed.



## Corporate Governance Report

The attendance records of the Board members at the SGM and AGM are set out in the following table:

Directors	Attendance at the SGM	Attendance at the AGM
<i>Executive Directors</i>		
Mr. Lu Wing Chi ( <i>Chairman and Managing Director</i> )	✓	✓
Mr. Lincoln Lu	✓	✓
Mr. Lambert Lu	✓	✓
Mr. Lu Wing Yuk, Andrew ( <i>retired on 30 May 2016</i> )	✓	✓
<i>Non-executive Director</i>		
Mr. Lam Sing Tai	✓	✓
<i>INED</i>		
Mr. Walujo Santoso, Wally	✓	✓
Mr. Leung Hok Lim	✓	✓
Mr. Chung Pui Lam	✓	✓

## Constitutional Documents

The constitutional documents of the Company can be found on the websites of the Company and HKEX and there is no change in the constitutional documents during the year ended 31 December 2016.

## Shareholders' Rights

### Convening Special General Meeting

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a SGM. The purposes of the meeting must be stated in the related requisition and deposited at the Company's registered office and principal place of business in Hong Kong. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene a SGM, the Shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

### Putting forward proposals at general meetings

Shareholders holding not less than one-twentieth of the total voting rights of those Shareholders having the right to vote at a general meeting or not less than one hundred Shareholders can submit a written request to move a resolution at a general meeting. The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution and deposited at the Company's registered office and principal place of business in Hong Kong not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the Shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

## Corporate Governance Report

### Investor Relations

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone at (852) 2828 6363 during normal business hours, by fax at (852) 2598 6861, by e-mail at [info@seagroup.com.hk](mailto:info@seagroup.com.hk) or by post at 26/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

### Looking Forward

The above corporate governance practices will be monitored, reviewed, amended and revoked from time to time as considered necessary by the Board. The Company will take appropriate actions to ensure compliance with the required practices and standards including the code provisions and if reasonably practicable, the recommended best practices of the CG Code at all times.

## Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

### Principal Activities

During the year, the Company acted as an investment holding company and the activities of its principal subsidiaries were investment holding, hotel operation, property and asset management as well as property investment and development in Hong Kong, Mainland China, Australia and the United Kingdom.

Other particulars of the principal subsidiaries of the Company as at 31 December 2016 are set out in note 47 to the consolidated financial statements.

### Business Review and Performance

A review of the business of the Group during the year ended 31 December 2016 and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 12 to 19 of this Annual Report.

Description of the financial risk management objectives and policies of the Group can be found in note 36 to the consolidated financial statements.

An analysis of the Group's performance during the year ended 31 December 2016 using financial key performance indicators is provided in the Chairman's Statement on pages 12 to 19 and the Financial Highlights on pages 2 and 3 of this Annual Report.

### Environmental Protection

The Group recognises its responsibility to protect the environment from its business operations. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities and strives to minimise these impacts.

Energy saving measures have been implemented in order to reduce power and water consumption of the Group's offices by using energy-saving lights, switching off some passenger lifts and lights at public areas after office hours, installing automatic low flow water faucet for wash basin. Duplex printing and copying are encouraged to reduce paper consumption and to achieve cost saving.

In Crowne Plaza Hong Kong Causeway Bay, adoption of LED lighting is being rolled out in the hotel to save power consumption. Other green measures include switching off 50% guest floor corridor lights from midnight to 7:00 in the morning and recycling of papers and card boards. All equipment are serviced and maintained for maximum efficiency and major equipment are subject to seasonal adjustments for the purpose of reducing electricity consumption.

The Group has also actively promoted material-saving and implemented policies to reduce waste generated from business activities. Its financial reports have been printed on Forest Stewardship Council-certified (FSC) papers since 2015 to reduce impact on the environment. The recycling of materials in our operations, including papers, plastic bottles, stationery and office equipment, are highly encouraged.

## Directors' Report

### Compliance with Laws and Regulations

The Group complies with applicable rules and regulations promulgated by Lands Department, Buildings Department and the Planning Department governing property development and property investment in Hong Kong and holds relevant required licences for provision of services.

With respect to the property projects in the Mainland China, the Group also complies with applicable rules and regulations enacted by the Land Bureau, Planning Bureau and Construction Bureau and holds relevant required licences for developing these projects.

The Group establishes and protects its intellectual property rights and has registered its domain name. Various trademarks have been applied for or registered in various classes in Hong Kong, the PRC and other relevant jurisdictions. The Group takes all appropriate actions to enforce its intellectual property rights.

It is the policy of the Group to strictly prohibit bribery and corrupt practices to ensure the conduct of the Group companies and employees are in compliance with rules and regulations. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

### Workplace Quality

The Group believes that a motivated and balanced workforce is crucial for building a substantial business model and delivering long-term returns.

The Group has employee handbook clearly setting out company policies and procedures, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace. Recreational activities were organised for employees, such as outings, to enrich their work lives. Also, festival luncheons are organised by the Company as to provide more opportunities for interaction between the Company's management and staff in order to create a harmony and communicative working environment. The Group encourages staff of all level to serve the community and care for those in need. We have participated in the "Dress Casual Day", which was the annual charity event organised by the Community Chest.

The Group believes that people are the valuable assets of an enterprise and commits to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. As at 31 December 2016, approximately 50% of the staff have been working for the Group for five years or more. Service awards are presented at the Group's annual dinner as tribute to staff who have contributed for 5, 10 and 15 years.

The Group provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as opportunities for career advancement based on employees' merits and performance. It is the policy of the Group to encourage employees to attend appropriate courses to keep them abreast of the latest developments in the market and industry. They are encouraged to enrol in external job-related seminars and training programmes to improve their knowledge and maximise their potentials.

## Directors' Report

### Segmental Analysis of Operations

An analysis of the Group's performance for the year by reportable segments is set out in note 6 to the consolidated financial statements.

### Results

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 57 and 58 respectively.

The state of affairs of the Group as at 31 December 2016 is set out in the consolidated statement of financial position on pages 59 and 60.

### Dividends

An interim dividend of HK5 cents (2015: HK5 cents) per share amounting to HK\$33.9 million (2015: HK\$34.2 million) was paid to the Shareholders during the year. The Board has resolved to recommend for Shareholders' approval at the forthcoming 2017 AGM the payment of a final dividend of HK6 cents (2015: HK6 cents) per share for the year under review, amounting to HK\$40.7 million (2015: HK\$40.7 million) to the Shareholders whose names appear on the register of members at the close of business on Wednesday, 14 June 2017. The relevant dividend warrants are expected to be despatched on or before Wednesday, 21 June 2017.

### Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements. Certain shares were issued on exercise of share options granted during the year.

### Reserves

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 61. The Company's reserves available for distribution to the Shareholders as at 31 December 2016 were as follows:

	2016 HK\$'000	2015 HK\$'000
Contributed surplus	190,081	190,081
Retained profits	5,085,811	1,009,262
	<b>5,275,892</b>	<b>1,199,343</b>

Under the Companies Act 1981 of Bermuda (as amended), the amount of the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if after the payment:



## Directors' Report

- (i) it is or would be unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than its liabilities.

### Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

### Investment Properties

All the investment properties of the Group were revalued at 31 December 2016. The net decrease in fair value of investment properties amounting to HK\$104.6 million (2015: net increase HK\$953.1 million) has been debited directly to the consolidated statement of profit or loss.

Details of the movements during the year in the investment properties of the Group are set out in note 19 to the consolidated financial statements.

### Property, Plant and Equipment

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 20 to the consolidated financial statements.

### Properties

Details of the properties of the Group held for investment and sale purposes at 31 December 2016 are set out in the section headed "Property Portfolio" on pages 4 and 5.

### Permitted Indemnity Provision

Pursuant to the Company's Bye-law 148, every Director for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, liabilities, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own wilful neglect or default respectively. During the year under review, the Company has arranged directors' and officers' liability insurance for the Directors.

## Directors' Report

### Directors

The Directors who served during the year and up to the date of this annual report were:

#### Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)  
 Mr. Lincoln Lu  
 Mr. Lambert Lu  
 Mr. Lu Wing Yuk, Andrew (*retired on 30 May 2016*)

#### Non-executive Director

Mr. Lam Sing Tai

#### Independent Non-executive Directors

Mr. Walujo Santoso, Wally  
 Mr. Leung Hok Lim  
 Mr. Chung Pui Lam

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws and in compliance with code provision A.4.2 of the CG Code set out in Appendix 14 to the Listing Rules, Messrs. Lincoln Lu, Lam Sing Tai and Leung Hok Lim will retire as Directors by rotation and, being eligible, offer themselves for re-election at the 2017 AGM.

All other Directors shall continue in office.

### Directors' Biographical Particulars

Biographical particulars of the present Directors are set out on pages 8 to 11 of this annual report.

Further particulars of the Directors to be re-elected at the 2017 AGM are set out in the circular to the Shareholders sent together with this annual report.

### Update of Directors' Information

Save as disclosed below, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Leung Hok Lim, INED, has resigned as director of Beijing-Hong Kong Exchange of Personnel Centre Limited with effect from 24 January 2017.
- The basic salary of Messrs. Lincoln Lu and Lambert Lu, both Executive Directors, was adjusted upward by 25% with effect from 1 January 2017.

### Directors' Service Contracts

None of the Directors proposed for re-election at the 2017 AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

## Directors' Report

Particulars of the emoluments of Directors on a named basis for the year are set out in note 15 to the consolidated financial statements.

### Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Arrangements for Directors to Acquire Shares and Debentures

Other than the share options as described in details in the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Directors' Interests in Competing Businesses

Pursuant to Rule 8.10 of the Listing Rules, the following Directors and their associates (as defined in the Listing Rules) are considered by the Company to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where such Directors have been appointed to represent the interests of the Company and/or other members of the Group:

- (i) Mr. Lu Wing Chi, Chairman and Managing Director, has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.
- (ii) Messrs. Lincoln Lu and Lambert Lu, both Executive Directors, are the sons of Mr. Lu Wing Chi. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in the competing businesses in which Mr. Lu Wing Chi is deemed interested. Messrs. Lincoln Lu and Lambert Lu also have shareholdings (for themselves and on behalf of their associates) and hold directorships in certain private companies controlled by, or owned in conjunction with, their close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

However, the Board presently comprises seven members including one Non-executive Director and three INED whose views carry significant weight in the Board's decisions. Fundamentally, it is independent of the above individuals and the respective boards of directors of the above companies in which the relevant directors have personal interests. Further, all the Directors are fully aware of, and have been discharging, their fiduciary duty to the Company and have acted and will continue to act in the best interest of the Company and the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the said competing businesses.

## Directors' Report

### Management Contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its holding companies or subsidiaries were entered into with third parties or subsisted during the year.

### Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2016, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### 1. Long positions in shares of the Company

Name of Directors	Number of ordinary shares held			Number of underlying shares held under equity derivatives		Approximate % of interest in the issued share capital
	Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporations)	Family interests (interests of spouse)	Personal interests (held as beneficial owner)	Total interests	
Lu Wing Chi	10,877,285	447,617,089 <sup>(i)</sup>	—	2,230,000	460,724,374	68.10
Lincoln Lu	18,480,002	—	—	—	18,480,002	2.73
Lambert Lu	17,658,002	—	—	—	17,658,002	2.61
Lam Sing Tai	3,221,739	—	5,739	—	3,227,478	0.48
Walujo Santoso, Wally	1,200,000	—	—	—	1,200,000	0.18
Leung Hok Lim	1,856,928	—	—	—	1,856,928	0.27
Chung Pui Lam	434,928	—	—	222,000	656,928	0.10

Notes:

- (i) Among these shares, 4,130,800 shares were held by NYH and 443,486,289 shares were held by NLI. NLI is 63.58% owned by JCS and 30% owned by Mr. Lu Wing Chi. NYH is 100% owned by Mr. Lu Wing Chi. By virtue of Mr. Lu Wing Chi's interest in JCS (as disclosed in the section of "Long positions in shares of associated corporations" below) and NYH, he is deemed to be interested in these shares.

## Directors' Report

- (ii) The interests in underlying shares held under equity derivatives represented interests in share options granted to the Directors under the 2005 Share Option Scheme, particulars of which are contained under the section of "Share Option Schemes" below.
- (iii) The total number of issued shares of the Company as at 31 December 2016 was 676,564,726 shares.

### 2. Long positions in shares of associated corporations

Name of associated corporations	Name of Directors	Number of ordinary shares held		Total interests	Approximate % of interest in the issued share capital
		Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporations)		
JCS	Lu Wing Chi	22,540	—	22,540	49.00
	Lincoln Lu	11,730	—	11,730	25.50
	Lambert Lu	11,730	—	11,730	25.50
NLI	Lu Wing Chi	46,938	99,480 <sup>(Note)</sup>	146,418	93.58
	Lincoln Lu	5,021	—	5,021	3.21
	Lambert Lu	5,021	—	5,021	3.21

Note:

These shares are beneficially held by JCS and by virtue of Mr. Lu Wing Chi's interests in JCS (as disclosed above), he is deemed to be interested in these shares.

Saved as disclosed herein, as at 31 December 2016, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



## Directors' Report

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2016, so far as is known to the Directors, the following substantial Shareholders and other persons (other than Directors) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

#### Long positions in shares of the Company

Name of Shareholders	Number of ordinary shares		Total interests	Approximate % of interest in the issued share capital
	Held as beneficial owner	Held by controlled corporations		
JCS	—	443,486,289 <sup>(i)</sup>	443,486,289	65.55
NLI	443,486,289	—	443,486,289	65.55

Notes:

- (i) JCS holds about 63.58% of the issued shares in NLI. The above 443,486,289 shares held by NLI are also deemed to be JCS's interest and such shares are, therefore, duplicated between these two shareholders for the purpose of the SFO.
- (ii) Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu, all being Directors, are also directors of JCS and NLI.

Saved as disclosed herein, as at 31 December 2016, none of the substantial Shareholders and other persons (other than Directors) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### Share Option Schemes

#### The Company

The 2005 Share Option Scheme expired on 24 August 2015. Upon expiry of the 2005 Share Option Scheme, no further options should be granted thereunder but the options granted and yet to be exercised under the 2005 Share Option Scheme shall remain in force and effect.

The Company adopted the 2015 Share Option Scheme on 29 May 2015. A summary of the principal terms of the 2015 Share Option Scheme is set out below:

1. Purpose: To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the 2015 Share Option Scheme).

## Directors' Report

2. Participants:
- Eligible participants include any (i) director or employee of the Company or any of its affiliate; (ii) representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by the Company or any of its affiliate; (iii) customer, promoter, business ally or joint-venture partner of the Company or any of its affiliate; or (iv) trustee of any trust established for the benefit of employees of the Company or any of its affiliate.
3. Total number of shares available for issue under the 2015 Share Option Scheme and percentage of the issued share capital that it represents as at the date of this annual report:
- The maximum number of shares which could be issued upon exercise of all options granted or to be granted under the 2015 Share Option Scheme was 69,186,772 shares (the "Scheme Mandate Limit"), representing approximately 10% of the shares of the Company in issue as at 29 May 2015, the date on which an ordinary resolution was passed by the shareholders of the Company to approve the 2015 Share Option Scheme.
- As at 27 March 2017, a total of 54,211,772 shares (excluding the underlying shares comprised in share options that have been granted but not yet lapsed, cancelled or exercised) were available for issue under the 2015 Share Option Scheme, which represented approximately 7.99% of the issued share capital of the Company on that date.
4. Maximum entitlement of each participant:
- Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company then in issue.
- In addition, for any grant of share options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates would result in the shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period exceed 0.1% of the shares of the Company then in issue and with an aggregate value in excess of HK\$5 million, then the proposed grant is also subject to the approval of shareholders of the Company in general meeting.

## Directors' Report

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|----|---|--|
| 5. | Period within which the shares must be taken up under an option:                              | The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.   |
| 6. | Minimum period for which an option must be held before it can vest:                           | As determined by the Board.  |
| 7. | Amount payable on acceptance of an option and the period within which payments shall be made: | HK\$10 is payable to the Company upon acceptance of the option which must be taken up within 28 days from the date of offer.   |
| 8. | Basis of determining the exercise price:  | The exercise price is determined by the Board which must be at least the highest of (i) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company. |
| 9. | Remaining life of the 2015 Share Option Scheme:   | Valid and effective for a term of ten years from the date of adoption until 28 May 2025.   |

## Directors' Report

The following table shows the movements in share options under the 2005 Share Option Scheme during the year ended 31 December 2016 and the options outstanding at the beginning and end of the year:

Name	Date of grant	Exercise price per share (HK\$)	Exercise period	Number of underlying shares comprised in share options			
				As at 01.01.2016	Transferred to/from other category during the year	Exercised during the year	As at 31.12.2016
<b>Directors</b>							
Lu Wing Chi	12.07.2012	3.454	01.07.2014 to 30.06.2016	2,230,000	—	(2,230,000)	—
	12.07.2012	3.454	01.07.2015 to 30.06.2017	2,230,000	—	—	2,230,000
Lu Wing Yuk, Andrew (retired on 30 May 2016)	12.07.2012	3.454	01.07.2014 to 30.06.2016	446,000	(446,000) <sup>(iii)</sup>	—	—
	12.07.2012	3.454	01.07.2015 to 30.06.2017	446,000	(446,000) <sup>(iii)</sup>	—	—
Walujo Santoso, Wally	12.07.2012	3.454	01.07.2014 to 30.06.2016	222,000	—	(222,000) <sup>(i)</sup>	—
	12.07.2012	3.454	01.07.2015 to 30.06.2017	222,000	—	(222,000) <sup>(i)</sup>	—
Leung Hok Lim	12.07.2012	3.454	01.07.2014 to 30.06.2016	222,000	—	(222,000) <sup>(2)</sup>	—
	12.07.2012	3.454	01.07.2015 to 30.06.2017	222,000	—	(222,000) <sup>(3)</sup>	—
Chung Pui Lam	12.07.2012	3.454	01.07.2014 to 30.06.2016	222,000	—	(222,000) <sup>(4)</sup>	—
	12.07.2012	3.454	01.07.2015 to 30.06.2017	222,000	—	—	222,000
Sub-Total				6,684,000	(892,000)	(3,340,000)	2,452,000
Other eligible employees	12.07.2012	3.454	01.07.2015 to 30.06.2017	1,400,000	—	(1,400,000)	—
Past Director	12.07.2012	3.454	01.07.2014 to 30.06.2017	—	446,000 <sup>(iii)</sup>	(446,000) <sup>(5)</sup>	—
	12.07.2012	3.454	01.07.2015 to 30.06.2018	—	446,000 <sup>(iii)</sup>	(446,000) <sup>(5)</sup>	—
Sub-Total				1,400,000	892,000	(2,292,000)	—
<b>Total</b>				<b>8,084,000</b>	<b>—</b>	<b>(5,632,000)</b>	<b>2,452,000</b>

## Directors' Report

### Notes:

- (i) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.
- (ii) The share options of Mr. Lu Wing Yuk, Andrew, who retired as Director on 30 May 2016, were transferred to other category on the same date and the expiry date of his share options were extended by the Board from 30 June 2016 to 30 June 2017 and from 30 June 2017 to 30 June 2018 respectively.
- (iii) (a) The closing prices of the shares of the Company immediately before the dates on which the share options were exercised by the Directors were:
- (1) HK\$21.60 per share;
  - (2) HK\$24.80 per share;
  - (3) HK\$18.18 per share;
  - (4) HK\$25.00 per share; and
  - (5) HK\$23.65 per share.
- (b) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by the other eligible employees was HK\$20.08 per share.
- (c) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by all participants stated in (a) and (b) above was HK\$18.31 per share.
- (iv) No share options had been granted, lapsed or cancelled under the 2005 Share Option Scheme for the year ended 31 December 2016.

The following table shows the movements in share options under the 2015 Share Option Scheme during the year ended 31 December 2016 and the options outstanding at the end of the year:

Name	Date of grant	Exercise price per share (HK\$)	Exercise period	Number of underlying shares comprised in share options				As at 31.12.2016
				As at 01.01.2016	Exercised during the year	Lapsed during the year	Cancelled during the year	
Eligible employees in aggregate	02.07.2015	6.302	03.07.2015 to 02.07.2017	150,000	(150,000)	—	—	—
			01.01.2016 to 31.12.2017	750,000	(675,000)	(75,000)	—	—
			01.07.2016 to 30.06.2018	2,600,000	(1,100,000)	—	(1,500,000)	—
			01.01.2017 to 31.12.2018	3,000,000	—	(350,000)	—	2,650,000
			01.07.2017 to 30.06.2019	3,250,000	—	(750,000)	—	2,500,000
			01.01.2018 to 31.12.2019	3,150,000	—	(600,000)	—	2,550,000
			01.07.2018 to 30.06.2020	7,400,000	—	(750,000)	—	6,650,000
<b>Total</b>				<b>20,300,000</b>	<b>(1,925,000)</b>	<b>(2,525,000)</b>	<b>(1,500,000)</b>	<b>14,350,000</b>



## Directors' Report

### Notes:

- (i) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.
- (ii) The weighted average closing price of the share of the Company immediately before the dates on which the share options were exercised by the eligible employees was HK\$16.39 per share.
- (iii) No share options had been granted under the 2015 Share Option Scheme for the year ended 31 December 2016.

### AGP

AGP, a 97.17%-owned subsidiary of the Company, also adopted the AGP Share Option Scheme in 2010. A summary of the principal terms of the AGP Share Option Scheme is set out as follows:

1. Purpose: To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the AGP Share Option Scheme).
2. Participants: Eligible participants include any (i) director or employee of AGP or any of its affiliate; (ii) representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by AGP or any of its affiliate; (iii) customer, promoter, business ally or joint-venture partner of AGP or any of its affiliate; or (iv) trustee of any trust established for the benefit of employees of AGP or any of its affiliate.
3. Total number of shares of AGP available for issue under the AGP Share Option Scheme and percentage of the issued share capital of AGP that it represents as at the date of this annual report: The maximum number of the shares of AGP which could be issued upon exercise of all options granted or to be granted under the AGP Share Option Scheme was 88,634,781 shares, representing approximately 10% of the shares of AGP in issue as at the date of this annual report.
4. Maximum entitlement of each participant: Unless approved by shareholders of the Company, the total number of shares of AGP issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of AGP then in issue.

## Directors' Report

In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or AGP or any of their respective associates, and where the total number of shares of AGP issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the shares of AGP then in issue and with an aggregate value in excess of HK\$5 million (or its equivalent amount in British Pound), then the proposed grant is subject to the approval of shareholders of the Company in general meeting.

- |    |   |  |
|----|---|--|
| 5. | Period within which the shares of AGP must be taken up under an option:                       | The period during which an option may be exercised is determined by the AGP Board (or any committee delegated by the AGP Board) at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.   |
| 6. | Minimum period for which an option must be held before it can vest:                           | As determined by the AGP Board.  |
| 7. | Amount payable on acceptance of an option and the period within which payments shall be made: | HK\$10 (or its equivalent amount in British Pound or United States dollar) is payable to AGP upon acceptance of the option which must be taken up within 28 days from the date of offer.   |
| 8. | Basis of determining the exercise price:  | The exercise price is determined by the AGP Board (or any committee delegated by the AGP Board) which must be at least the highest of (i) the closing price of the share of AGP on the AIM Market of The London Stock Exchange plc on the date of grant of the option; (ii) the average of the closing price of the share of AGP on the AIM Market on the five business days immediately preceding the date of grant of the option; and (iii) the par value of the share of AGP. |
| 9. | Remaining life of the AGP Share Option Scheme:  | Valid and effective for a term of ten years from the date of adoption until 15 August 2020.  |

No option was granted by AGP since the commencement of the AGP Share Option Scheme on 16 August 2010.

## Directors' Report

### Share Award Schemes

#### The Company

The SEA Share Award Scheme was approved by the Shareholders at the SGM held on 27 May 2010. The SEA Share Award Scheme commenced on 15 June 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

The purpose of the SEA Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants. Under the SEA Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and are listed on the Stock Exchange; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the SEA Share Award Scheme. No award may be granted under the SEA Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the SEA Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

No award was granted by the Company under the SEA Share Award Scheme during the year ended 31 December 2016.

#### AGP

The AGP Share Award Scheme was approved by the Shareholders on 27 May 2010 and by the AGP Board on 28 May 2010. The AGP Share Award Scheme commenced on 16 August 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

The purpose of the AGP Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants. Under the AGP Share Award Scheme, the AGP Board (or any committee delegated by the AGP Board) may at its absolute discretion grant awards, which may comprise (a) new shares of AGP; (b) existing shares of AGP in issue and are listed on the AIM Market; (c) cash in lieu of the shares of AGP; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the AGP Share Award Scheme. No award may be granted under the AGP Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the AGP Share Award Scheme and any other share award scheme of AGP and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of AGP exceed 30% of the shares of AGP in issue from time to time.

No award was granted by AGP since the commencement of the AGP Share Award Scheme on 16 August 2010.

## Directors' Report

### Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2016, the Company repurchased a total of 8,744,000 Shares on the Stock Exchange at an aggregate cash consideration of HK\$165,936,740 (excluding expenses). All the purchased shares were then cancelled and the number of issued shares of the Company was reduced accordingly. Particulars of the repurchases are as follows:

Period of repurchase	Total number of shares repurchased	Price paid per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
January 2016	2,482,000	15.60	13.08	36,109,200
March 2016	82,000	20.35	20.05	1,650,700
April 2016	2,536,000	26.10	21.25	58,942,400
July 2016	2,636,000	19.44	17.80	49,772,400
October 2016	800,000	19.16	19.10	15,327,440
December 2016	208,000	20.10	19.44	4,134,600
	<u>8,744,000</u>			<u>165,936,740</u>

The Directors considered that the aforesaid shares were repurchased at a substantial discount to the underlying net asset value per share and such purchases resulted in an increase in the net asset value and earnings of every remaining share of the Company.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2016.

### Major Suppliers and Major Customers

During the year, the aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 20% of the Group's total purchases and sales respectively.

### Corporate Governance

The Company is committed to maintain high corporate governance standards so as to ensure better transparency and protection of shareholders' interests. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 20 to 33.

## Directors' Report

### Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued shares in the Company was held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the year and up to the date of this annual report.

### Charitable Donations

During the year, the Group made charitable donations amounting to about HK\$211,000 (2015: HK\$396,000).

### Five-Year Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed "Financial Highlights" on page 2.

### Review by Audit Committee

The Audit Committee comprises three members, namely Messrs. Leung Hok Lim, Walujo Santoso, Wally and Chung Pui Lam, all being INED. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the year ended 31 December 2016.

### Independent Auditor

The consolidated financial statements of the Company for the year under review have been audited by Deloitte, who will retire and, being eligible, offer themselves for re-appointment. Approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Deloitte as independent auditor of the Company for the ensuing year will be put to the 2017 AGM for the Shareholders' approval.

On behalf of the Board

**Lu Wing Chi**

*Chairman and Managing Director*

Hong Kong, 27 March 2017

## Independent Auditor's Report

# Deloitte.

# 德勤

**TO THE MEMBERS OF S E A HOLDINGS LIMITED**  
(incorporated in Bermuda with limited liability)

### Opinion

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 57 to 130, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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



## Independent Auditor's Report

### 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.

#### Key audit matter

#### How our audit addressed the key audit matter

##### *Recoverability of other receivables*

We identified the recoverability of other receivables as a key audit matter as the recoverability assessment is reliant on management's estimation which has a significant impact on the financial results of the Group.

As disclosed in note 25 to the consolidated financial statements, the Group had incurred a total amount of RMB321 million, equivalent to HK\$359 million, for the tenant relocation arrangements, excavation and infrastructure work on certain pieces of land in Nanjing (the "Project"), the People's Republic of China (the "PRC"), and a full impairment on the above amount was charged to the profit or loss in the current year by the Group.

The determination of the recoverability of other receivables is dependent on whether the relevant pieces of land, as mentioned above, is released for auction or not by the local government. Management is of the view that the release of the land for auction and amount to be recovered in the foreseeable future is unlikely, and therefore a full impairment has been made for the amount incurred.

##### *Valuation of investment properties*

We identified the valuation of investment properties as a key audit matter as the valuation is subject to management estimate and has a significant impact on the financial result and financial position of the Group.

Our procedures in relation to the recoverability of other receivables included:

- Enquiring of management and obtaining an understanding from the management of the Group on the Project, the Group's investment strategy and the rationale in making full impairment on the amount;
- Obtaining and reading periodic announcements published by the local government on land available for tender, auction and listing in the same area or location of the Project; and
- Obtaining and reading the latest government policy announcements on property development in Nanjing.

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

- Evaluating the competence, capabilities and objectivity of the Valuers;

## Independent Auditor's Report

As disclosed in note 19 to the consolidated financial statements, the investment properties comprise residential units in Hong Kong, car park, shop and office units in the PRC, office units in the United Kingdom and a resort in Australia. The carrying value of the investment properties amounted to HK\$3,680 million as at 31 December 2016 and the decrease in fair value of the investment properties recorded in the profit for the year was HK\$105 million. In estimating the fair value of investment properties, it is the Group's policy to engage independent qualified external valuers (the "Valuers") to perform the valuation. Management work with the Valuers to establish and determine the appropriate valuation technique and inputs to the valuation model.

The Valuers have determined the fair values of the Group's investment properties by the use of different valuation methodologies. The key inputs used in valuing the investment properties was the capitalisation rate and market value as set out in note 19 to the consolidated financial statements.

### Other Information

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

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

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

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable 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.

- Obtaining an understanding of the valuation process and significant assumptions and critical judgements to assess if the methodologies meet relevant accounting requirements and industry norms;
- Comparing the capitalisation rate and market value to market data and evaluating the appropriateness of these inputs; and
- Assessing the reasonableness of the significant data inputs underpinning the investment properties' valuation including rental income, tenancy summary, capital expenditures.

## Independent Auditor's Report

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

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other reason 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent Auditor's Report

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
27 March 2017

## Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Revenue	7	565,979	732,696
Other income	8	18,412	66,982
Costs:			
Property and related costs	9	(41,519)	(133,891)
Staff costs		(175,051)	(267,033)
Depreciation and amortisation		(38,449)	(65,327)
Other expenses	10	(159,320)	(171,573)
		(414,339)	(637,824)
Profit from operations before fair value changes on investment properties		170,052	161,854
Fair value changes on investment properties		(104,625)	953,077
Profit from operations after fair value changes on investment properties		65,427	1,114,931
Other gains and losses	11	520,284	464,162
Finance costs	12	(89,136)	(117,133)
Profit before taxation	13	496,575	1,461,960
Income tax credit	14	75,346	1,252
Profit for the year		571,921	1,463,212
Attributable to:			
Company's shareholders		684,289	1,435,932
Non-controlling interests		(112,368)	27,280
		571,921	1,463,212
		HK cents	HK cents
Earnings per share for profit attributable to the Company's shareholders			
Basic	18	101.0	209.3
Diluted		98.9	205.3
<i>Earnings per share excluding fair value changes on investment properties net of deferred tax</i>			
Basic	18	112.5	69.9
Diluted		110.2	68.5

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	571,921	1,463,212
Other comprehensive (expense) income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Fair value loss on available-for-sale investments	(3,238)	(60,004)
Exchange differences arising on translation of foreign operations	(150,143)	(257,956)
Reclassification adjustments for amounts transferred to profit or loss:		
— upon disposal of subsidiaries (notes 44(b), (c) and (d))	1,848	—
Other comprehensive expense for the year	(151,533)	(317,960)
Total comprehensive income for the year	420,388	1,145,252
Total comprehensive income attributable to:		
Company's shareholders	534,713	1,128,046
Non-controlling interests	(114,325)	17,206
	420,388	1,145,252



## Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Investment properties	19	3,679,641	11,422,459
Property, plant and equipment	20	699,280	946,483
Properties for development	21	—	1,200,180
Club memberships	22	6,899	8,920
Loan receivables	23	3,160	3,789
Note receivables	24	38,773	54,256
Other receivables	25	—	361,114
Available-for-sale investments	26	1,377,434	147,307
Restricted bank deposits	27	5,589	5,613
		<b>5,810,776</b>	<b>14,150,121</b>
<b>Current assets</b>			
Properties held for sale			
Completed properties		192,098	627,384
Properties under development	28	—	231,667
Inventories		1,196	1,251
Loan receivables	23	376	371
Note receivables	24	15,509	—
Available-for-sale investments	26	137,204	—
Receivables, deposits and prepayments	29	587,311	128,147
Tax recoverable		3,120	17,795
Amounts due from non-controlling interests	30	38	—
Pledged bank deposits	27	533,105	—
Bank balances and cash	31	9,999,155	3,923,012
		<b>11,469,112</b>	<b>4,929,627</b>
<b>Current liabilities</b>			
Payables, rental deposits and accrued charges	32	188,421	433,552
Sales deposits		—	13,064
Tax liabilities		9,056	84,469
Amounts due to non-controlling interests	30	87,754	93,696
Bank borrowings — due within one year	33	2,186,719	1,536,781
		<b>2,471,950</b>	<b>2,161,562</b>
<b>Net current assets</b>		<b>8,997,162</b>	<b>2,768,065</b>
<b>Total assets less current liabilities</b>		<b>14,807,938</b>	<b>16,918,186</b>

## Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
<b>Capital and reserves</b>			
Share capital	34	67,656	67,765
Reserves		11,983,321	13,006,638
<b>Equity attributable to the Company's shareholders</b>			
Equity attributable to the Company's shareholders		12,050,977	13,074,403
Non-controlling interests		281,727	444,030
<b>Total equity</b>			
<b>Non-current liabilities</b>			
Bank borrowings — due after one year	33	2,103,935	2,953,381
Deferred taxation	35	371,299	446,372
<b>Total equity and non-current liabilities</b>			
		2,475,234	3,399,753
		14,807,938	16,918,186

The consolidated financial statements on pages 57 to 130 were approved and authorised for issue by the Board of Directors on 27 March 2017 and are signed on its behalf by:

**LU WING CHI**  
CHAIRMAN AND MANAGING DIRECTOR

**LAMBERT LU**  
EXECUTIVE DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to the Company's shareholders														Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Translation reserve	Capital redemption reserve	Shares on trust for awardees under share award scheme	Share award reserve	Share option reserve	Property revaluation reserve	Investment revaluation reserve	Other reserves	Retained profits	Total			
	HKS'000	HKS'000	HKS'000 (note i)	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000 (note ii)	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2015	68,962	425,501	277,707	588,406	4,451	—	—	14,917	6,823	—	19,767	10,790,511	12,197,045	427,632	12,624,677	
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	1,435,932	1,435,932	27,280	1,463,212	
Exchange differences arising on translation of foreign operations	—	—	—	(247,882)	—	—	—	—	—	—	—	—	(247,882)	(10,074)	(257,956)	
Fair value loss on available-for-sale investments	—	—	—	—	—	—	—	—	—	(60,004)	—	—	(60,004)	—	(60,004)	
Other comprehensive expense for the year	—	—	—	(247,882)	—	—	—	—	—	(60,004)	—	—	(307,886)	(10,074)	(317,960)	
Total comprehensive income for the year	—	—	—	(247,882)	—	—	—	—	—	(60,004)	—	1,435,932	1,128,046	17,206	1,145,252	
Recognition of equity-settled share-based payments																
— share options	—	—	—	—	—	—	—	7,066	—	—	—	—	7,066	—	7,066	
— share awards	—	—	—	—	—	—	55,800	—	—	—	—	—	55,800	—	55,800	
Shares issued upon exercise of share options	1,762	70,372	—	—	—	—	—	(11,261)	—	—	—	—	60,873	—	60,873	
Purchase of shares under share award scheme	—	—	—	—	—	(70,217)	—	—	—	—	—	—	(70,217)	—	(70,217)	
Shares transferred to participants under share award scheme	—	—	—	—	—	70,217	(55,800)	—	—	—	—	(14,417)	—	—	—	
Repurchase of ordinary shares	(2,959)	(225,571)	—	—	—	—	—	—	—	—	—	—	(228,530)	—	(228,530)	
Dividends paid	—	—	—	—	—	—	—	—	—	—	—	(75,680)	(75,680)	—	(75,680)	
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(808)	(808)	
At 31 December 2015	67,765	270,302	277,707	340,524	4,451	—	—	10,722	6,823	(60,004)	19,767	12,136,346	13,074,403	444,030	13,518,433	
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	684,289	684,289	(112,368)	571,921	
Exchange differences arising on translation of foreign operations	—	—	—	(148,371)	—	—	—	—	—	—	—	—	(148,371)	(1,772)	(150,143)	
Disposal of subsidiaries	—	—	—	1,848	—	—	—	—	—	—	381	(381)	1,848	—	1,848	
Fair value loss on available-for-sale investments	—	—	—	—	—	—	—	—	—	(3,053)	—	—	(3,053)	(185)	(3,238)	
Other comprehensive income (expense) for the year	—	—	—	(146,523)	—	—	—	—	—	(3,053)	381	(381)	(149,576)	(1,957)	(151,533)	
Total comprehensive income (expense) for the year	—	—	—	(146,523)	—	—	—	—	—	(3,053)	381	683,908	534,713	(114,325)	420,388	
Recognition of equity-settled share-based payments																
— share options	—	—	—	—	—	—	—	5,462	—	—	—	—	5,462	—	5,462	
Shares issued upon exercise of share options	765	36,370	—	—	—	—	—	(5,142)	—	—	—	—	31,993	—	31,993	
Repurchase of ordinary shares	(874)	(165,062)	—	—	—	—	—	—	—	—	—	—	(165,936)	—	(165,936)	
Dividends paid	—	—	—	—	—	—	—	—	—	—	—	(1,429,658)	(1,429,658)	—	(1,429,658)	
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(47,978)	(47,978)	
At 31 December 2016	67,656	141,610	277,707	194,001	4,451	—	—	11,042	6,823	(63,057)	20,148	11,390,596	12,050,977	281,727	12,332,704	

## Notes:

- (i) Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition pursuant to the group reorganisation in previous years.
- (ii) Other reserves represent the excess of the consideration paid for acquisition of additional interest in subsidiaries from non-controlling interests over the carrying amount of non-controlling interests.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
<b>Operating activities</b>		
Profit before taxation	496,575	1,461,960
Adjustments for:		
Interest expenses	81,335	106,466
Depreciation and amortisation	38,449	65,327
Fair value changes on investment properties	104,625	(953,077)
Write off of bad debts from tenants	14,115	—
Write off of other receivables	353,127	—
Reversal of relocation costs	(71,721)	—
Fair value adjustment on other receivables	—	7,521
Gain on disposal of subsidiaries	(801,690)	(464,162)
Gain on disposal of club membership	(698)	—
Interest income	(5,409)	(24,127)
(Gain) loss on disposal of property, plant and equipment	(19)	31
Share-based payment expenses	5,462	62,866
Operating cash flows before movements in working capital	214,151	262,805
Decrease (increase) in properties held for sale	195	(309,347)
Decrease in inventories	55	82
(Increase) decrease in receivables, deposits and prepayments	(56,504)	30,640
Decrease in guaranteed bank balances	3,094	31,374
Increase in payables, rental deposits and accrued charges	119,227	98,642
Increase (decrease) in sales deposits	4,507	(49,531)
Cash generated from operations	284,725	64,665
Interest paid	(91,994)	(98,847)
Tax paid	(18,639)	(54,995)
Tax refunded	10,884	1,073
Payment for shares under share award scheme	—	(70,217)
<b>Net cash from (used in) operating activities</b>	<b>184,976</b>	<b>(158,321)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
<b>Investing activities</b>			
Acquisition of and additional cost on properties for development		(45,759)	(51,285)
Interest received		7,759	24,985
Decrease in loan receivables		624	320
Increase in fixed deposits		(4,460,201)	(364,048)
Increase in restricted bank deposits		(347)	—
Increase in pledged bank deposits		(533,105)	—
Restricted bank deposits refunded		—	370
Fixed deposits refunded		364,048	309,380
Purchase of property, plant and equipment		(3,035)	(2,778)
Purchase of investment properties	43	(1,505,213)	(81,935)
Proceeds on disposals of property, plant and equipment		60	17
Proceeds on disposals of club membership		2,578	—
Purchase of club membership		—	(487)
Disposal of available-for-sale investments		15,122	16,598
Additional interest in available-for-sale investments		(1,388,144)	(216,145)
Net consideration received on disposal of subsidiaries	44	10,995,075	1,382,500
<b>Net cash from investing activities</b>		<b>3,449,462</b>	<b>1,017,492</b>
<b>Financing activities</b>			
Draw down of bank loans		3,491,280	2,195,232
Repayments of bank loans		(3,501,983)	(1,864,501)
Payment of front-end fee		(10,159)	(7,000)
Issue of new shares		31,993	60,873
Repurchase of ordinary shares		(165,936)	(228,530)
Advances to non-controlling interests		(38)	—
Repayments from non-controlling interests		—	70
Dividends paid		(1,429,658)	(75,680)
Dividends paid to non-controlling interests		(47,978)	(808)
<b>Net cash (used in) from financing activities</b>		<b>(1,632,479)</b>	<b>79,656</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,001,959</b>	<b>938,827</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>3,555,870</b>	<b>2,663,743</b>
Effect of foreign exchange rate changes		(18,875)	(46,700)
<b>Cash and cash equivalents at end of the year</b>		<b>5,538,954</b>	<b>3,555,870</b>
Represented by:			
Bank balances and cash	31	9,999,155	3,923,012
Less: Fixed deposits with original maturity date more than 3 months and not exceeding 1 year		(4,460,201)	(364,048)
Less: Guarantee bank balances		—	(3,094)
		<b>5,538,954</b>	<b>3,555,870</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Nan Luen International Limited and its ultimate holding company is JCS Limited. Both holding companies are incorporated in Bermuda as exempted companies with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 47.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

The directors of the Company expect that the application of the new and amendments to HKFRS that were issued but not yet effective will have no material impact on the results and financial position of the Group. However, those which may be relevant to the Group’s consolidated financial statements are disclosed as below.

#### HKFRS 15 Revenue from Contracts with Customers

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

#### HKFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK\$32,156,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

#### HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

#### HKFRS 9 Financial Instruments *(continued)*

The directors of the Company do not anticipate that the application of HKFRS 9 in future may have a material impact on amounts reported in respect of the Group’s financial assets and financial liabilities.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, available-for-sale investments and derivative financial instruments, which are measured at revalued amount or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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

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.

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

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

The principal accounting policies are set out below.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Basis of consolidation

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

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

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

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

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

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

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

#### Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue recognition

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

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

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are included in the consolidation statement of financial position under the heading of sales deposits.

Hotel operation and other service income are recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If an investment property becomes property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, any difference between the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the transfer, the property is stated at deemed cost, equivalent to the fair value at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Property, plant and equipment

Leasehold land and building held for use in the supply of services, or for administrative purpose and other property, plant and equipment other than crockery, utensils and linen are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Initial expenditure incurred for crockery, utensils and linens is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is recognised in profit or loss when incurred.

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

#### Properties for development

Properties for development represents consideration and other direct costs for acquisition of leasehold interest in land held for future development.

Properties for development are stated at cost and amortised to profit or loss on a straight-line basis over the term of the relevant lease until the commencement of development, upon which the remaining carrying value of the properties will be transferred to the appropriate categories according to management's intention of use of the properties after completion of development.

When leasehold land is intended for sale in the ordinary course of business after completion of development, the leasehold land component is included within the carrying amount of the properties and is classified under current assets.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Inventories

##### Properties held for sale

Completed properties for sale in the ordinary course of business are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less selling expenses.

Properties for or under development intended for sale after completion of development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less anticipated costs to completion of the development and costs to be incurred in marketing and selling the completed properties.

Cost of properties comprises land cost, development costs and other direct costs attributable to the development and borrowing costs capitalised during the development period that have been incurred in bringing the properties to their present condition.

#### Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

#### Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### Financial assets

The Group's financial assets are classified as either loans and receivables or available-for-sales ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, note receivables, other receivables, debt component of the convertible loan, restricted bank deposits, receivables, amounts due from non-controlling interests, bank deposits and cash) are measured at amortised cost using the effective interest method, less any impairment.

##### *Effective interest method*

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

Interest income is recognised on an effective interest basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial instruments *(continued)*

#### Financial assets *(continued)*

##### *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group designated certain debt investments as set out in note 26 as available-for-sale investments.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

##### *Impairment of financial assets*

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial instruments *(continued)*

#### Financial assets *(continued)*

#### *Impairment of financial assets (continued)*

For all other financial assets, objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial instruments *(continued)*

##### Financial liabilities and equity instruments

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

##### *Equity instruments*

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

##### *Financial liabilities*

Financial liabilities including payables, amounts due to non-controlling interests and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

##### *Effective interest method*

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

##### *Financial guarantee liabilities*

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group for the property purchasers. Financial guarantee liabilities are recognised initially at fair value that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired.

##### *Derecognition*

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Club memberships

The Club membership with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of a club membership are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

#### Leasing

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

#### The Group as lessor

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

#### The Group as lessee

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

#### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Borrowing costs

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

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

#### Foreign currencies

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

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interest.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Share-based payment arrangements

##### Equity-settled share-based payment transactions

###### *Share options granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 39 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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

##### Retirement benefit costs

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

##### Taxation

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

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Taxation *(continued)*

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

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

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

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

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

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

#### Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

#### Critical judgements in applying accounting policies

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

#### Deferred tax

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have determined that the Group's investment properties situated in the United Kingdom ("UK") are held under a business model whose objective is to recover the value through sale rather than to consume substantially all of the economic benefits embodied in the investment properties over time, whereas those situated in the People's Republic of China ("PRC") and Australia are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is not rebutted for properties situated in the UK. As a result, the Group has not recognised any deferred taxes on changes in fair value of the Group's investment properties situated in the UK as the Group is not subject to any income taxes on disposal of those investment properties. The presumption that the carrying amounts of the Group's investment properties situated in the PRC and Australia are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of those investment properties is recognised according to the relevant tax rules.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

#### Key sources of 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 discussed below.

#### Income tax

No deferred tax asset has been recognised in respect of tax losses of HK\$69,238,000 (2015: HK\$112,864,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which it takes place.

#### Fair value of investment properties

Investment properties with a carrying amount of HK\$3,679,641,000 (2015: HK\$11,422,459,000) are stated at fair value based on the valuation performed by independent qualified external valuers. In determining the fair value, the valuers have used a method of valuation which involves certain assumptions of market conditions. In relying on the valuation report or making their own valuation, the directors of the Company have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions.

### 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net cash (debt), which includes bank borrowings net of bank deposits, and bank balances and cash, and equity attributable to the Company's shareholders, comprising issued share capital, retained profits and reserves.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 5. CAPITAL RISK MANAGEMENT *(continued)*

The directors of the Company review the capital structure periodically and maintain a low gearing. The Group's percentage of net cash (debt) to carrying value of properties (comprising investment properties, properties included in property, plant and equipment, properties for development and properties held for sale) at the end of the reporting period is as follows:

	2016 HK\$'000	2015 HK\$'000
Bank balances and cash	9,999,155	3,923,012
Pledged bank deposits	533,105	—
Restricted bank deposits	5,589	5,613
Bank borrowings	(4,290,654)	(4,490,162)
Net cash (debt)	6,247,195	(561,537)
Total carrying value of properties	4,548,670	14,397,541
Percentage of net debt to carrying value of properties	<b>Net cash</b>	3.9%

### 6. SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance is mainly focused on property development, property investment and hotel operation. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group disposed of certain property development projects in the PRC during the year as set out in notes 44(b), (c) and (d).

The Group's property investment activities are in Hong Kong, the PRC, Australia and the UK. The investment property in Hong Kong was disposed of during the year as set out on note 44(a).

The hotel operation is in Hong Kong.

During the year, a new operating segment — financial investment — has been established. The directors of the Company are seeking potential investment opportunities for their investment portfolio, consisting mainly of investment in debt and/or equity investments and bank deposits. The investment income from the investment portfolio will be included in the financial investment segment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by reportable segment:

#### Segment revenues and results

For the year ended 31 December 2016

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>					
External revenue	9,281	261,839	228,914	65,945	565,979
<b>SEGMENT RESULTS</b>					
Segment (loss) profit	(274,824)	872,442	67,913	65,741	731,272
Unallocated interest income					5,409
Corporate income less expenses					(150,970)
Finance costs					(89,136)
Profit before taxation					496,575

For the year ended 31 December 2015

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>				
External revenue	94,285	409,160	229,251	732,696
<b>SEGMENT RESULTS</b>				
Segment profit	420,541	1,298,303	59,194	1,778,038
Interest income				24,127
Corporate income less expenses				(223,072)
Finance costs				(117,133)
Profit before taxation				1,461,960

The Group does not allocate general interest income, corporate income less expenses and finance costs to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the CODM.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. SEGMENT INFORMATION *(continued)*

#### Other segment profit or loss information

The following charges (credits) are included in the measurement of segment profit or loss:

For the year ended 31 December 2016

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000
Amortisation and depreciation					
— Properties for development	6,472	—	—	—	6,472
— Club debenture	—	141	—	—	141
— Property, plant and equipment	376	6,803	24,657	—	31,836
Fair value changes on investment properties	—	104,625	—	—	104,625
Write off of bad debts from tenants	—	14,115	—	—	14,115
Write off of other receivables	353,127	—	—	—	353,127
Reversal of relocation costs	(71,721)	—	—	—	(71,721)
Gain on disposal of subsidiaries	(4,305)	(797,385)	—	—	(801,690)
Gain on disposal of property, plant and equipment	—	(43)	24	—	(19)

For the year ended 31 December 2015

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Consolidated HK\$'000
Amortisation and depreciation				
— Properties for development	27,488	—	—	27,488
— Club debenture	—	141	—	141
— Property, plant and equipment	1,378	11,678	24,642	37,698
Fair value changes on investment properties	—	(953,077)	—	(953,077)
Fair value adjustment on other receivables	7,521	—	—	7,521
Gain on disposal of subsidiaries	(464,162)	—	—	(464,162)
Loss on disposal of property, plant and equipment	—	31	—	31

No segment assets and segment liabilities are presented as the information is not reported to the CODM in the resource allocation and assessment of performance.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. SEGMENT INFORMATION *(continued)*

#### Geographical information

The Group operates in four principal geographical areas, being Hong Kong (country of domicile), the PRC, Australia and the UK.

The Group's revenue from external customers by the geographical location of its properties or the principal place of business of the Company is detailed below.

	2016 HK\$'000	2015 HK\$'000
Hong Kong	402,031	483,174
PRC	131,645	233,913
Australia	15,713	15,177
UK	16,590	432
	<b>565,979</b>	<b>732,696</b>

No single customer contributes over 10% of the total revenue of the Group for both years.

The Group's information about its non-current assets, excluding financial assets, by geographical location are detailed below.

	2016 HK\$'000	2015 HK\$'000
Hong Kong	686,156	9,908,969
PRC	1,985,761	3,430,731
Australia	158,358	158,692
UK	1,555,545	79,650
	<b>4,385,820</b>	<b>13,578,042</b>

The total assets of the Group by geographical location which is determined by reference to the location of the asset or the principal place of the business of the Company are detailed below.

	2016 HK\$'000	2015 HK\$'000
Hong Kong	13,101,690	13,314,751
PRC	2,410,363	5,505,659
Australia	186,167	179,688
UK	1,581,668	79,650
	<b>17,279,888</b>	<b>19,079,748</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 7. REVENUE

The following is an analysis of the Group's revenue from its major business activities.

	2016 HK\$'000	2015 HK\$'000
Sale of properties	9,281	94,285
Renting of investment properties	261,839	409,160
Hotel operation	228,914	229,251
Financial investment	65,945	—
	<b>565,979</b>	<b>732,696</b>

### 8. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Included in other income is:		
Net exchange gain	—	2,672
Rental income from properties held for sale temporarily leased	7,126	6,114
Interest earned on bank deposits	5,170	23,827

### 9. PROPERTY AND RELATED COSTS

	2016 HK\$'000	2015 HK\$'000
Cost of properties sold	5,436	76,699
Selling and marketing expenses	2,917	9,909
Direct operating expenses of investment properties	33,166	47,283
	<b>41,519</b>	<b>133,891</b>

### 10. OTHER EXPENSES

	2016 HK\$'000	2015 HK\$'000
Included in other expenses are:		
Hotel operating expenses	62,358	62,733
Legal and professional fees	23,386	14,762
Fair value adjustment on other receivables	—	7,521
Net exchange loss	2,577	—
Write off of bad debts from tenants	14,115	—

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 11. OTHER GAINS AND LOSSES

	2016 HK\$'000	2015 HK\$'000
Gain on disposal of subsidiaries (note 44)	801,690	464,162
Write off of other receivables (note 25)	(353,127)	—
Reversal of relocation costs (note 32)	71,721	—
	<b>520,284</b>	<b>464,162</b>

### 12. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings	81,711	125,990
Less: Amounts capitalised to property development project	(376)	(19,524)
	<b>81,335</b>	<b>106,466</b>
Front end fee	3,236	6,966
Other charges	4,565	3,701
	<b>89,136</b>	<b>117,133</b>

### 13. PROFIT BEFORE TAXATION

	2016 HK\$'000	2015 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	4,073	4,550
Share-based payment expenses		
— Share options	5,462	7,066
— Share awards	—	55,800
(Gain) loss on disposal of property, plant and equipment	(19)	31
Depreciation and amortisation	38,575	65,755
Less: Amount capitalised to property development projects	(126)	(428)
	<b>38,449</b>	<b>65,327</b>
Interest income from second mortgage loans	(187)	(234)
Gross rental income from investment properties	(261,839)	(409,160)
Less: Direct operating expenses	33,166	47,283
Net rental income	<b>(228,673)</b>	<b>(361,877)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 14. INCOME TAX CREDIT

	2016 HK\$'000	2015 HK\$'000
The credit (charge) comprises:		
Current tax		
Hong Kong Profits Tax	(12,268)	(19,489)
PRC Enterprise Income Tax	(15,036)	(14,933)
Other jurisdictions	(3,459)	(2,899)
	<b>(30,763)</b>	<b>(37,321)</b>
Over(under)provision in prior years		
Hong Kong Profits Tax	139	4,001
PRC Enterprise Income Tax	1,879	6,666
PRC Land Appreciation Tax	79,420	—
Other jurisdictions	(309)	—
	<b>81,129</b>	<b>10,667</b>
Deferred tax		
— current year	27,358	27,906
— underprovision in prior year	(2,378)	—
	<b>24,980</b>	<b>27,906</b>
	<b>75,346</b>	<b>1,252</b>

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

Income tax arising in the PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 35.

Income tax credit for the year can be reconciled to profit before taxation in the consolidated statement of profit or loss as follows:

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	496,575	1,461,960
Tax at the domestic income tax rate of 16.5%	(81,935)	(241,223)
Tax effect of expenses not deductible for tax purposes	(106,646)	(43,257)
Tax effect of income not taxable for tax purposes	178,901	270,425
Tax effect of tax losses not recognised	(2,279)	(4,378)
Utilisation of tax losses previously not recognised	2,155	1,001
Effect of different tax rates of subsidiaries operating overseas	5,392	3,665
Overprovision in prior years	78,751	10,667
Others	1,007	4,352
Income tax credit for the year	<b>75,346</b>	<b>1,252</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company for the year are as follows:

	Mr. Lu Wing Chi HK\$'000	Mr. Lu Wing Yuk, Andrew HK\$'000	Mr. Lincoln Lu HK\$'000	Mr. Lambert Lu HK\$'000	Mr. Lam Sing Tai HK\$'000	Mr. Walujo Santoso, Wally HK\$'000	Mr. Leung Hok Lim HK\$'000	Mr. Chung Pui Lam HK\$'000	Total HK\$'000
<b>2016</b>									
Fees	230	8	230	230	230	200	250	250	1,628
Other emoluments									
Salaries and other benefits	6,600	398	3,840	3,840	2,400	—	—	—	17,078
Discretionary and performance based bonus (Note below)	18,267	—	1,522	1,522	1,200	—	—	—	22,511
Retirement benefits scheme contributions	990	59	480	480	360	—	—	—	2,369
<b>Total emoluments</b>	<b>26,087</b>	<b>465</b>	<b>6,072</b>	<b>6,072</b>	<b>4,190</b>	<b>200</b>	<b>250</b>	<b>250</b>	<b>43,586</b>
<b>2015</b>									
Fees	257	20	257	257	257	200	250	250	1,748
Other emoluments									
Salaries and other benefits	6,300	960	3,720	3,720	2,190	—	—	—	16,890
Discretionary and performance based bonus (Note below)	43,040	380	3,587	3,587	1,200	—	—	—	51,794
Retirement benefits scheme contributions	945	144	465	465	329	—	—	—	2,348
Share-based payment expenses									
— Share options	240	48	240	240	240	24	24	24	1,080
— Share awards	12,400	2,480	12,400	12,400	12,400	1,240	1,240	1,240	55,800
<b>Total emoluments</b>	<b>63,182</b>	<b>4,032</b>	<b>20,669</b>	<b>20,669</b>	<b>16,616</b>	<b>1,464</b>	<b>1,514</b>	<b>1,514</b>	<b>129,660</b>

Note:

The directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.

The discretionary and performance based bonus to Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu are based on their contribution to the Group and calculated on the basis of profit before taxation attributable to the Company's shareholders. Messrs. Lu Wing Yuk, Andrew and Lam Sing Tai are based on the performance of the Group and their individual performance.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2015: four) were directors of the Company whose emoluments are disclosed in note 15. The emoluments of the remaining one (2015: one) individual for the year amounted to HK\$5,627,000 (2015: HK\$5,629,000), comprising salaries and other benefits of HK\$5,511,000 (2015: HK\$5,083,000), retirement benefits scheme contributions of HK\$116,000 (2015: HK\$133,000), discretionary and performance-based bonus of nil (2015: HK\$413,000) for his service rendered to the Group.

### 17. DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Dividends recognised as distributions during the year:		
2016 interim dividend — HK5 cents (2015: 2015 interim dividend — HK5 cents) per share	33,864	34,168
2015 final dividend — HK6 cents (2015: 2014 final dividend — HK6 cents) per share	40,654	41,512
Special dividend of HK\$2 per share	1,355,140	—
	<b>1,429,658</b>	75,680
2016 final dividend proposed: HK6 cents (2015: HK6 cents) per share	40,717	40,711

A 2016 final dividend of HK6 cents (2015: HK6 cents) per share has been proposed by the directors of the Company and is subject to approval by the Company's shareholders at the forthcoming annual general meeting.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 18. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the Company's shareholders is based on the following data:

	2016 HK\$'000	2015 HK\$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to Company's shareholders	684,289	1,435,932
	Number of shares	
	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	677,817,281	686,089,849
Effect of dilutive potential ordinary share options	14,102,335	13,502,911
Weighted average number of ordinary shares for the purpose of diluted earnings per share	691,919,616	699,592,760

For the purpose of assessing the performance of the Group, the directors of the Company are of the view that the profit for the year should be adjusted for the fair value changes on investment properties recognised in profit or loss and the related deferred taxation in arriving at the "adjusted profit attributable to the Company's shareholders". A reconciliation of the adjusted earnings is as follows:

	2016 HK\$'000	2015 HK\$'000
Profit for the year attributable to the Company's shareholders as shown in the consolidated statement of profit or loss	684,289	1,435,932
Fair value changes on investment properties	104,625	(953,077)
Deferred tax thereon	(24,515)	(31,129)
Attributable to non-controlling interests	(2,136)	27,758
Adjusted profit attributable to the Company's shareholders	762,263	479,484
Earnings per share excluding fair value changes on investment properties net of deferred tax		
Basic	HK112.5 cents	HK69.9 cents
Diluted	HK110.2 cents	HK68.5 cents

The denominators used in the calculation of basic and diluted adjusted earnings per share for the year ended 31 December 2016 and 31 December 2015 are the same as those detailed above.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 19. INVESTMENT PROPERTIES

	Hong Kong		PRC	UK	Australia	Total
	Long leases	Medium-term leases		Medium-term leases	Medium-term lease	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	8,600	7,912,700	2,451,285	—	173,584	10,546,169
Addition	—	—	—	81,935	—	81,935
Cost adjustment on additions	—	(8)	—	—	—	(8)
Fair value changes	300	1,076,208	(126,901)	—	3,470	953,077
Exchange adjustments	—	—	(138,067)	(2,285)	(18,362)	(158,714)
At 31 December 2015	8,900	8,988,900	2,186,317	79,650	158,692	11,422,459
Addition (note 43)	—	—	—	1,505,213	—	1,505,213
Fair value changes	(300)	—	(100,671)	(5,386)	1,732	(104,625)
Disposal (note 44(a))	—	(8,983,000)	—	—	—	(8,983,000)
Exchange adjustments	—	—	(134,408)	(23,932)	(2,066)	(160,406)
<b>At 31 December 2016</b>	<b>8,600</b>	<b>5,900</b>	<b>1,951,238</b>	<b>1,555,545</b>	<b>158,358</b>	<b>3,679,641</b>

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

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. The Group engages independent qualified external valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the Group works closely with the independent qualified external valuers to establish and determine the appropriate valuation techniques and inputs to the model.

There has been no change from the valuation technique used in the prior year.

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

The key inputs used in valuing the investment properties under the income capitalisation approach were the capitalisation rates used and monthly unit rent. A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. The higher the monthly unit rent, the higher the fair value and vice versa.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 19. INVESTMENT PROPERTIES *(continued)*

Details of the valuation methodology and the significant inputs are as follows:

Valuer	Class of properties	Valuation methodology	Key inputs to the valuation (including capitalisation rate and market value)		Fair value hierarchy
			2016	2015	
Savills Valuation and Professional Services Limited*	Shop and office portion	Income capitalisation approach whereby the rental incomes of contractual tenancies are capitalised for the unexpired terms of tenancies. The valuers have also taken into account the reversionary market rents after the expiry of tenancies in capitalisation.	Not applicable	Hong Kong office 3.25%-3.75% per annum	Level 3
			PRC shop 7.0%-9.0% per annum	PRC shop 7.0%-9.0% per annum	
	PRC office 6.0%-6.5% per annum		PRC office 6.0%-6.5% per annum		
	Car park portion	Sales comparison approach and made reference to the sales of comparable properties as available in the market.	Not applicable	Hong Kong car park 4.5% per annum	
			PRC comparable ranging from RMB131,000 to RMB140,000 per space	PRC comparable ranging from RMB135,000 to RMB200,000 per space	Level 3
	Residential units	Sales comparison approach and made reference to the sales of comparable properties as available in the market.	Hong Kong residential units comparable ranging from HK\$12,400 to HK\$21,100 per square feet	Hong Kong residential units comparable ranging from HK\$12,400 to HK\$21,800 per square feet	Level 3

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 19. INVESTMENT PROPERTIES *(continued)*

Details of the valuation methodology and the significant inputs are as follows:

Valuer	Class of properties	Valuation methodology	Key inputs to the valuation (including capitalisation rate and market value)		Fair value hierarchy
			2016	2015	
Savills (UK) Limited <sup>‡</sup>	Office portion	The valuers have used the traditional “all risk” yield investment method of valuation, having regard to comparable evidence.	<b>UK office 4.17% per annum</b>	Not applicable	Level 3
	Office portion	The valuers have used a traditional investment method of valuation in which the valuers have reflected the current lease terms and capitalised the appropriate income stream.	<b>UK office 6.75% per annum</b>	Not applicable	Level 3
CBRE Valuations Pty Limited <sup>®</sup>	Resort portion	<p>The primary valuation methodologies generally used are the Income Capitalisation Approach and/or Discounted Cash Flow Analysis with a check by the Direct Comparison Approach.</p> <p>These approaches are based upon an estimation of future trading results which are based on historic trading analysis and future trading expectations having regard to any forecast capital expenditure, supply and demand factors, and estimated changes in economic and local market conditions, and/or management/lease terms.</p>	<b>Australia resort 10.3%-10.5% per annum</b>	Australia resort 10.5%-10.8% per annum	Level 3

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 19. INVESTMENT PROPERTIES *(continued)*

- \* Savills Valuation and Professional Services Limited is an independent professional valuer not connected to the Group and is a firm of Chartered Surveyors recognised by The Hong Kong Institute of Surveyors. The valuation for investment properties in Hong Kong and the PRC were arrived in accordance with the “The HKIS Valuation Standard (2012 Edition)” published by The Hong Kong Institute of Surveyors.
- # Savills (UK) Limited, a firm of chartered surveyors not connected to the Group, is regulated by the Royal Institution of Chartered Surveyors (“RICS”), a subsidiary of Savills Plc. The valuation has been prepared in accordance with RICS Valuation — Professional Standards January 2014 (the “RICS Red Book”) published in November 2013 and effective from 6 January 2014.
- @ CBRE Valuations Pty Limited is an independent professional valuer not connected to the Group and is a firm of Registered Valuers recognised by the Australian Property Institute.

All valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

There were no transfers between Level 1, 2, and 3 in both years presented.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 20. PROPERTY, PLANT AND EQUIPMENT

	Hotel property in Hong Kong HK\$'000	Other properties in Hong Kong HK\$'000	Properties in PRC HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Crockery, utensils and linen HK\$'000	Total HK\$'000
<b>COST</b>									
At 1 January 2015	789,895	258,998	39,292	45,540	46,309	14,717	79,654	5,051	1,279,456
Additions	—	—	—	694	1,831	253	—	—	2,778
Disposals	(354)	—	—	(1,692)	(2,260)	—	(827)	—	(5,133)
Exchange adjustments	—	—	(2,286)	(400)	(397)	(368)	(332)	—	(3,783)
At 31 December 2015	789,541	258,998	37,006	44,142	45,483	14,602	78,495	5,051	1,273,318
Additions	—	—	—	6	1,937	1,077	—	15	3,035
Disposals	(11)	—	—	(3)	(257)	(344)	(1,172)	—	(1,787)
Disposal of subsidiaries (note 44)	—	(258,998)	—	(494)	(2,822)	(3,107)	(4,675)	—	(270,096)
Exchange adjustments	—	—	(2,338)	(404)	(146)	(182)	(151)	—	(3,221)
<b>At 31 December 2016</b>	<b>789,530</b>	<b>—</b>	<b>34,668</b>	<b>43,247</b>	<b>44,195</b>	<b>12,046</b>	<b>72,497</b>	<b>5,066</b>	<b>1,001,249</b>
<b>DEPRECIATION</b>									
At 1 January 2015	103,790	35,819	2,752	23,628	39,509	11,885	77,598	—	294,981
Provided for the year	19,854	7,164	859	5,120	2,699	1,597	833	—	38,126
Eliminated on disposals	(354)	—	—	(1,680)	(2,224)	—	(827)	—	(5,085)
Exchange adjustments	—	—	(190)	(206)	(231)	(280)	(280)	—	(1,187)
At 31 December 2015	123,290	42,983	3,421	26,862	39,753	13,202	77,324	—	326,835
Provided for the year	19,998	2,850	807	4,910	2,215	694	488	—	31,962
Eliminated on disposals	(2)	—	—	(21)	(623)	(328)	(772)	—	(1,746)
Disposal of subsidiaries (note 44)	—	(45,833)	—	(429)	(884)	(2,325)	(4,676)	—	(54,147)
Exchange adjustments	—	—	(247)	(267)	(121)	(167)	(133)	—	(935)
<b>At 31 December 2016</b>	<b>143,286</b>	<b>—</b>	<b>3,981</b>	<b>31,055</b>	<b>40,340</b>	<b>11,076</b>	<b>72,231</b>	<b>—</b>	<b>301,969</b>
<b>CARRYING VALUES</b>									
<b>At 31 December 2016</b>	<b>646,244</b>	<b>—</b>	<b>30,687</b>	<b>12,192</b>	<b>3,855</b>	<b>970</b>	<b>266</b>	<b>5,066</b>	<b>699,280</b>
At 31 December 2015	666,251	216,015	33,585	17,280	5,730	1,400	1,171	5,051	946,483

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 20. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values at the following rates per annum:

Leasehold land and properties	Over the lease terms ranging from 42 years to 45.5 years
Completed hotel building	40 years
Other properties	4%
Plant and machinery	10%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Leasehold improvements	25%

The carrying amounts of properties shown above comprise properties situated in:

	2016 HK\$'000	2015 HK\$'000
Hong Kong	646,244	882,266
The PRC	30,687	33,585



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 21. PROPERTIES FOR DEVELOPMENT

	2016 HK\$'000	2015 HK\$'000
<b>COST</b>		
At 1 January	1,304,937	1,332,112
Additions	46,261	51,713
Disposal of subsidiaries (notes 44(b), (c) and (d))	(1,337,030)	—
Exchange adjustments	(14,168)	(78,888)
At 31 December	—	1,304,937
<b>AMORTISATION</b>		
At 1 January	104,757	83,680
Provided for the year	6,472	27,488
Disposal of subsidiaries (notes 44(b), (c) and (d))	(110,085)	—
Exchange adjustments	(1,144)	(6,411)
At 31 December	—	104,757
<b>CARRYING VALUE</b>		
At 31 December	—	1,200,180

At 31 December 2015, the carrying amount represented the Group's interest in certain pieces of land located in the PRC to be held for future development.

The carrying amount was amortised on a straight-line basis over the lease terms ranging from 40 to 70 years.

### 22. CLUB MEMBERSHIPS

Club memberships with finite useful lives are amortised on a straight-line basis over the membership period of 24 years up to 31 December 2039 as the directors of the Company are of the opinion that the Group will derive benefits from the use of these club memberships over their life.

Club memberships with indefinite useful lives are stated at cost. All club memberships will be tested for impairment annually or whenever there is an indication of impairment.

During the year ended 31 December 2016, an addition of nil (2015: HK\$487,000) was incurred and amortisation of HK\$141,000 (2015: HK\$141,000) was recognised in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 23. LOAN RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Second mortgage loans	3,536	4,160
Analysed for reporting purposes:		
Non-current assets	3,160	3,789
Current assets	376	371
	3,536	4,160

The loans bear interest at Hong Kong Prime Rate and are repayable by monthly installments over a period of 20 years or as stipulated in the respective agreements.

The second mortgage loans are secured by the leasehold properties of the borrowers.

The effective interest rate of the loans receivable is 5.0% (2015: 5.0%) per annum.

Loan receivables balances which are past due at the end of the reporting period are minimal and are not considered impaired. In determining the recoverability of the loans receivable, the Group considers, among other factors, any change in value of the properties securing the loans.

The concentration of credit risk is limited due to the customer base being unrelated. No single loan receivable is individually material.

### 24. NOTE RECEIVABLES

The amount represents (i) the carrying value of a five-year zero coupon principal protected index-linked note with a principal amount of US\$2,000,000 (equivalent to HK\$15,509,000) (2015: US\$2,000,000 (equivalent to HK\$15,502,000)) already matured and settled in February 2017 and (ii) the carrying value of a five-year zero coupon principal protected index-linked note with a principal amount of US\$5,000,000 (equivalent to HK\$38,773,000) (2015: US\$5,000,000 (equivalent to HK\$38,754,000)) maturing on 9 August 2018. The index is a proprietary index named Forex Yield Differential Accrual Perpetual Index, which is a proprietary non-discretionary algorithm to calculate the risk filter multiple of non-discretionary trading that observes a basket of ten currencies.

The host contracts of the note are measured at amortised cost. The index-linked feature is regarded as a derivative embedded in but not closely related to the host contract in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*. However, in the opinion of the directors of the Company, the fair values of the embedded derivatives at the end of the reporting period are insignificant and therefore they have not been accounted for as a separate component in the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 25. OTHER RECEIVABLES

At 31 December 2016, the Group had incurred a total amount of RMB321,060,000 (2015: RMB321,060,000), equivalent to HK\$358,913,000 (2015: HK\$383,217,000), for the tenant relocation arrangements, excavation and infrastructure work on certain pieces of land in Nanjing, the PRC. The amount is wholly refundable from the relevant PRC local government either by deduction against the consideration payable if the Group is successful in bidding for the land or out of the proceeds received by the relevant PRC local government from another successful tenderer.

As at 31 December 2015, the balance of HK\$361,114,000 represented the Hong Kong dollar equivalent of the present value of the original amount of RMB321,060,000 expected to be recovered in 2018 discounted at the rate of 2% per annum.

During the year ended 31 December 2016, the Group recognised a full impairment of other receivables. Management reviews the status of the underlying project annually. Since there has been a substantial delay of the time schedule from the original plan, management is of the view that the release of the land for auction and amount to be recovered in the foreseeable future is unlikely, and therefore a full impairment has been made for the amount incurred.

### 26. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Unlisted investments at cost:		
— Equity securities (Note a)	5,817	5,824
— Convertible loan (Note b)	5,817	5,824
Unlisted investments at fair value:		
— Debt securities (Note c)	496,719	—
	<b>508,353</b>	<b>11,648</b>
Listed investments at fair value:		
— Equity securities listed in Hong Kong (Note d)	124,191	135,659
— Debt securities (Note e)	882,094	—
	<b>1,006,285</b>	<b>135,659</b>
<b>Total</b>	<b>1,514,638</b>	<b>147,307</b>
Analysed for reporting purposes as:		
Current assets	137,204	—
Non-current assets	1,377,434	147,307
	<b>1,514,638</b>	<b>147,307</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 26. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

- (a) At 31 December 2016, unlisted equity securities classified as available-for-sale held by the Group amounting to US\$750,000 (equivalent to HK\$5,817,000) (2015: US\$750,000 (equivalent to HK\$5,824,000)), representing approximately 8% (2015: 8%) equity interest of the investee company, were measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company were of the opinion that the fair value cannot be measured reliably.
- (b) The Group committed and contributed an unsecured interest-free loan in the sum of US\$750,000 (equivalent to HK\$5,817,000) (2015: US\$750,000 (equivalent to HK\$5,824,000)) to the party set out in note (a) which was measured at cost less impairment at the end of the reporting period.

The party is scheduled to repay the convertible loan at its principal amount of US\$500,000 on 14 October 2017 and US\$250,000 on 30 July 2018 (the "Maturity date"). The Group has the right to convert into shares representing not more than a 7% (2015: 7%) equity interest of the investee company.

The conversion option feature is regarded as a derivative embedded in but not closely related to the convertible loan in accordance with HKAS 39 Financial Instruments: Recognition and Measurement. However, in the opinion of the directors of the Company, the fair value of the embedded derivative at the end of the reporting period is insignificant and therefore it has not been accounted for it as a separate component in the consolidated financial statements.

- (c) In December 2016, the Group subscribed for a note issued by China Strategic Holdings Limited (being an independent company listed in Hong Kong Stock Exchange with principal activities of investment in securities trading as well as money lending) in an aggregate principal amount of HK\$500 million with a maturity date in December 2018 at a coupon rate of 7% per annum for the first year and 8% per annum for the second year (the "Note"). The Note entitles the issuer to early redeem on the first anniversary of the issue date of the Note, in whole but not in part, at 100% of the principal amount outstanding, together with the accrued and unpaid interest at the date fixed for redemption. As at 31 December 2016, the Note is measured at fair value determined based on the valuation conducted by an independent professional valuer. During the year ended 31 December 2016, such investments generated revenue of approximately HK\$1.6 million under the financial investment segment.
- (d) The listed investments represent equity securities listed in Hong Kong. During the year ended 31 December 2016, such investments generated revenue of approximately HK\$4.9 million under the financial investment segment.
- (e) At 31 December 2016, the Group's listed debt securities in maturing between January 2017 to September 2019 with fixed interests ranging from 1.9% to 8.0% per annum have been pledged as security for the bank borrowings (2015: nil). During the year ended 31 December 2016, such investments generated revenue of approximately HK\$3.3 million under the financial investment segment.

The Group's listed investments are measured at fair value for financial reporting purposes.

Details of fair value measurement are disclosed in note 36(c).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 27. RESTRICTED BANK DEPOSITS/PLEDGED BANK DEPOSITS

Restricted bank deposits carry fixed interest rates at 1.6% (2015: ranging from 0.4% to 1.9%) per annum and were placed with a bank in relation to long-term bank borrowings.

Pledged bank deposits carry fixed interest rates at 0.1% (2015: nil) and are placed with a bank to secure a revolving loan facility.

### 28. PROPERTIES HELD FOR SALE — PROPERTIES UNDER DEVELOPMENT

At 31 December 2015, the properties under development were expected to be completed in more than twelve months after the end of the reporting period. The entire amount of properties under development were disposed through subsidiaries (note 44).

### 29. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK\$'000	2015 HK\$'000
Trade receivables	8,001	10,000
Amount receivables from disposal of subsidiaries (note 44(d))	445,000	—
Accrued income	72,366	99,159
Deposits and prepayments	61,944	18,988
	<b>587,311</b>	<b>128,147</b>

Trade receivables mainly represent rental receivable from tenants for the use of the Group's properties and receivables from corporate customers and travel agents for the use of hotel facilities. Rentals are payable upon presentation of demand notes. An average credit period of 30 days is allowed to corporate customers and travel agents.

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

	2016 HK\$'000	2015 HK\$'000
0 to 30 days	5,622	8,167
31 to 60 days	344	271
61 to 90 days	18	232
91 to 365 days	1,100	1,110
Over 365 days	917	220
	<b>8,001</b>	<b>10,000</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 29. RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Before granting credit to any customer, the Group uses an internal credit assessment policy to assess the potential customers' credit quality and defines credit limit by customer. Trade receivables of HK\$2,513,000 (2015: HK\$2,498,000) at the end of the reporting period are past due but not considered impaired as most of them are sufficiently covered by rental deposits received from respective tenants. The Group considers that the amounts are still recoverable and no provision is required. The Group does not hold any collateral over these balances.

### 30. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

The balances are unsecured, interest-free and repayable on demand.

### 31. BANK BALANCES AND CASH

	2016 HK\$'000	2015 HK\$'000
Cash and cash equivalents	5,538,954	3,555,870
Fixed deposits with an original maturity period more than 3 months	4,460,201	364,048
Guaranteed bank balances	—	3,094
	<b>9,999,155</b>	<b>3,923,012</b>

Bank balances and cash comprise cash and short-term bank deposits which carry fixed interest rates ranging from 0.5% to 1.7% (2015: 0.3% to 2.4%) per annum.

Guaranteed bank balances represent deposits placed by the Group with banks which can only be applied to designated property development projects of the Group. Guaranteed bank balances carry interest at market rates ranging from 0.4% to 1.0% per annum as at 31 December 2015.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 31. BANK BALANCES AND CASH *(continued)*

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollars	645,526	23
United States dollars	67	63
Renminbi	1,120	3,036
Australian dollars	579	587
Great Britain Pounds	43,095	—

### 32. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

	2016 HK\$'000	2015 HK\$'000
Trade payables	2,432	3,052
Rental deposits	37,784	113,809
Rental received in advance	33,154	13,463
Other payables, other deposits and accrued charges	115,051	303,228
	<b>188,421</b>	433,552

Included in other payables is an aggregate amount of (i) HK\$24,609,000 (2015: HK\$93,010,000) payable to contractors for the cost in relation to the tenant relocation arrangements, excavation and infrastructure work on certain pieces of land as detailed in note 25; and (ii) nil (2015: HK\$67,436,000) payable to contractors for properties held for sale. In 2016, management reviewed the construction cost provision and reversed an amount of HK\$71,721,000 which no longer probable to be paid by the Group.

Rental deposits to be settled after twelve months from the end of the reporting period based on the respective lease terms amounted to HK\$25,610,000 (2015: HK\$76,421,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 33. BANK BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Secured	3,508,337	4,109,251
Unsecured	800,000	403,000
	<b>4,308,337</b>	4,512,251
Less: Front-end fee	(17,683)	(22,089)
	<b>4,290,654</b>	4,490,162
Analysed for reporting purpose as:		
Current liabilities	2,186,719	1,536,781
Non-current liabilities	2,103,935	2,953,381
	<b>4,290,654</b>	4,490,162
The bank borrowings are repayable as follows:		
On demand or within one year	2,189,628	1,539,239
Within a period of more than one year, but not exceeding two years	99,457	164,126
Within a period of more than two years, but not exceeding five years	1,965,512	1,869,412
Within a period of more than five years	53,740	939,474
	<b>4,308,337</b>	4,512,251

Except for the bank borrowing of HK\$723,420,000 denominated in Hong Kong dollars being the foreign currency of the relevant group entities with functional currency in USD, the remaining amounts are denominated in the functional currencies of the relevant group entities and carry interest at floating rates, the principal amounts of which are analysed below:

Denominated in	2016 HK\$'000	2015 HK\$'000
Hong Kong dollars	1,835,000	3,862,000
Renminbi	140,017	576,574
Australian dollars	72,744	73,677
Great Britain Pounds	1,537,156	—
	<b>3,584,917</b>	4,512,251

The effective interest rates of these variable rate borrowings range from 1.2% to 5.4% (2015: 1.4% to 7.1%) per annum.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 34. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each		Nominal value	
	2016	2015	2016 HK\$'000	2015 HK\$'000
Authorised	1,000,000,000	1,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning of year	677,651,726	689,617,726	67,765	68,962
Shares issued upon exercise of share options	7,657,000	17,624,000	765	1,762
Repurchase of ordinary shares	(8,744,000)	(29,590,000)	(874)	(2,959)
At end of year	676,564,726	677,651,726	67,656	67,765

During the year, 5,732,000 and 1,925,000 (2015: 17,624,000 shares issued at the subscription price of HK\$3.454) shares of HK\$0.1 each in the Company were issued at the subscription prices of HK\$3.454 and HK\$6.302 per share respectively, upon exercise of the share options.

During the year, the Company repurchased 8,744,000 (2015: 29,590,000) of its own shares at prices ranging from HK\$13.08 to HK\$26.10 (2015: HK\$5.58 to HK\$12.80) for an aggregate consideration of HK\$165,936,000 (2015: HK\$228,530,000). The shares were cancelled following repurchase.

None of the Company's subsidiaries purchased or sold any of the Company's shares during the year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 35. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK\$'000	Fair value of investment properties HK\$'000	Effective rental income HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2015	25,820	459,862	22,006	(6,925)	1,597	502,360
Exchange adjustments	—	(27,263)	(1,339)	512	8	(28,082)
Charge (credit) to profit or loss	2,145	(31,129)	1,372	(621)	327	(27,906)
At 31 December 2015	27,965	401,470	22,039	(7,034)	1,932	446,372
Exchange adjustments	(58)	(22,783)	(1,263)	228	1	(23,875)
Charge (credit) to profit or loss	301	(24,515)	(3,190)	2,607	(183)	(24,980)
Disposal of subsidiaries	(24,439)	—	—	—	(1,779)	(26,218)
<b>At 31 December 2016</b>	<b>3,769</b>	<b>354,172</b>	<b>17,586</b>	<b>(4,199)</b>	<b>(29)</b>	<b>371,299</b>

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

At 31 December 2016, the Group has tax losses of HK\$85,136,000 (2015: HK\$140,154,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$15,898,000 (2015: HK\$27,290,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$69,238,000 (2015: HK\$112,864,000) as it is not probable that taxable profit will be available to offset against the tax losses due to the unpredictability of future profit streams. The tax losses will expire in the following years ending 31 December:

	2016 HK\$'000	2015 HK\$'000
2016	—	1,465
2017	1,092	3,354
2018	4,248	4,797
2019	11,967	39,316
2020	11,801	29,159
2021	13,159	—
	<b>42,267</b>	<b>78,091</b>

Other tax losses may be carried forward indefinitely.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 36. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	11,048,706	4,358,155
Available-for-sale investments		
— listed	1,006,285	135,659
— unlisted	508,353	11,648
<i>Financial liabilities</i>		
Financial liabilities at amortised cost	4,478,764	4,872,483

#### (b) Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations. The directors of the Company monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including primarily foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall strategy remains unchanged from prior year.

#### Market risk

##### (i) Foreign currency risk

Certain subsidiaries of the Company have foreign currency denominated monetary assets/(liabilities), which expose the Group to foreign currency risk. The Group currently does not have a policy to hedge the foreign currency exposure. However, management monitors the related foreign currency fluctuation closely and will consider entering into foreign exchange forward contracts to hedge significant portion of the foreign currency risk should the need arise.

The carrying amounts of the foreign currency denominated net monetary assets/(liabilities) at the end of the reporting period in the respective group entities are as follows:

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollars	(77,436)	23
United States dollars	65,953	65,967
Renminbi	2,395	3,036
Australian dollars	579	587
Great Britain Pounds	43,095	—

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 36. FINANCIAL INSTRUMENTS *(continued)*

#### (b) Financial risk management objectives and policies *(continued)*

##### Market risk *(continued)*

##### (i) Foreign currency risk *(continued)*

The loans for foreign operations within the Group that form part of the Group's net investment in the foreign operations are denominated in foreign currencies, other than the functional currency of the foreign entities.

##### *Sensitivity analysis*

The following table details the Group's sensitivity to a 5% (2015: 5%) depreciation in the functional currencies of the relevant subsidiaries (i.e. Renminbi, United States dollars, Hong Kong dollars, Australian dollars and Great Britain Pounds), relative to the foreign currencies of the relevant subsidiaries (i.e. Hong Kong dollars, United States dollars, Renminbi, Australian dollars and Great Britain Pounds). There would be an equal and opposite impact where Hong Kong dollars, United States dollars, Renminbi, Australian dollars and Great Britain Pounds weaken 5% (2015:5%) against the relevant foreign currencies.

	Decrease in profit for the year	
	2016 HK\$'000	2015 HK\$'000
Hong Kong dollars	(3,872)	1
United States dollars	3,298	3,298
Renminbi	120	152
Australian dollars	29	29
Great Britain Pounds	2,155	—

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

Since the Hong Kong dollar is pegged to the United States dollar under the Linked Exchange Rate System, management does not expect any significant foreign currency exposure in relation to the exchange rate fluctuations between the Hong Kong dollar and the United States dollar.

##### (ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings, loan receivables, bank balances and deposits. The directors of the Company consider that the interest rate risk on bank balances and deposits are insignificant as they are subject to minimal interest rate fluctuation, accordingly, no sensitivity analysis is presented. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR, the PBOC Prescribed Interest Rates and Australian Bank Bill Swap Bid Rate on the bank borrowings, and Hong Kong Prime Rate on the loan receivables.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 36. FINANCIAL INSTRUMENTS *(continued)*

#### (b) Financial risk management objectives and policies *(continued)*

##### Market risk *(continued)*

##### (ii) Interest rate risk *(continued)*

The Group currently does not have an interest rate swap hedging policy. However, management monitors the interest rate exposure and will consider hedging interest rate risk exposure should the need arise.

##### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates in relation to the Group's variable-rate bank borrowings and loan receivables at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would decrease/increase by HK\$21,524,000 (2015: HK\$21,809,000).

##### (iii) Price risk

The Group is exposed to price risk through its investments in available-for-sale investments. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on debt instruments quoted in an active market. In addition, the Group has formed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

##### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to market price risk of listed available-for-sale debt investments at the reporting date. For sensitivity analysis purpose, if the prices of the respective instruments had been 5% higher/lower, investments revaluation reserve would increase/decrease by HK\$50,314,000 for the Group as a result of the changes in fair value of the listed available-for-sale investments.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 36. FINANCIAL INSTRUMENTS *(continued)*

#### (b) Financial risk management objectives and policies *(continued)*

##### Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position, which is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 December 2016, the Group has concentration of credit risk on receivables from disposal of subsidiaries as set out in note 44 and unlisted available-for-sale debt investments. Management of the Group has periodic communication with the counterparty and has monitored the settlement regularly.

Although the placing of deposits, listed available-for-sale debt investments and notes subscribed are concentrated on certain banks or listed issuers, the credit risk on these financial assets is limited because the counterparties with good reputation.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

##### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which have built an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast and actual cash flows. As at 31 December 2016, the Group has bank balances and cash of HK\$10,537,849,000 (2015: HK\$3,923,012,000) and available unutilised bank loan facilities of approximately HK\$687,442,000 (2015: HK\$500,000,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 36. FINANCIAL INSTRUMENTS *(continued)*

#### (b) Financial risk management objectives and policies *(continued)*

##### Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, estimated based on interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Within 3 months HK\$'000	3 months to 6 months HK\$'000	6 months to 9 months HK\$'000	9 months to 12 months HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 December 2016</b>								
Payables and deposits received	—	106,996	1,855	762	2,917	25,610	138,140	138,140
Amounts due to non-controlling interests	—	87,754	—	—	—	—	87,754	87,754
Variable rates bank borrowings	2.09	2,130,659	32,945	32,693	56,442	2,381,354	4,634,093	4,290,654
		<b>2,325,409</b>	<b>34,800</b>	<b>33,455</b>	<b>59,359</b>	<b>2,406,964</b>	<b>4,859,987</b>	<b>4,516,548</b>
<b>At 31 December 2015</b>								
Payables and deposits received	—	303,074	10,679	6,732	5,528	76,421	402,434	402,434
Amounts due to non-controlling interests	—	93,696	—	—	—	—	93,696	93,696
Variable rates bank borrowings	2.70	482,910	1,036,845	38,104	90,582	3,420,727	5,069,168	4,490,162
Financial guarantee liabilities	—	43,382	—	—	—	—	43,382	—
		<b>923,062</b>	<b>1,047,524</b>	<b>44,836</b>	<b>96,110</b>	<b>3,497,148</b>	<b>5,608,680</b>	<b>4,986,292</b>

The amounts of financial guarantee liabilities, as set out in note 42, are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 36. FINANCIAL INSTRUMENTS *(continued)*

#### (b) Financial risk management objectives and policies *(continued)*

##### Liquidity risk *(continued)*

Bank loans with a repayment on demand clause are included in the “within 3 months” time band in the above maturity analysis. As at 31 December 2016, the aggregate undiscounted principal amounts of the bank loans amounted to HK\$1,256,524,000. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment and the principal and interest cash flows based on contractual repayment terms amount to HK\$1,257,597,000 reported under “within 3 months” time band.

#### (c) Fair value measurement of financial instruments

The fair value of financial assets and financial liabilities carried at amortised cost, are determined in accordance with generally accepted pricing models which is based on discounted cash flows analysis using the relevant prevailing market rates as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The fair value of the unlisted available-for-sale investments is determined by reference to the quoted bid prices in an active market. This valuation falls under Level 1 of the fair value hierarchy.

The following table gives information about how the fair values of the unlisted available-for-sale debt investments are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2016	Fair value hierarchy	Valuation technique(s) and key input(s)
Unlisted available-for-sale debt investments as set out in note 26 (Note c)	HK\$496,719,000	Level 2	<p>A discounted cash flow analysis is adopted to estimate the fair value of the Note.</p> <p>A discounted cash flow analysis involves forecasting the appropriate cash flow stream over an appropriate period and then discounting it back to a present value at an appropriate discount rate. This discount rate reflects the time value of money, inflation and the risk inherent in ownership of the asset or security interest being valued.</p> <p>The key inputs is the discount rate which is determined with reference to comparable bonds as at 31 December 2016.</p>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 37. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

Minimum lease payments paid under operating leases during the year are HK\$8,418,000 (2015: HK\$1,386,000).

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

	2016 HK\$'000	2015 HK\$'000
Within one year	13,495	766
In the second to fifth years inclusive	18,661	129
	<b>32,156</b>	895

Leases are negotiated for the range of 1 to 2 years (2015: 1 to 2 years) with fixed monthly rentals.

#### The Group as lessor

The majority of the Group's investment properties were leased out under operating leases.

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

	2016 HK\$'000	2015 HK\$'000
Within one year	206,912	377,561
In the second to fifth years inclusive	678,200	942,040
Over five years	889,336	976,129
	<b>1,774,448</b>	2,295,730

In addition to the annual minimum lease payments, the Group is entitled to, in respect of leases, in addition to committed rent, additional rental based on a specified percentage of revenue, if achieved, earned by the tenant. No such additional rental was received during the year and the preceding year.

The lease terms of the remaining leased properties range from 1 to 23 years (2015: 1 to 18 years).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 38. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group:

- (a) Fixed charges on investment properties and property, plant and equipment with an aggregate carrying value of HK\$3,066,398,000 (2015: HK\$10,905,555,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- (b) Fixed charges on hotel properties with aggregate carrying values of HK\$646,244,000 (2015: HK\$666,251,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- (c) Fixed charges on properties under development held for sale with an aggregate carrying value of HK\$195,963,000 as at 31 December 2015, which were released in the current year.
- (d) Fixed charges on properties for development with an aggregate carrying value of HK\$186,898,000 as at 31 December 2015, which were released in the current year.
- (e) Note receivables of HK\$54,282,000 (2015: HK\$54,256,000).
- (f) Pledged bank balances and cash of HK\$533,105,000 (2015: nil).
- (g) Listed debt securities of HK\$882,094,000 (2015: nil).

### 39. SHARE-BASED PAYMENTS

#### Share Option Scheme of the Company

The employee share option scheme adopted by the Company on 25 August 2005 (the "2005 SEA Share Option Scheme"). Upon expiry of the 2005 SEA Share Option Scheme, no further options should be granted thereunder but the options granted and yet to be exercised under the 2005 SEA Share Option Scheme shall remain in force and effect.

The Company adopted a new share option scheme (the "2015 SEA Share Option Scheme") on 29 May 2015. Unless terminated earlier by the board of directors of the Company (the "Board"), the 2015 SEA Share Option Scheme shall be valid and effective for a term of 10 years until 28 May 2025. Under the 2015 SEA Share Option Scheme, the Board may offer to eligible participants options to subscribe for shares of the Company at a price at least the highest of (i) the nominal value of the share of the Company; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option.

Without prior approval of the shareholders of the Company in general meeting, no option may be granted to (a) an eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted to such eligible participant (including both exercised and outstanding options) in any 12-month period, exceeding 1% of the shares of the Company then in issue; and (b) a substantial shareholder or an independent non-executive director of the Company or any of their respective associates which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period, exceeding 0.1% of the shares of the Company then in issue and with an aggregate value exceeding HK\$5 million.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 39. SHARE-BASED PAYMENTS (continued)

#### Share Option Scheme of the Company (continued)

Options granted must be taken up within 28 days from the date of grant upon payment of HK\$10. The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the Board at its sole discretion, there is no minimum period for which an option must be held before it can be exercised.

Details of the share options granted under the 2005 SEA Share Option Scheme and the 2015 SEA Share Option Scheme during the two years ended 31 December 2016 are as follows:

Date of grant	Exercise period upon vesting	Exercise price per share (HK\$)	Number of share options										
			At 1 January 2015	Granted	Exercised	Lapsed	At 31 December 2015	Granted	Transferred to/from other category during the year	Exercised	Lapsed	Cancelled	At 31 December 2016
<b>Granted to the Directors</b>													
12.07.2012	01.07.2013 to 30.06.2015	3.454	222,000	–	(222,000)	–	–	–	–	–	–	–	–
12.07.2012	01.07.2014 to 30.06.2016	3.454	6,464,000	–	(3,122,000)	–	3,342,000	–	(446,000) <sup>(1)</sup>	(2,896,000)	–	–	–
12.07.2012	01.07.2015 to 30.06.2017	3.454	10,032,000	–	(6,690,000)	–	3,342,000	–	(446,000) <sup>(2)</sup>	(444,000)	–	–	2,452,000
			16,718,000	–	(10,034,000)	–	6,684,000	–	(892,000)	(3,340,000)	–	–	2,452,000
<b>Granted to the employees</b>													
12.07.2012	01.01.2014 to 31.12.2015	3.454	520,000	–	(520,000)	–	–	–	–	–	–	–	–
12.07.2012	01.07.2014 to 30.06.2016	3.454	1,050,000	–	(1,050,000)	–	–	–	–	–	–	–	–
12.07.2012	01.01.2015 to 31.12.2016	3.454	1,600,000	–	(1,600,000)	–	–	–	–	–	–	–	–
12.07.2012	01.07.2015 to 30.06.2017	3.454	6,180,000	–	(4,520,000)	(260,000)	1,400,000	–	–	(1,400,000)	–	–	–
<b>Granted to the Past Director</b>													
12.07.2012	01.07.2014 to 30.06.2017	3.454	–	–	–	–	–	–	446,000 <sup>(1)</sup>	(446,000) <sup>(1)</sup>	–	–	–
12.07.2012	01.07.2015 to 30.06.2018	3.454	–	–	–	–	–	–	446,000 <sup>(2)</sup>	(446,000) <sup>(2)</sup>	–	–	–
			9,350,000	–	(7,690,000)	(260,000)	1,400,000	–	892,000	(2,292,000)	–	–	–
			26,068,000	–	(17,724,000)	(260,000)	8,084,000	–	–	(5,632,000)	–	–	2,452,000

#### Notes:

- (1) The share options were exercised by a past director of the Company who retired on 30 May 2016, and his share options were transferred to other category on the same date and his share options were extended by the Board from 30 June 2016 to 30 June 2017.
- (2) The share options were exercised by a past director of the Company who retired on 30 May 2016, and his share options were transferred to other category on the same date and his share options were extended by the Board from 30 June 2017 to 30 June 2018.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 39. SHARE-BASED PAYMENTS *(continued)*

#### Share Option Scheme of the Company *(continued)*

Date of grant	Exercise period upon vesting	Exercise price per share (HK\$)	Number of share options									
			At 1 January 2015	Granted	Exercised	Lapsed	At 31 December 2015	Granted	Exercised	Lapsed	Cancelled	At 31 December 2016
<b>Granted to the employees</b>												
02.07.2015	03.07.2015 to 02.07.2017	6.302	—	150,000	—	—	150,000	—	(150,000)	—	—	—
02.07.2015	01.01.2016 to 31.12.2017	6.302	—	750,000	—	—	750,000	—	(675,000)	(75,000)	—	—
02.07.2015	01.07.2016 to 30.06.2018	6.302	—	2,600,000	—	—	2,600,000	—	(1,100,000)	—	(1,500,000)	—
02.07.2015	01.01.2017 to 31.12.2018	6.302	—	3,500,000	—	(500,000)	3,000,000	—	—	(350,000)	—	2,650,000
02.07.2015	01.07.2017 to 30.06.2019	6.302	—	3,400,000	—	(150,000)	3,250,000	—	—	(750,000)	—	2,500,000
02.07.2015	01.01.2018 to 31.12.2019	6.302	—	3,150,000	—	—	3,150,000	—	—	(600,000)	—	2,550,000
02.07.2015	01.07.2018 to 30.06.2020	6.302	—	8,100,000	—	(700,000)	7,400,000	—	—	(750,000)	—	6,650,000
			—	21,650,000	—	(1,350,000)	20,300,000	—	(1,925,000)	(2,525,000)	(1,500,000)	14,350,000
(2005 SEA Share Option Scheme and 2015 SEA Share Option Scheme)												
Total			26,068,000	21,650,000	(17,724,000)	(1,610,000)	28,384,000	—	(7,557,000)	(2,525,000)	(1,500,000)	16,802,000
Exercisable at year end			8,256,000				8,234,000					2,452,000

Total consideration received by the Group for exercising the share options during the year amounted to HK\$31,584,000 (2015: HK\$61,219,000) and the weighted average share price at the dates of exercise was HK\$17.96 (2015: HK\$8.41). 100,000 shares were issued on 7 January 2016 pursuant to the options exercised on 17 December 2015.

On 2 July 2015, 21,650,000 share options under the 2015 SEA Share Option Scheme were granted to the employees of the Company and the closing price of the Company's shares immediately preceding the date of grant was HK\$6.23. The estimated fair value of the share options granted to employees of the Company on that date was HK\$21,499,000. The directors determined the fair values of share options with reference to the calculation of the fair value of the share options granted made by an independent professional valuer.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 39. SHARE-BASED PAYMENTS *(continued)*

#### Share Option Scheme of the Company *(continued)*

The fair values were calculated using The Binominal Option Pricing model. The inputs into the model were as follows:

	Share Option Granted on	
	12 July 2012	2 July 2015
Share price as at grant date:	HK\$3.340	HK\$6.200
Exercise price:	HK\$3.454	HK\$6.302
Expected volatility:	24.68% – 31.22%	21.58% – 24.24%
Expected dividend yield:	3.29%	1.75%
Risk-free rate:	0.18% – 0.33%	0.385% – 1.188%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The variables and assumptions used in computing the fair value of the share options were based on director's best estimate. The value of option varied with different variables of certain subjective assumptions.

#### Share Award Scheme of the Company

The share award scheme of the Company (the "SEA Share Award Scheme") was approved by the shareholders of the Company on 27 May 2010 and came into effect on 15 June 2010. Unless terminated earlier by the Board, the SEA Share Award Scheme shall be valid and effective for a term of 15 years until 14 June 2025.

The purpose of the SEA Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined in the SEA Share Award Scheme). Under the SEA Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and is listed on the Stock Exchange from time to time; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the SEA Share Award Scheme. No award may be granted under the SEA Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the SEA Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

The Company has appointed trustee to acquire the Company's shares from the open market with funds provided by the Company and to hold the shares before they are vested and transferred to the selected participants.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 39. SHARE-BASED PAYMENTS *(continued)*

#### Share Option Scheme of AGP

The share option scheme of AGP (the “AGP Share Option Scheme”) was approved by the shareholders of the Company on 27 May 2010 and by the board of directors of AGP (the “AGP Board”) on 28 May 2010 and came into effect on 16 August 2010. Unless terminated earlier by the AGP Board, the AGP Share Option Scheme shall be valid and effective for a term of 10 years until 15 August 2020.

Under the AGP Share Option Scheme, the AGP Board (or any committee delegated by the AGP Board) may offer to the eligible participants options to subscribe for shares of AGP at a price at least the highest of (i) the closing price of the share of AGP on the AIM Market of The London Stock Exchange plc. (the “AIM Market”) on the date of grant of the option; (ii) the average of the closing price of the share of AGP on the AIM Market for the five business days immediately preceding the date of grant of the option; and (iii) the par value of the share of AGP.

Without prior approval of the shareholders of the Company in general meeting, no option may be granted to (a) an eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted to such eligible participant in any 12-month period, exceeding 1% of the shares of AGP then in issue; and (b) a substantial shareholder and/or an independent non-executive director of the Company or AGP or any of their respective associates which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period, exceeding 0.1% of the shares of AGP then in issue and with an aggregate value exceeding HK\$5 million (or its equivalent amount in British Pound).

Options granted must be taken up within 28 days from the date of grant upon payment of HK\$10 (or its equivalent amount in British Pound or United States dollars). The period during which an option may be exercised is determined by the AGP Board (or any committee delegated by the AGP Board) at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the AGP Board (or any committee delegated by the AGP Board) at its sole discretion, there is no minimum period for which an option must be held before it can be exercised.

No option was granted since the commencement of the AGP Share Option Scheme.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 39. SHARE-BASED PAYMENTS *(continued)*

#### Share Award Scheme of AGP

The share award scheme of AGP (the “AGP Share Award Scheme”) was approved by the shareholders of the Company on 27 May 2010 and by the AGP Board on 28 May 2010 and came into effect on 16 August 2010. Unless terminated earlier by the AGP Board, the AGP Share Award Scheme shall be valid and effective for a term of 15 years until 15 August 2025.

The purpose of the AGP Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined in the AGP Share Award Scheme). Under the AGP Share Award Scheme, the AGP Board (or any committee delegated by the AGP Board) may at its absolute discretion grant awards, which may comprise (a) new shares of AGP; (b) existing shares of AGP in issue and is listed on the AIM Market from time to time; (c) cash in lieu of the shares of AGP; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the AGP Share Award Scheme. No award may be granted under the AGP Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the AGP Share Award Scheme and any other share award scheme of AGP and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of AGP exceed 30% of the shares of AGP in issue from time to time.

No award was granted since the commencement of the AGP Share Award Scheme.

### 40. RETIREMENT BENEFIT PLANS

The Group participates in defined contribution schemes which are registered under the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance of Hong Kong in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee’s basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs to the scheme for members of the MPF Scheme, depending on the length of service with the Group.

The employees of the Group’s subsidiaries in the PRC are members of state-managed retirement benefit scheme operated by the government of the PRC.

The total contribution paid to the retirement benefit schemes by the Group charged to profit or loss for the year amounted to HK\$7,828,000 (2015: HK\$8,579,000). No forfeited contributions have been used to reduce the level of contributions in either year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 41. RELATED PARTY TRANSACTIONS

The remuneration of directors of the Company who are the Group's key management personnel is set out in note 15.

The remuneration of directors and key executives of the Company is determined/recommended to the Board for approval by the remuneration committee having regard to the performance of individuals and market trends.

### 42. CONTINGENT LIABILITIES

At 31 December 2015, the Group had given guarantees to banks in respect of mortgage loans provided to the Group's customers for the purchase of the Group's properties located in Kaifeng, the PRC. The total outstanding mortgage loans which were under the guarantee were HK\$43,382,000. This development project has been disposed during the year as set out in note 44(b) and the contingent liabilities therefore no longer exist at 31 December 2016.

### 43. ACQUISITIONS OF SUBSIDIARIES

On 7 November 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire indirectly the entire issued units in a trust that owns the property known as 20 Moorgate, London, EC2R 6DA a total consideration of approximately £154 million (approximately HK\$1,491 million) (the "Acquisition"). The Acquisition was financed by (i) a bank facility of £100.8 million secured by the property and (ii) bank facility of £57 million pledged by cash deposits.

**Assets acquired and liabilities recognised at the date of acquisition are as follows:**

	HK\$'000
Investment properties	1,505,213
Other receivables and prepayments	1,030
Trade and other payables	(12,310)
	1,493,933



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 44. GAIN ON DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2016, the Group has disposed of certain subsidiaries which owned the following properties/projects:

**(a) Dah Sing Financial Centre**

On 25 February 2016, the Group entered into a sale and purchase agreement, pursuant to which the Group agreed to sell the entire issued shares of SEA (BVI) Limited, which wholly owns the issued shares of Wing Siu Company Limited (the sole registered and beneficial owner of Dah Sing Financial Centre), to an independent third party at an aggregate consideration of HK\$10,101 million in cash. The disposal was completed on 24 May 2016.

**(b) Kaifeng Nova City**

On 19 April 2016, the Group entered into a sale and purchase agreement, pursuant to which the Group agreed to sell the entire issued share of New Insight Holdings Limited, which wholly owns the issued shares of all investment companies (the beneficial owners of a property development project at Kaifeng Nova City, Henan Province, the PRC), to an independent third party at an aggregate consideration of HK\$900 million in cash. The disposal was completed on 26 April 2016.

**(c) Huangshan project**

On 3 August 2016, the Group entered into a sale and purchase agreement with an independent third party to sell the entire issued share capital of Rich Motion Development Limited, which wholly owns the entire registered capital of the investment company of a property development project located at Huangshan, Anhui Province, the PRC for a consideration of HK\$2 million in cash. The disposal was completed on the same date.

**(d) Chengdu Nova City**

On 22 August 2016, the Group entered into a sale and purchase agreement with an independent third party to sell the entire issued share capital of Healthy Time International Limited, which wholly owns the beneficial interest in the property development project located in Chengdu, Sichuan Province, the PRC for a consideration of HK\$890 million in cash. The disposal was completed on 29 August 2016.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 44. GAIN ON DISPOSAL OF SUBSIDIARIES *(continued)*

The major classes of assets and liabilities of the disposed subsidiaries at the respective date of each disposal were as follows:

	Dah Sing Financial Centre HK\$'000	Kaifeng Nova City HK\$'000	Huangshan project HK\$'000	Chengdu Nova City HK\$'000	Total HK\$'000
Investment property	8,983,000	—	—	—	8,983,000
Property for development	—	531,322	85,338	610,285	1,226,945
Property, plant and equipment	213,165	2,129	210	445	215,949
Properties held for sale					
Completed properties	—	419,107	—	—	419,107
Properties under development	—	148,832	—	86,879	235,711
Receivables, deposits and prepayments	18,719	2,360	175	661	21,915
Tax recoverable (tax liabilities)	(4,130)	3,449	—	12	(669)
Bank balances and cash	44,229	118,580	191	124,746	287,746
Payables, deposits and accrued charges	(86,256)	(52,754)	(61,552)	(72,458)	(273,020)
Sales deposits	—	(17,671)	—	—	(17,671)
Bank borrowings	—	(159,078)	—	—	(159,078)
Deferred tax liabilities	(26,218)	—	—	—	(26,218)
<b>Net assets disposed of</b>	<b>9,142,509</b>	<b>996,276</b>	<b>24,362</b>	<b>750,570</b>	<b>10,913,717</b>
Gain (loss) on disposal of subsidiaries:					
Cash consideration	10,100,710	900,000	2,000	890,000	11,892,710
Add: Realisation of translation reserve upon disposal	—	6,654	759	(9,261)	(1,848)
Less: Transaction costs incurred	(150,250)	(903)	(10,677)	(3,059)	(164,889)
Less: Write off of unamortised front-end fee	(10,566)	—	—	—	(10,566)
Less: Net assets disposed of	(9,142,509)	(996,276)	(24,362)	(750,570)	(10,913,717)
<b>Gain (loss) on disposal of subsidiaries</b>	<b>797,385</b>	<b>(90,525)</b>	<b>(32,280)</b>	<b>127,110</b>	<b>801,690</b>
Cash consideration	10,100,710	900,000	2,000	890,000	11,892,710
Less: Cash consideration receivable	—	—	—	(445,000)	(445,000)
Less: Cash and cash equivalents disposed of	(44,229)	(118,580)	(191)	(124,746)	(287,746)
Less: Transaction costs paid	(150,250)	(903)	(10,677)	(3,059)	(164,889)
<b>Net cash inflow (outflow) arising on disposal</b>	<b>9,906,231</b>	<b>780,517</b>	<b>(8,868)</b>	<b>317,195</b>	<b>10,995,075</b>

The each consideration receivable, including in receivables, deposits and prepayment as set out in note 29 will be settled in August 2017.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 44. GAIN ON DISPOSAL OF SUBSIDIARIES *(continued)*

On 30 September 2015, after taking into account the market conditions, the current development plan has been changed. The Group entered into a sale and purchase agreement, pursuant to which the Group agreed to sell the subsidiaries, being the owner of a piece of land known as Sha Tin Town Lot No. 75 and the Remaining Portion of Lot No. 744 in the Demarcation District No. 176 and situated at 1-11 Au Pui Wan Street, Fo Tan, Sha Tin, New Territories, Hong Kong, to the purchaser at an aggregate consideration of HK\$1,400 million, subject to certain adjustments not exceeding HK\$10 million. The disposal was completed on 30 November 2015.

The major classes of assets and liabilities of the disposed subsidiaries at the date of the disposal were as follows:

	HK\$'000
Properties under development for sale	918,188
Receivables, deposits and prepayments	603
	<u>918,791</u>
Gain on disposal of subsidiaries:	
Cash consideration	1,400,000
Add: Consideration receivable	603
Total consideration	1,400,603
Less: Transaction costs incurred	(17,650)
Less: Net assets disposed of	(918,791)
Gain on disposal of subsidiaries	<u>464,162</u>
Cash consideration received	1,400,000
Less: Transaction costs paid	(17,500)
Net cash inflow arising on disposal	<u>1,382,500</u>

Management did not consider the disposal of the subsidiaries comprising the entire early stage development projects or investment property, to be in the normal course of business of the Group and for that reason the gain or loss on disposal was presented below profit from operations after fair value changes on investment properties.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>		
Interests in subsidiaries	6,198,505	5,902,696
<b>Current assets</b>		
Receivables and deposits	158	211
Bank balances	90,069	168,163
	90,227	168,374
<b>Current liabilities</b>		
Payables and accrued charges	2,591	3,658
Amounts due to subsidiaries	65,490	4,111,829
Unsecured bank borrowings	720,000	403,000
	788,081	4,518,487
<b>Net current liabilities</b>	(697,854)	(4,350,113)
<b>Net assets</b>	5,500,651	1,552,583
<b>Capital and reserves</b>		
Share capital	67,656	67,765
Reserves	5,432,995	1,484,818
	5,500,651	1,552,583

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

#### Movement in the Company's reserve

	Attributable to the Company's shareholders								
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Shares on trust for awardees under share award scheme HK\$'000	Share award reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2015	68,962	425,501	190,081	4,451	—	—	14,917	1,033,700	1,737,612
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	51,242	51,242
Recognition of equity-settled share-based payments									
— share options	—	—	—	—	—	—	7,066	—	7,066
— share awards	—	—	—	—	—	55,800	—	—	55,800
Shares issued upon exercise of share options	1,762	70,372	—	—	—	—	(11,261)	—	60,873
Purchase of shares under share award scheme	—	—	—	—	(70,217)	—	—	—	(70,217)
Shares transferred to participants under share award scheme	—	—	—	—	70,217	(55,800)	—	—	14,417
Repurchase of ordinary shares	(2,959)	(225,571)	—	—	—	—	—	—	(228,530)
Dividends paid	—	—	—	—	—	—	—	(75,680)	(75,680)
At 31 December 2015	67,765	270,302	190,081	4,451	—	—	10,722	1,009,262	1,552,583
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	5,506,207	5,506,207
Recognition of equity-settled share-based payments									
— share options	—	—	—	—	—	—	5,462	—	5,462
Shares issued upon exercise of share options	765	36,370	—	—	—	—	(5,142)	—	31,993
Repurchase of ordinary shares	(874)	(165,062)	—	—	—	—	—	—	(165,936)
Dividends paid	—	—	—	—	—	—	—	(1,429,658)	(1,429,658)
At 31 December 2016	67,656	141,610	190,081	4,451	—	—	11,042	5,085,811	5,500,651

### 46. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has issued guaranteed notes with principal amount of US\$200,000,000, due on 19 January 2020 (the "Notes"). At maturity, the Notes are payable at their principal amount.

The Notes will bear interest from, and including 19 January 2017 at the rate of 4.50% per annum, until 19 January 2020, payable semi-annually in arrears on 19 January and 19 July each year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 47. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place/country of incorporation/operation	Issued and paid up share capital/registered capital	Effective % of issued share capital/registered capital held by the Company		Principal activities
			2016	2015	
<i>Direct subsidiaries</i>					
SEABO Pacific Limited	Bermuda/ Hong Kong	HK\$767,919	100	100	Investment holding
South-East Asia Investment And Agency Company, Limited	Hong Kong	HK\$10,000,000	100	100	Provision of corporate and property management services
<i>Indirect subsidiaries</i>					
AGP (Diamond Hill) Limited	Hong Kong	HK\$2	97	97	Property development
Asian Growth Properties Limited <sup>f</sup>	Bermuda/ Hong Kong	US\$44,317,390.60	97	97	Investment holding
Chengdu Huashang House Development Co., Ltd.* 成都華商房屋開發有限公司	PRC	RMB200,000,000 registered capital	97	97	Property investment
Chengdu Yulong No.1 Property Development Company Limited* 成都裕龍壹號房地產開發有限公司	PRC	RMB345,000,000 registered capital	—	97	Property development
Chengdu Yulong No.2 Property Development Company Limited* 成都裕龍貳號房地產開發有限公司	PRC	RMB80,000,000 registered capital	—	97	Property development
Chengdu Yulong No.3 Property Development Company Limited* 成都裕龍參號房地產開發有限公司	PRC	RMB450,000,000 registered capital	—	97	Property development
Concord Way Limited	Hong Kong	HK\$100	97	97	Hotel operation
Giant Well Enterprises Limited	British Virgin Island ("B.V.I.)/Hong Kong	US\$1	97	97	Investment holding
Grace Art Development Limited	Hong Kong	HK\$1	97	97	Treasury services
Guangzhou Yingfat House Property Development Co., Ltd.* 廣州市盈發房產發展有限公司	PRC	US\$20,110,000 registered capital	97	97	Property development and investment

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 47. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation/operation	Issued and paid up share capital/registered capital	Effective % of issued share capital/registered capital held by the Company		Principal activities
			2016	2015	
<i>Indirect subsidiaries (continued)</i>					
Harvest Hill Limited	Hong Kong	HK\$2	97	97	Financing
Huangshan City Huizhou District Feng Dan Bailu Investment and Development Company Limited* 黃山市徽州區楓丹白露投資開發有限公司	PRC	RMB35,000,000 registered capital	—	97	Property and tourist leisure facilities development
Kaifeng International City No.1 Realty Development Company Limited* 開封國際城一號實業開發有限公司	PRC	US\$152,500,000 registered capital	—	97	Property development
Kaifeng International City No.5 Realty Development Company Limited* 開封國際城五號實業開發有限公司	PRC	US\$42,450,000 registered capital	—	97	Property development
Kingston Pacific Investment Limited	B.V.I./ Hong Kong	US\$100	53	53	Property development
Leighton Road Hotel Management Services Limited	Hong Kong	HK\$1	97	97	Hotel operation
Nanjing Hushu Ecology Travel Development Co., Ltd.* 南京湖熟生態旅遊發展有限公司 ("NJ Hushu")	PRC	RMB100,000,000 registered capital	50	50	Property, cultural and tourism development
Luck Marker Limited	B.V.I./ Hong Kong	US\$1	97	—	Financial investment
Nanjing Taligang Tourist Leisure Facilities Company Limited* 南京搭里崗旅遊開發有限公司 ("NJ Taligang")	PRC	RMB35,000,000 registered capital	50	50	Property, cultural and tourism development
Pearl Hope Limited	B.V.I.	US\$1	100	100	Investment holding
Rainbow Mark Investment Limited	B.V.I./ Hong Kong	US\$1	97	—	Financial investment

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 47. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation/operation	Issued and paid up share capital/registered capital	Effective % of issued share capital/registered capital held by the Company		Principal activities
			2016	2015	
<i>Indirect subsidiaries (continued)</i>					
SEA Island Holdings Pty. Limited	Australia	A\$320,000 paid up share capital	100	100	Property investment
Shine Concord Investments Limited	Hong Kong	HK\$1	97	97	Hotel operation
Sino Harvest Real Estate Development (Chengdu) Company Limited* 漢泰房地產開發(成都)有限公司	PRC	US\$3,000,000 registered capital	97	97	Property investment
Sky Trend Investments Limited	Hong Kong	HK\$2	97	97	Hotel operation
Sunfold Development Limited	Hong Kong	HK\$1	97	97	Hotel operation
Top Paragon Investments Limited	B.V.I.	US\$1	100	100	Property investment
Treasure Indicator Limited	B.V.I./ Hong Kong	US\$1	97	—	Financial investment
Tycoon Honour Limited	B.V.I./ Hong Kong	US\$1	97	—	Investment holding of The Moorgate Unit Trust units
Wing Siu Company Limited	Hong Kong	HK\$2	—	97	Property investment
Worthy Merit Limited	B.V.I./ Hong Kong	US\$1	97	—	Investment holding of The Moorgate Unit Trust units

\* Wholly foreign owned enterprises.

@ Sino-foreign equity joint venture.

# Changed its domicile from the British Virgin Islands to Bermuda with effective from 5 December 2016.

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

None of the subsidiaries has issued any debt securities at the end of the year.

#### Subsidiaries with material non-controlling interest

Except for the non-controlling interest in Asian Growth Properties Limited, whose results announcement was published on 17 March 2017, no other non-controlling interest is considered material.



## Glossary

In this annual report, unless the context otherwise requires, the following expression shall have the following meanings:

“AGM(s)”	the annual general meeting(s) of the Company;
“AGP”	Asian Growth Properties Limited, a company incorporated in the British Virgin Islands and continued in Bermuda with limited liability and is a subsidiary of the Company, whose shares are admitted for trading on the AIM Market of the London Stock Exchange plc.;
“AGP Board”	the board of directors of AGP;
“AGP Share Award Scheme”	the share award scheme of AGP;
“AGP Share Option Scheme”	the share option scheme of AGP;
“Audit Committee”	the audit committee of the Company;
“Board”	the board of Directors;
“CG Code”	the Corporate Governance Code;
“Chairman”	the chairman of the Board;
“Chief Executive Officer”	the chief executive officer of the Company;
“Company” or “SEA”	S E A Holdings Limited is an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 251);
“Deloitte”	Deloitte Touche Tohmatsu, Certified Public Accountants;
“Director(s)”	the director(s) of the Company;
“Executive Committee”	the executive committee of the Company;
“Executive Director(s)”	the executive Director(s);
“Group”	the Company and its subsidiaries;
“Government”	the government of Hong Kong;
“HK\$”	the lawful currency of Hong Kong for the time being;
“HKAS”	Hong Kong Accounting Standards;
“HKEX”	Hong Kong Exchanges and Clearing Limited;

## Glossary

“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Non-executive Director(s)” or “INED”	the independent non-executive Director(s);
“JCS”	JCS Limited, an exempted company incorporated in Bermuda with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Managing Director”	the managing Director;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
“NLI”	Nan Luen International Limited, an exempted company incorporated in Bermuda with limited liability;
“Nomination Committee”	the nomination committee of the Company;
“Non-executive Director(s)”	the non-executive Director(s);
“NYH”	NYH Limited, an exempted company incorporated in Bermuda with limited liability;
“PRC” or “Mainland China”	The People’s Republic of China;
“Remuneration Committee”	the remuneration committee of the Company;
“SEA Share Award Scheme”	the share award scheme of the Company;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM(s)”	the special general meeting(s) of the Company;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent;
“2005 Share Option Scheme”	the share option scheme adopted by the Company on 25 August 2005; and
“2015 Share Option Scheme”	the share option scheme adopted by the Company on 29 May 2015.

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**爪哇控股有限公司**

**S E A Holdings Limited**

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

