



粵海置地控股有限公司 Guangdong Land Holdings Limited

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with limited liability)
股份代號 Stock Code: 0124



2016 Annual Report 年報

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Corporate Information

as at 23 March 2017

Board of Directors

Non-Executive Director

HUANG Xiaofeng (*Chairman*)

Executive Directors

ZHAO Chunxiao (*Chief Executive Officer*)

LI Wai Keung

WU Mingchang

ZENG Yi

Independent Non-Executive Directors

Alan Howard SMITH *JP*

Felix FONG Wo *BBS, JP*

Vincent Marshall LEE Kwan Ho *BBS, Officer of the Order of the Crown (Belgium)*

Audit Committee

Vincent Marshall LEE Kwan Ho *BBS, Officer of the Order of the Crown (Belgium)*
(*Committee Chairman*)

Alan Howard SMITH *JP*

Felix FONG Wo *BBS, JP*

Remuneration Committee

Felix FONG Wo *BBS, JP* (*Committee Chairman*)

Alan Howard SMITH *JP*

Vincent Marshall LEE Kwan Ho *BBS, Officer of the Order of the Crown (Belgium)*

Nomination Committee

HUANG Xiaofeng (*Committee Chairman*)

Alan Howard SMITH *JP*

Felix FONG Wo *BBS, JP*

Vincent Marshall LEE Kwan Ho *BBS, Officer of the Order of the Crown (Belgium)*

Company Secretary

LI Wai Keung

Auditors

Ernst & Young

Website Address

<http://www.gdland.com.hk>

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

China Merchants Bank

Shanghai Pudong Development Bank

Bank of China

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office & Principal Place of Business in Hong Kong

18th Floor

Guangdong Investment Tower

148 Connaught Road Central

Hong Kong

Telephone: (852) 2165 6262

Facsimile: (852) 2815 2020

Principal Share Registrar

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM 08

Bermuda

Branch Share Registrar in Hong Kong

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Share Information

Place of Listing: Main Board of
The Stock Exchange of
Hong Kong Limited

Stock Code: 0124

Board Lot: 2,000 shares

Financial year end: 31st December

Highlights

	For the year ended		
	31 December		
	2016	2015	Change
Revenue, in thousand HK\$	1,091,941	857,937	+27.3%
Profit attributable to owners of the Company, in thousand HK\$	17,734	174,773	-89.9%
Basic earnings per share, in HK cent	1.04	10.21	-89.8%

	As at 31 December		
	2016	2015	Change
Current ratio	2.6 times	6.3 times	-58.7%
Gearing ratio ¹	net cash	net cash	—
Total assets, in million HK\$	6,474	5,841	+10.8%
Net asset value per share ² , in HK\$	2.45	2.59	-5.4%
Number of employees	229	297	-22.9%

Notes:

- Gearing ratio = (Interest-bearing debt – cash and cash equivalents) / Net assets
- Net asset value per share = Equity attributable to owners of the Company / Number of issued shares

Chairman's Statement

Results

During the year under review, the Group is engaged in property development and investment. The Group currently holds certain investment properties, the Buxin Project (a property development project) in Shenzhen, and the Ruyingju Project (a residential property project) in Panyu, Guangzhou.

In 2016, the Group recorded a revenue of HK\$1,092 million (2015: HK\$858 million), representing an increase of approximately 27.3% from last year. The increase in revenue mainly derived from satisfactory sale of Ruyingju Project in 2016, with an increase in both gross floor area sold and average selling price. The Group recorded a profit attributable to owners of the Company for the year under review amounting to HK\$17.73 million (2015: HK\$175 million), representing a decrease of approximately 89.9% from last year.

Reference is made to the Company's 2015 annual report, where it was disclosed that the Group recorded a combined gain in an aggregate amount of approximately HK\$319 million due to three non-operating gain items, comprising (i) the acquisition of the 100% equity interest in Triumphant Success Limited and its subsidiaries (which holds an 80% equity interest in the Ruyingju Project located in Panyu, Guangzhou, the PRC), resulting in the recognition of a gain on bargain purchase of approximately HK\$234 million; (ii) a foreign exchange gain on the release of exchange reserve of approximately HK\$48 million upon settlement of inter-company balances between the Company and a subsidiary; and (iii) the imputed interest income arising from long-term receivables of approximately HK\$37 million. If the combined effect of the abovementioned three non-operating gain items was excluded, the Group would have recorded a loss attributable to owners of the Company of approximately HK\$144 million for the year ended 31 December 2015. The non-operating gains under items (i) and (ii) above were of a one-off nature. Further, as mentioned in the Management Discussion and Analysis section in the Company's 2015 annual report, the said imputed interest income (i.e. item (iii) above) would not occur in 2016. For the year ended 31 December 2016, the Group did not record the above-mentioned three non-operating gains.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil) to save funds for future needs of business development of the Company.

Business Review

The Group holds a 100% interest in the Buxin Project, which is a multi-functional commercial complex with jewellery as the main theme, located in the Buxin Area, Luohu, Shenzhen, the PRC, with a plot ratio-based gross floor area of approximately 432,051 square meters ("sq. m.") and an additional underground area of 30,000 sq. m. granted for commercial properties. The main construction works of the Northwestern Land within the first phase of the development of the Buxin Project commenced at the end of 2016. During the year under review, the Group continued identifying and visiting potential customers taking into consideration of the market positioning of the Buxin Project with a view to preparing for the introduction of customers when the properties are available.

The Group holds an 80% interest in the Ruyingju Project, which is located in Panyu, Guangzhou, the PRC, with the gross floor area of approximately 127,597 sq. m. The Ruyingju Project has residential units and car-parking spaces available for sale and was completed in November 2015. For the year ended 31 December 2016, the gross floor area of the residential units sold amounted to approximately 45,959 sq. m. (2015: 39,257 sq. m.), representing an increase of approximately 17.1% from last year. As at 31 December 2016, the accumulated gross floor area of units sold represented approximately 90.6% of the total gross floor area of residential units for sale. In respect of delivered units, the average contract selling price in Renminbi increased by approximately 15.6% over that of 2015. The sales performance of the Ruyingju Project was satisfactory, which contributed to the Group's consolidated revenue and results.

During the year under review, the Group had an aggregate gain from the sale of certain property, plant and equipment including staff quarters amounting to HK\$4.82 million (2015: HK\$36.45 million, including the gain on disposal of the assets held for sale).

Chairman's Statement (continued)

Outlook

Notwithstanding with the complex global economic environment, the economy of the PRC maintains a steady growth. Coupled with the increasing living standard and urbanization which drives greater demands for consumptions and improvement of living environment, the Group believes that it continues to encourage the steady growth of residential property sector and commercial property industry in the PRC.

Located in Luohu, Shenzhen, the Buxin Project has an enormous development potential, and the land pile works of the Northwestern Land within the first phase of the development have been commenced. The Group will invest with appropriate resources in order to create and release the value of the project, and will consider arranging external financing to support the development of the project.

During the year, with satisfactory sales, the average selling price of the Ruyingju Project continues to improve. It is expected that the Ruyingju Project will continuously generate revenue and cash flow for the Group in the coming year. All the remaining residential units of the Ruyingju Project are expected to be sold out in 2017. It is estimated that the Group's revenue for 2017 will be less than that of 2016 due to the small number of available area of residential units for sale under the Ruyingju Project and the Buxin Project is still under development. In addition to developing the existing Buxin Project and Ruyingju Project, the Group will also consider and study other opportunities in property development and investment in the PRC, with the main focus in Guangdong Province and other first-tier cities in the PRC.

Last but not least, on behalf of the Board, I would like to acknowledge the contribution by the management and its staff during the previous year. Under the leadership of the Board, the Group is confident in the prospect of its business development and will actively promote the development of its real estate business in order to create greater returns for its shareholders as we did in the past.

HUANG Xiaofeng
Chairman

Hong Kong, 23 March 2017

Management Discussion and Analysis

The Group's results for the year ended 31 December 2016 were mainly derived from its business in property development and investment.

According to the information of the National Bureau of Statistics of China, the preliminary figure of the national gross domestic product ("GDP") for 2016 has a year-on-year increase of approximately 6.7%, and the nominal disposable income per capita increased by 8.4% as compared to that of last year. This coupled with the decrease in lending rate by the People's Bank of China in 2015 and a relative high growth rate of money supply, the property prices in the PRC generally recorded a certain increase in 2016. According to the price index of newly built residential properties in 70 large to mid-sized cities in December 2016, the residential price index of Guangzhou had an increase of approximately 24.1% and that of Shenzhen had an increase of approximately 23.5% as compared to the same month of last year.

Results

The consolidated revenue of the Group for 2016 amounted to HK\$1,092 million (2015: HK\$858 million), representing an increase of approximately 27.3% from last year. The increase in revenue was mainly derived from the satisfactory sale results of the Ruyingju Project in 2016, with an increase in both gross floor area sold and average selling price. During the year under review, the Group's profit attributable to owners of the Company was HK\$17.73 million (2015: HK\$175 million), representing a decrease of approximately 89.9% from last year.

Reference is made to the Company's 2015 annual report, where it was disclosed that the Group recorded a combined gain in an aggregate amount of approximately HK\$319 million due to three non-operating gain items, comprising (i) the acquisition of the 100% equity interest in Triumphant Success Limited and its subsidiaries, resulting in the recognition of a gain on bargain purchase of approximately HK\$234 million; (ii) a foreign exchange gain on the release of exchange reserve of approximately HK\$48 million upon settlement of inter-company balances between the Company and a subsidiary; and (iii) the imputed interest income arising from long-term receivables of approximately HK\$37 million. If the combined effect of the abovementioned three non-operating gain items was excluded, the Group would have recorded a loss attributable to owners of the Company of approximately HK\$144 million for the year ended 31 December 2015. The non-operating gains under items (i) and (ii) above were of a one-off nature. Further, as mentioned in the Management Discussion and Analysis section in the Company's 2015 annual report, the said imputed interest income (i.e. item (iii) above) would not occur in 2016. For the year ended 31 December 2016, the Group did not record the above-mentioned three non-operating gains.

Business Review

The Buxin Project

The Group holds a 100% interest in the Buxin Project, which is a multi-functional commercial complex with jewellery as the main theme, located in Buxin Area, Luohu, Shenzhen, the PRC. In June 2016, the Group entered into land use right transfer agreements with the Shenzhen City Luohu District Urban Renewal Authority with an aggregate consideration of approximately RMB2,267 million (equivalent to approximately HK\$2,683 million). The total site area of such land amounted to approximately 66,526 sq. m., and the gross floor area included in the calculation of plot ratio amounted to approximately 432,051 sq. m. In addition, an underground area of 30,000 sq. m. will be developed for commercial use. Please refer to the circular of the Company dated on 22 June 2016 for details.

The construction permit for the land pile works of the Northwestern Land of the Buxin Project within the first phase of the development was obtained in December 2016, and the construction commenced at the end of 2016. During the year under review, the Group continued identifying and visiting potential customers taking into consideration of the market positioning of the Buxin Project with a view to preparing for the introduction of customers when the properties are available.

Management Discussion and Analysis (continued)

The Buxin Project (continued)

As at 31 December 2016, the cumulative development costs and fees of the Buxin Project amounted to approximately HK\$2,666 million (2015: HK\$97 million), representing a net increase of approximately HK\$2,569 million during the period under review. The net increase was mainly attributable to the land premium incurred for the relevant land use rights under the Buxin Project during the year under review. As at 31 December 2016, approximately HK\$1,634 million and HK\$1,032 million were attributable to the "Properties under development" under the current assets and the "Investment properties" under the non-current assets, respectively.

The Ruyingju Project

The Group holds an 80% interest in the Ruyingju Project, which is located in Panyu, Guangzhou, the PRC, with the gross floor area of approximately 127,597 sq. m. The Ruyingju Project including residential units and car-parking spaces was completed in November 2015. For the year ended 31 December 2016, sale contracts of residential units under the Ruyingju Project with an aggregate gross floor area of approximately 30,962 sq. m. were signed (2015: approximately 55,013 sq. m.), representing a decrease of 43.7% from last year. The accumulated gross floor area of sale contracts signed represented approximately 91.4% of the total saleable area of the residential units.

For the year ended 31 December 2016, the Group delivered the residential units with the gross floor area of approximately 45,959 sq. m. (2015: 39,257 sq. m.), representing an increase of 17.1% from last year. The accumulated gross floor area of the units sold represented approximately 90.6% of the total saleable area of the residential units.

During the year under review, in respect of delivered residential units, the average contract selling price in Renminbi increased by approximately 15.6% over that of 2015. The sales performance of the Ruyingju Project was satisfactory, which contributed to the Group's consolidated revenue and results.

The Group acquired the equity interest in the Ruyingju Project in April 2015. As a result, the Group recorded a gain on bargain purchase of HK\$234 million in 2015. Most of the gain on acquisition of the Ruyingju Project was recognised under the gain on bargain purchase in the consolidated statement of profit or loss for 2015. As the acquisition price paid was determined with reference to the then market value of the Ruyingju Project (but at a discount), the carrying value (and future selling cost) of the Ruyingju properties consists of its development costs and the fair value increases as of the completion date of acquisition.

Other Business

In respect of the completion of the transactions related to the disposal of the equity interests in nine previous subsidiaries that engaged in the brewery business in 2013, the Group received the remaining balances of the consideration for the disposal transactions of the equity interests according to the relevant agreement during the year under review.

During the year under review, the Group recorded an aggregate gain of HK\$4.82 million (2015: HK\$36.45 million, including the gain from the sale of assets held for sale) from the disposal of certain property, plant and equipment, including staff quarters.

Management Discussion and Analysis (continued)

Financial Review

Key Financial Ratios

The key financial ratios mainly reflect the Group's results and the annual rate of return on equity during the year under review, and the net assets at the end of the reporting date. Comparative ratios in the last year were provided.

	Note	Year ended 31 December		Change
		2016	2015	
Profit attributable to owners of the Company, in HK\$'000		17,734	174,773	-89.9%
Return on equity, %	1	0.4%	4.0%	-90.0%

	2016	2015	
	31 December	31 December	
Net assets, in million HK\$	4,333	4,610	-6.0%

Note:

1. Return on equity = Profit attributable to owners of the Company / Average equity attributable to owners of the Company

During the year under review, due to the lack of non-operating income items, the profit attributable to owners of the Company and the return on equity decreased from last year. If the aggregate effect of the three non-operating income items mentioned in the "Results" of approximately HK\$319 million recorded in 2015 were removed, the Group's two key financial ratios for 2016, being the profit attributable to owners of the Company and return on equity, were better than that of the last year. The Group's business and most of its assets are denominated in Renminbi. The depreciation of Renminbi against Hong Kong dollar in 2016 was the main reason for the decrease in the Group's net assets presented in HK\$.

Operating Income, Expenses and Finance Costs

During the year under review, the Group recorded an aggregate interest income from bank and an available-for-sale financial asset of HK\$73.44 million (2015: HK\$136 million), representing a decrease of approximately 46.0% from last year. The decrease in interest income in 2016 was mainly due to the decrease in the Renminbi deposit interest rate and bank deposits of the Group.

The consolidated financial statements of the Group were presented in Hong Kong dollar and the changes in the exchange rate of Hong Kong dollar against the Renminbi would affect foreign exchange differences upon currency revaluation. The foreign exchange differences in respect of the Group's Renminbi deposit placed in Hong Kong were recognised in the statement of profit or loss when incurred. During the year under review, the Group recorded an exchange loss of HK\$32.31 million (2015: HK\$214 million), representing a decrease of approximately 84.9% from last year. In 2016, the amount of net foreign exchange losses recorded decreased significantly year-on-year as the Group injected most of its RMB deposits previously held in Hong Kong into its subsidiary in the PRC which is responsible for the development of the Buxin Project, which reduced the impact of the change in exchange rate to the Group's consolidated statement of profit or loss. Following the development of the Group's Buxin Project, the Group will further inject funds into the project. It is expected that the impact of the change in exchange rate of Hong Kong dollar against Renminbi on the Group's consolidated statement of profit or loss will be gradually reduced.

Management Discussion and Analysis (continued)

Operating Income, Expenses and Finance Costs (continued)

The Group's selling and distribution expenses for 2016 amounted to HK\$13.55 million (2015: HK\$10.14 million), representing an increase of approximately 33.6% from the last year, associated with the sale of the Ruyingju residential properties. The Group's administrative expenses for 2016 amounted to HK\$72.73 million (2015: HK\$69.46 million), representing an increase of approximately 4.7% from the last year. The increase in the administrative expenses was mainly due to the rise in wage costs and related expenses in the year.

During the year under review, the Group did not record any financing costs for borrowing any bank loans. In last year, a subsidiary of the Company had bank loans from banks, the interest on which of HK\$7.73 million was all capitalized. Therefore, the Group did not have any financing cost during the last year.

Capital Expenditure

The Group's general capital expenditure paid in 2016 was approximately HK\$480 million (2015: HK\$4.31 million). The increase was mainly due to the acquisition transactions of land use rights of the Buxin Project.

Financial Resources and Liquidity

As at 31 December 2016, the equity attributable to owners of the Company was HK\$4.19 billion (2015: HK\$4.43 billion), representing a decrease of approximately 5.4% over that in 2015. Based on the number of shares in issue as at 31 December 2016, the net asset value per share of the Company at the end of the year was HK\$2.45 (2015: HK\$2.59) per share, representing a decrease of approximately 5.4% over that in 2015.

As at 31 December 2016, the Group had cash and bank balances of HK\$2.97 billion (2015: HK\$3.68 billion), representing a year-on-year decrease of approximately 19.3%. The aforementioned amount included restricted bank balances of HK\$563 million (2015: HK\$470 million) principally associated with an amount received from the sales but yet delivery of the Ruyingju Project. Of the Group's cash and bank balances as at 31 December 2016, 94.0% was in RMB, 5.9% was in USD and 0.1% in HKD. Net cash flows used in operating activities for the year were HK\$278 million (2015: Net cash flows generated from operating activities of HK\$532 million).

As most of the transactions from the Group's PRC daily operations are denominated in Renminbi, currency exposure from these transactions is low. During the year under review, the Group did not perform currency hedge for such transactions.

As at 31 December 2016, the Group did not have any outstanding bank loan. Given the construction works of the Northwestern Land of the Buxin Project within the first phase of the development will be in full swing in 2017, the Group will review its funding needs according to progress of business development from time to time so as to ensure that adequate financial resources will be available to support its business development.

None of the assets of the Group was pledged to any creditors at the end of 2016. Except for the disclosure in note 27 to the financial statements regarding the guarantees made to certain banks in relation to the mortgage of the sold property of approximately HK\$914 million (2015: HK\$536 million) at the end of 2016 and undertakings made in the master sales agreement relating to the disposal of brewery subsidiaries, there was no material contingent liability recorded as at the end of 2016.

Management Discussion and Analysis (continued)

Risks and Uncertainties

Given that the Group is engaged in property development and investment in Mainland China, risks and uncertainties of its business are principally associated with property market and property prices in Mainland China, and the Group's revenue in the future will be directly affected by such risks and uncertainties. Property market in Mainland China is affected by a number of factors which include, *inter alia*, economic environment, property supply and demand, fiscal and monetary and taxation policies of the PRC government and austerity measures of real estate sector, etc. The GDP of Mainland China has maintained a year-on-year growth though the growth rate has been slowed down gradually. Currently, the property projects of the Group are all located in tier-1 cities with different categories and usage, effectively diversifying operational risks.

The Buxin Project in Shenzhen has a relatively prolonged development period, and the Company may seek external fund to partially finance its development. As such, the financing channels and financing costs will be subject to the prevailing market conditions, loan interest rate level and the Group's financial position. As at 31 December 2016, the Group did not have any outstanding interest-bearing loan.

As property development business has a relatively long product life cycle, the Group's future profit and cash flow will be highly volatile.

Relationship with Customers and Suppliers

For the interest of every customer, the Group provided trainings to its sales staff members on a regular basis. The Group also provided its customers adequate information about its products and responds to any issue and question raised by customers or potential customers regarding the products offered with an aim to further build up customers' confidence in the products of the Company.

The property business of the Group involves suppliers and constructors for design and construction of properties. Tender procedure for selecting appropriate suppliers of major projects of the Group is conducted under general principle of "openness, fairness and impartiality". In addition, the Group has observed and emphasised industrial safety and has established effective communication channel with its major suppliers to ensure construction processes are in compliance with relevant local laws and regulations.

Management Discussion and Analysis (continued)

Policy and Performance on Environmental Protection

The Group strictly complies with the laws and regulations enacted by the Mainland China and Hong Kong Governments, including those in relation to environmental protection, social and governance. The Company's internal management for environmental, social and governance integrates the views of various stakeholders and is supported by staff members from all levels and departments of the Company, especially for the important areas in relation to environmental, social and governance. Staff members jointly implement and execute relevant internal policies and promptly respond to the expectations of stakeholders.

In furtherance of on-going fine-tuning on the environmental, social and governance policies, the Group actively communicated with stakeholders in the last year. Through surveys, group discussions and interviews with employees, customers, business partners, investors and governmental authorities, the Group identified important topics to envisage the changes in operational environment, and consequently achieving the goals of sustainable development and proper risk management.

The Group participates in the real estate business and it is very important to strictly comply with environmental laws and regulations on construction works. Any failure to observe the relevant environmental laws and regulations may result in rejection of the applications for construction projects by the relevant authorities. The Group has strictly abided by the relevant environmental laws and regulations at the construction site of each project, including but not limited to environmental protection, sewage treatment and environmental noise control, and engaged the professional greening company to transplant the trees near the site, sparing no efforts to contribute to the environmental protection. In addition to environmental protection, the Group also participated in the "Spring Thunder Hope Student Assistance Activities" (希望春雷助學活動) and poverty alleviation activities of Dongbei Village to shoulder the social responsibility during the year.

The Company is currently in the process of preparing the environmental, social and governance reports for the year ended 31 December 2016. The information contained in this report is based solely on the Company's environmental, social and governance policies and performance and internal management information. As at the date of this report, the environmental, social and governance information of the Group for the year ended 31 December 2016 has not yet been finalised and may subject to necessary adjustments. Such information, which may differ from the information contained in this report, is expected to be published in June 2017.

Human Resources

The Group had 229 (2015: 297) employees as at the end of 2016. The total employee remuneration and provident fund contributions (excluding Directors' remuneration) in 2016 was HK\$68.65 million (2015: HK\$55.92 million). The Group carried out a staff redundancy plan continuously during 2016 and, as a result, the total number of employees of the Group gradually dropped to 229 at the end of 2016.

Various basic benefits were provided to the Group's staff with an incentive policy which was designed to remunerate staff by combined references to the Group's operating results as well as the performance of the individual staff member. There was no share option scheme of the Company in operation during the year. The Group offers various training to its employees. Emoluments payable to the Directors of the Company are determined by reference to their job responsibilities and prevailing market conditions.

Report of the Directors

The directors (the “Directors”) of Guangdong Land Holdings Limited (the “Company”) herein present their report and the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2016.

Principal Activities

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engage in property development and investment.

There were no significant changes in the nature of the Group’s principal activities during the year under review.

Business Review

A review of the business of the Group during the year under review and a discussion on the Group’s future business development are set out in the section headed “Chairman’s Statement” on pages 4 to 5 and in the section headed “Management Discussion and Analysis” on pages 6 to 11 of this report.

Principal risks and uncertainties that the Group may be facing are set out in the section headed “Management Discussion and Analysis” on page 10 of this report. The financial risk management objectives and policies of the Group are provided in note 31 to the financial statements on pages 95 to 98 of this report.

An analysis of the Group’s performance during the year under review using financial key performance indicators is provided in the section headed “Management Discussion and Analysis” on page 8 of this report.

Discussion on the Group’s environmental policy and compliance with the relevant laws and regulations that have a significant impact on the Company are set out in the section headed “Management Discussion and Analysis” on page 11 of this report.

The Company’s key relationships with its employees, customers and suppliers and business associates that have a significant impact on the Company and on which the Company’s success depends are provided in the section headed “Management Discussion and Analysis” on page 10, in the section headed “Report of the Directors” on page 26, in the section headed “Corporate Governance Report” on page 38 and in note 2.4 to the financial statements on page 66 of this report.

Report of the Directors (continued)

Financial Summary

A summary of the results and the financial position of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

Results

	Year Ended 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	1,091,941	857,937	3,422	—	1,549,129
Gain on bargain purchase	—	233,862	—	—	—
Profit/(loss) attributable to owners of the Company	17,734	174,773	81,773	3,426,966	(168,474)
Dividend	—	—	—	1,711,537	—

Financial position

	As at 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Total assets	6,473,653	5,840,539	4,618,249	5,483,215	3,449,045
Total liabilities	(2,140,223)	(1,230,732)	(280,464)	(1,224,631)	(497,269)
Net assets	4,333,430	4,609,807	4,337,785	4,258,584	2,951,776
Non-controlling interest	(145,623)	(178,451)	—	—	—
Equity attributable to owners of the Company	4,187,807	4,431,356	4,337,785	4,258,584	2,951,776

Major Properties Held by the Group

Details of the particulars of major properties held by the Group as at 31 December 2016 are set out on page 102 of this report.

Report of the Directors (continued)

Results and Dividends

The results of the Group for the year ended 31 December 2016 and the financial position of the Group at that date are set out in the financial statements on pages 44 to 101.

No interim dividend was paid during the year under review and the Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2016.

The forthcoming annual general meeting of the Company will be held on Friday, 9 June 2017 and the Register of Members of the Company will be closed and no transfer of shares will be registered during the period from Tuesday, 6 June 2017 to Friday, 9 June 2017, both days inclusive, for determining the shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Friday, 9 June 2017.

In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Friday, 9 June 2017, unregistered holders of shares of the Company should ensure that all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 5 June 2017.

Share Capital

There were no movements in the Company's share capital during the year.

Distributable Reserves

As at 31 December 2016, the Company did not have any reserves available for distribution to shareholders as calculated in accordance with the Companies Act 1981 of Bermuda.

In addition, the Company's share premium of HK\$1,688,606,000 may be distributed in the form of fully paid bonus shares.

Charitable Contributions

There were no charitable contributions made by the Group during the year under review (2015: Nil).

Retirement Benefits Schemes

Particulars of the Group's retirement benefit schemes are set out in note 2.4 to the financial statements.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out in note 33 to the financial statements.

Report of the Directors (continued)

Directors

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

Non-Executive Directors

HUANG Xiaofeng (*Chairman*)

HUANG Zhenhai

LUO Fanyu

(resigned with effect from 27 January 2016)

(resigned with effect from 17 March 2016)

Executive Directors

ZHAO Chunxiao (*Chief Executive Officer*)

(appointed as Chief Executive Officer with effect from 25 August 2016)

YE Xuquan

(resigned with effect from 1 May 2016)

LI Wai Keung

WU Mingchang

(appointed as Non-Executive Director with effect from 17 March 2016) and re-designated as Executive Director with effect from 7 June 2016)

ZENG Yi

(appointed with effect from 27 October 2016)

Independent Non-Executive Directors

Alan Howard SMITH *JP*

Felix FONG Wo *BBS, JP*

Vincent Marshall LEE Kwan Ho *BBS, Officer of the Order of the Crown (Belgium)*

Mr. HUANG Zhenhai resigned on 27 January 2016 as a Non-Executive Director of the Company to pursue his career development. Mr. Huang confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

Mr. YE Xuquan resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 1 May 2016 and Mr. LUO Fanyu resigned as a Non-Executive Director of the Company with effect from 17 March 2016 as they had reached retirement age, respectively. Mr. YE Xuquan and Mr. LUO Fanyu have respectively confirmed that they have no disagreement with the Board and there is no other matter relating to their resignation that needs to be brought to the attention of the shareholders of the Company.

In accordance with Bye-law 86(2) of the Company's Bye-laws (the "Bye-laws"), Mr. ZENG Yi who was appointed Director of the Company with effect from 27 October 2016 after the last general meeting of the Company, will hold office until the next general meeting and, being eligible, he offers himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 87, Mr. HUANG Xiaofeng, Ms. ZHAO Chunxiao and Mr. Vincent Marshall LEE Kwan Ho will retire by rotation and, being eligible, they all offer themselves for re-election at the forthcoming annual general meeting.

Mr. HUANG Xiaofeng, Non-Executive Director, Ms. ZHAO Chunxiao and Mr. ZENG Yi, Executive Directors, Mr. Vincent Marshall LEE Kwan Ho, Independent Non-Executive Director, being eligible, have offered themselves for re-election at the forthcoming annual general meeting, and, if re-elected, they will hold office from the date of re-election, to the earlier of (i) the conclusion of the annual general meeting of the Company to be held in 2020; and (ii) 30 June 2020, subject to earlier determination in accordance with the Bye-Laws of the Company and/or applicable laws and regulations.

Report of the Directors (continued)

Directors' and Senior Management's Profile

Non-Executive Director

Mr. HUANG Xiaofeng, aged 58, was appointed a Non-Executive Director of the Company in October 2008 and acted as the Chairman of the Company since November 2010. He is also the chairman of the Nomination Committee of the Company. Mr. Huang graduated from South China Normal University, the PRC and holds a Bachelor's degree in History. He also holds a Master's degree in Public Administration from Sun Yat-Sen University, the PRC. From 1987 to 1999, Mr. Huang worked for the General Office of the Communist Party of China (the "CPC") Guangdong Committee in a number of positions. Between 1999 and 2003, Mr. Huang was the deputy director general of the General Office of the CPC Guangzhou Committee and thereafter the deputy secretary general of the CPC Guangzhou Committee. Between 2003 and 2008, Mr. Huang was the deputy director general of the General Office of the Guangdong Provincial Government and then the deputy secretary general of the Guangdong Provincial Government. Mr. Huang was appointed a director and a deputy general manager of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited*) ("Guangdong Holdings") in April 2008 and was subsequently appointed an executive director and a deputy general manager of GDH Limited ("GDH"). He was appointed the chairman of Guangdong Holdings and GDH in September 2010 and October 2010, respectively. Mr. Huang was the general manager of both Guangdong Holdings and GDH during the period from February 2009 to May 2012. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of the Company, respectively. Mr. Huang was appointed a non-executive director of Guangdong Investment Limited ("GDI") in June 2008 and subsequently was appointed the chairman and re-designated as an executive director of GDI in November 2010. Mr. Huang was a non-executive director of Guangnan (Holdings) Limited ("Guangnan") during the period from October 2008 to July 2012. Both GDI and Guangnan are subsidiaries of GDH and are listed in Hong Kong.

Executive Directors

Ms. ZHAO Chunxiao, aged 47, was appointed an Executive Director of the Company in December 2014 and was appointed the Chief Executive Officer in August 2016. Ms. Zhao graduated from Liaoning Normal University, the PRC (Faculty of Chinese Studies) and the School of China Journalism and Communication (major in Domestic News) and obtained two Bachelor's degrees. She also holds a degree of Executive Master of Business Administration from The Hong Kong University of Science and Technology. From 1994 to 2002, she worked for the Guangdong Branch of Xinhua News Agency as director of the Finance Office and also director of the Featured News Division. Between 2003 and 2008, she held a number of positions in Asia Television Limited including director of Information Division of News and Public Relations Department and assistant vice president. Ms. Zhao joined GDH and Guangdong Holdings in December 2008 and January 2009, respectively. Ms. Zhao acts as a deputy general manager and the chief administration officer of Guangdong Holdings and an executive director, the chief administration officer and the company secretary of GDH. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of the Company, respectively. She was appointed a non-executive director of GDI in August 2011. GDI is a subsidiary of GDH and a listed company in Hong Kong.

* *The English translation of the Chinese name of the company is prepared by the Company for reference only, and such translation may not be accurate and such company may not have an official English translation of this Chinese name.*

Report of the Directors (continued)

Directors' and Senior Management's Profile (continued)

Executive Directors (continued)

Mr. LI Wai Keung, aged 60, was appointed a Non-Executive Director of the Company in October 2011 and was then re-designated as an Executive Director of the Company in March 2012. Mr. Li was also appointed the Company Secretary of the Company in March 2017. Mr. Li graduated from the Hong Kong Polytechnic and holds a Master's degree in Business Administration from the University of East Asia. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Li had worked for Henderson Land Development Company Limited (a listed company in Hong Kong) for approximately twenty years. Mr. Li is an executive director and the chief financial officer of GDH and also the chief financial officer of Guangdong Holdings. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of the Company, respectively. Mr. Li was appointed a non-executive director of GDI in May 2000. He acted as an executive director and the chief financial officer of GDI from July 2006 to April 2008 and was re-designated as a non-executive director of GDI in April 2008. GDI is a subsidiary of GDH and a listed company in Hong Kong. He is also a director of 永順泰麥芽(中國)有限公司 (Supertime Malting Company Limited) ("Supertime") and GDH Finance Co., Ltd ("GDH Finance"). Supertime is a subsidiary of GDH and GDH Finance is a subsidiary of Guangdong Holdings. Mr. Li is also an independent non-executive director of Shenzhen Investment Limited, Hans Energy Company Limited and China South City Holdings Limited (the above three companies are listed companies in Hong Kong) and a director of Shenzhen City Airport (Group) Company Limited. Mr. Li is also an advisor of the Management Accounting of the Ministry of Finance, the PRC, the chairman of the Council of the Hong Kong Chinese Orchestra Limited, a director of the China Overseas Friendship Association, the vice chairman and secretary of the Financial and Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association, and the president of Hong Kong Business Accountants Association.

Mr. WU Mingchang, aged 52, was appointed a Non-Executive Director of the Company in March 2016 and was then re-designated as an Executive Director of the Company in June 2016. Mr. Wu holds a Bachelor of Laws degree and a Master of Laws degree in International Law from Sun Yat-Sen University, the PRC, a Master's degree in Human Geography from Sun Yat-Sen University, the PRC, and a Doctor's degree in Civil and Commercial Law from the School of Law of Wuhan University, the PRC. Mr. Wu served as the deputy division chief, division chief and deputy director of the Guangzhou Urban Planning Bureau, the deputy chief executive of the Haizhu District Government of Guangzhou City, and the director and party secretary of the Legislative Affairs Office of Guangzhou Municipal Government. Mr. Wu is currently the general counsel of Guangdong Holdings and also an executive director and the general counsel of GDH. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of the Company, respectively.

Mr. ZENG Yi, aged 38, was appointed an Executive Director of the Company in October 2016. Mr. Zeng holds a Bachelor's degree in Taxation from the Faculty of Finance and Taxation and Computer and Application from the Faculty of Computer Science of Sun Yat-Sen University, the PRC, a Master's degree in Economics from The Center for Studies of Hong Kong, Macao and Pearl River Delta of Sun Yat-Sen University, the PRC and a Doctoral degree in Economics from Lingnan College of Sun Yat-Sen University, the PRC. He is a senior accountant and senior economist. Mr. Zeng joined Guangdong Holdings in July 2006 and worked in strategic development department, office of board of directors and finance department of Guangdong Holdings and GDH and appointed as the assistant general manager from June 2015 to October 2016. He is currently the chief strategic development officer of Guangdong Holdings and GDH and acts as chairman and director of certain subsidiaries of Guangdong Holdings and GDH. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of the Company, respectively.

Report of the Directors (continued)

Directors' and Senior Management's Profile (continued)

Independent Non-Executive Directors

Mr. Alan Howard SMITH ^{JP}, aged 73, was appointed an Independent Non-Executive Director of the Company in January 1999. He is the member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Smith was the vice chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was chief executive of the Jardine Fleming group from 1983 to 1994 and was chairman of the Jardine Fleming group from 1994 to 1996. Mr. Smith has over twenty-seven years of investment banking experience in Asia. He was elected a council member of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on two occasions. He was a member of the Economic Advisory Committee of the Government of HKSAR, and had for ten years been a member of the Hong Kong Government's Standing Committee on Company Law Reform. He was a trustee of the Hospital Authority Provident Fund Scheme from 2002 to 2014. Mr. Smith graduated with an LLB (Honours) degree from Bristol University, England in 1964, and was admitted a solicitor in England in 1967 and in Hong Kong in 1970. Mr. Smith is an independent non-executive director of Genting Hong Kong Limited and Wheelock and Company Limited, which are listed on the Hong Kong Stock Exchange. During the last three years, Mr. Smith was also an independent non-executive director of Crown International Corporation Limited from April 2004 to May 2014 (which is listed on the Hong Kong Stock Exchange) and of Noble Group Limited from March 2002 to April 2016 (which is listed on the Singapore Exchange Securities Trading Limited).

Mr. Felix FONG Wo ^{BBS, JP}, aged 66, was appointed an Independent Non-Executive Director of the Company in January 2007. He is the chairman of the Remuneration Committee, and member of the Audit Committee and the Nomination Committee of the Company. Mr. Fong was the founding partner of Arculli Fong & Ng (now renamed as King & Wood Mallesons) and is a consultant of King & Wood Mallesons. Mr. Fong received his engineering degree in Canada in 1974 and his juris doctor from Osgoode Hall Law School in Toronto in 1978. He has practised law for over thirty-four years, eight of which in Toronto. Mr. Fong is a member of the law societies of Hong Kong, Upper Canada and England, and one of the China-appointed attesting officers in Hong Kong appointed by the Ministry of Justice of China. Mr. Fong undertook a number of community and social roles, such as the former chairman of the Chinese Canadian Association of Hong Kong, the Liquor Licensing Board and the Advisory Council on Food and Environmental Hygiene. Mr. Fong is a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference (9th and 10th Sessions), a director of China Overseas Friendship Association and a director of Hong Kong Basic Law Institute Limited. Mr. Fong is a Justice of Peace and was awarded a Bronze Bauhinia Star by the Government of the Hong Kong SAR in recognition of his public service. He was also appointed a member of the Hong Kong Communications Authority in July 2013. In the area of education, Mr. Fong is a founding member and the first director of the Canadian International School of Hong Kong, and an advisor to the Faculty of Business of University of Victoria in Canada. Mr. Fong is the honorary legal counsels of a number of nonprofit organizations in Hong Kong such as Hong Kong Institute of Professional Photographers Ltd. and The Chinese Manufacturers' Association of Hong Kong. Mr. Fong is an independent non-executive director of a number of listed companies, namely Greenland Hong Kong Holdings Limited, Evergreen International Holdings Limited, China Investment Development Limited, Sheen Tai Holdings Group Company Limited and Xinming China Holdings Limited, the shares of the above five companies are listed on the Hong Kong Stock Exchange. During the last three years, Mr. Fong was also an independent non-executive director of China Oilfield Services Limited (whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) from May 2010 to May 2016.

Report of the Directors (continued)

Directors' and Senior Management's Profile (continued)

Independent Non-Executive Directors (continued)

Mr. Vincent Marshall LEE Kwan Ho BBS, Officer of the Order of the Crown (Belgium), aged 61, was appointed an Independent Non-Executive Director of the Company in March 2009. He is the chairman of the Audit Committee, and member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Lee is the chairman of Tung Tai Group of Companies. He has been serving as an independent non-executive director of Hong Kong Exchanges and Clearing Limited since 2000 and was appointed a non-executive director of LT Commercial Real Estate Limited in March 2013. The shares of the above two companies are listed on the Hong Kong Stock Exchange. Mr. Lee has over thirty years of experience in the securities and futures industry and has extensive experience in banking, corporate finance and investment. He worked for Coopers and Lybrand, Los Angeles & Boston from 1978 to 1981; HSBC group, Hong Kong & Vancouver from 1981 to 1990. He undertook a number of public service and community activities. In May 2015, he was also appointed as the chairman of Hong Kong Guangxi CPPCC Members Friendship Association Limited and was appointed as member of the Council of The Chinese University of Hong Kong in June 2016. Mr. Lee is at present the chairman of the Sir Murray MacLehose Trust Fund Investment Advisory Committee and vice-chairman of Standing Committee of the Hong Kong Association for the Promotion of Peaceful Reunification of China. He is a member of Correctional Services Children's Education Trust Investment Advisory Board and is a non-official member of Financial Services Development Council. He was also a part-time member of Central Policy Unit of the Government of the HKSAR from 2007 to 2008, a member of Academic and Accreditation Advisory Committee of Securities and Futures Commission from 2002 to 2006 and a member of Securities and Futures Appeals Tribunal from 2003 to 2009. He has been a founding member of Canadian International School of Hong Kong Limited since 1990 and acted as its chairman from 2006 to 2008 and chairman of the Institute of Securities Dealers Limited from 2005 to February 2009. He graduated Magna Cum Laude in Accounting and International Finance from the University of Southern California, USA and received a Master of Economics from the London School of Economics and Political Science at the University of London, UK. He is a certified public accountant in State of California, USA and fellow member of Hong Kong Institute of Certified Public Accountants.

Senior Management

The senior management of the Group comprises the four Executive Directors above, namely, Ms. ZHAO Chunxiao, Mr. LI Wai Keung, Mr. WU Mingchang and Mr. ZENG Yi and the Chief Financial Officer of the Company, Mr. ZHOU Tao.

Mr. ZHOU Tao, aged 46, joined the Company in April 2010 and was appointed as the Chief Financial Officer of the Company in September 2010. Mr. Zhou graduated from the faculty of accountancy of Zhongnan University of Economics and Law, and holds a Master's degree in Management. He is an accountant, auditor and economist, and a member of The Chinese Institute of Certified Public Accountants. Mr. Zhou obtained the qualification of senior accountant from the Department of Human Resources and Social Security of Guangdong Province in February 2016. Mr. Zhou worked in the Personnel and Appraisal Department and Finance Department of GDH from 2001 to 2005. GDH is the immediate controlling shareholder of the Company. He was a director and the chief financial officer of Guangdong (International) Hotel Management Holdings Limited (which is a subsidiary of GDI) from March 2005 to February 2008, a director and the chief financial officer of the production bases of Guangdong Tannery Limited ("GDT") in Xuzhou and also a deputy chief financial officer of GDT from March 2008 to March 2010. GDI and GDT are subsidiaries of GDH and are listed in Hong Kong. He possesses extensive experience in financial management, internal audit as well as management.

Report of the Directors (continued)

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the section headed "Related Party Transactions and Continuing Connected Transactions" on pages 92 to 93 of this report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year under review.

Permitted Indemnity Provision

Indemnity provision within the meaning of permitted indemnity provision under the Hong Kong Companies Ordinance for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 December 2016. In addition, the Company has taken out and kept in force appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company.

Directors' Interests in Competing Business

During the year ended 31 December 2016, so far as is known to the Board, the interests of Directors or their respective associates in the businesses which might compete or were likely to compete, either directly or indirectly, with the businesses of the Group, namely, property development and investment (the "Competing Business") as required to be disclosed pursuant to The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Name of entity ^(Note 1)	Nature of interest ^(Note 1)
HUANG Xiaofeng	廣東粵海控股集團有限公司 (Guangdong Holdings Limited*)	chairman
	GDH Limited	chairman
	Guangdong Investment Limited	chairman and executive director
ZHAO Chunxiao	GDH Limited	executive director
	Guangdong Investment Limited	non-executive director
LI Wai Keung	GDH Limited	executive director
	Guangdong Investment Limited	non-executive director
WU Mingchang	GDH Limited	executive director
HUANG Zhenhai ^(Note 2)	Guangdong Investment Limited	non-executive director
LUO Fanyu ^(Note 3)	GDH Limited	director

* The English translation of the Chinese name of the company is prepared by the Company for reference only, and such translation may not be accurate and such company may not have an official English translation of this Chinese name.

Report of the Directors (continued)

Directors' Interests in Competing Business (continued)

Notes:

1. The aforementioned entities are engaged in, among others, property development or investment. The interests of each of the aforementioned Directors in the businesses of the aforementioned entities may also arise through their respective directorships in its holding companies, subsidiaries, associated companies or other form of investment vehicles of such entities.
2. Mr. HUANG Zhenhai resigned as a Non-Executive Director of the Company with effect from 27 January 2016.
3. Mr. LUO Fanyu resigned as a Non-Executive Director of the Company with effect from 17 March 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors had any interest in the Competing Business.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Directors' Interests and Short Positions in Securities

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

I. Shares

(i) The Company

Name of Director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of interests held ^(Note)
HUANG Xiaofeng	Personal	3,880,000	Long position	0.227%
Alan Howard SMITH	Personal	317,273	Long position	0.019%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 shares of the Company in issue as at 31 December 2016.

Report of the Directors (continued)

Directors' Interests and Short Positions in Securities (continued)

I. Shares (continued)

(ii) Guangdong Investment Limited

Name of Director	Capacity/ nature of interest	Number of shares held	Long/Short position	Approximate percentage of interests held ^(Note)
HUANG Xiaofeng	Personal	2,595,580	Long position	0.041%
ZHAO Chunxiao	Personal	582,170	Long position	0.009%
LI Wai Keung	Personal	1,427,160	Long position	0.023%

Note: The approximate percentage of interests held was calculated on the basis of 6,264,931,421 ordinary shares of Guangdong Investment Limited in issue as at 31 December 2016.

II. Share Options

(i) The Company

There was no share option scheme of the Company in operation during the year under review.

(ii) Guangdong Investment Limited

Name of Director	Date of grant of share options (dd.mm.yyyy)	Number of share options						Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary share at date immediately before date of grant** HK\$ (per share)	Price of ordinary share at date immediately before the exercise date** HK\$ (per share)	Long/ Short position
		At date of grant	At 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2016					
HUANG Xiaofeng	22.01.2013	2,693,000	1,615,800	—	(738,380)	—	877,420	—	6.20	6.30	9.20	Long position
ZHAO Chunxiao	22.01.2013	2,268,000	1,360,800	—	(582,170)	—	778,630	—	6.20	6.30	9.24	Long position
LI Wai Keung	22.01.2013	2,243,000	1,345,800	—	(529,960)	—	815,840	—	6.20	6.30	9.20	Long position

Notes to the above share options granted pursuant to the share option scheme adopted by Guangdong Investment Limited on 24 October 2008:

- The option period of all the share options is five years and six months from the date of grant.
- Any share option is only exercisable during the option period after it has become vested.

Report of the Directors (continued)

Directors' Interests and Short Positions in Securities (continued)

II. Share Options (continued)

(ii) Guangdong Investment Limited (continued)

- (c) The normal vesting scale of the share options is as follows:

Date	Percentage Vesting
The date two years after the date of grant	40%
The date three years after the date of grant	30%
The date four years after the date of grant	10%
The date five years after the date of grant	20%

- (d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of Guangdong Investment Limited upon grant and stated in the offer of grant.

- (e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

Date on which event occurs	Percentage Vesting
Before the date which is four months after the date of grant	0%
On or after the date which is four months after but before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
	The remaining 20% also vests upon passing the overall performance appraisal for those four years

- * The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of Guangdong Investment Limited.

- ** The price of the ordinary shares of Guangdong Investment Limited disclosed as "at the date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the options were granted.

The price of the ordinary shares of Guangdong Investment Limited disclosed as "at the date immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the share options were exercised by each of the directors of Guangdong Investment Limited or all other participants as an aggregate whole.

Report of the Directors (continued)

Directors' Interests and Short Positions in Securities (continued)

Save as disclosed above, as at 31 December 2016, to the knowledge of the Company, none of the Directors or chief executive of the Company 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: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Arrangement to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' Interests and Short Position in Securities" of this report, at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 31 December 2016, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of securities held	Type of securities	Long/Short position	Approximate percentage of interests held ^(Note 1)
廣東粵海控股集團有限公司 (Guangdong Holdings Limited*) ^(Note 2)	1,263,494,221	Shares	Long position	73.82%
GDH Limited ("GDH") ^(Note 2, 3)	1,263,494,221	Shares	Long position	73.82%

Report of the Directors (continued)

Substantial Shareholders' Interests (continued)

- Notes:
1. The approximate percentage of interests held was calculated on the basis of 1,711,536,850 shares of the Company in issue as at 31 December 2016.
 2. The attributable interest which 廣東粵海控股集團有限公司 (Guangdong Holdings Limited*) has in the Company is held through its wholly-owned subsidiary, namely GDH.
 3. Reference is made to the announcement (the "Announcement") of the Company dated 19 January 2017 in respect of the Transaction (as defined in the Announcement). Terms and expressions defined in the Announcement shall have the same meanings when used herein.

On 19 January 2017, as mentioned in the Announcement, GDH entered into an agreement with GDI under which, subject to the fulfillment (or waiver) of the relevant conditions precedent, GDI would acquire approximately 73.82% interest in the Company, being GDH's entire holding of the shares of the Company.

On 20 March 2017, the Transaction has been approved by the independent shareholders of GDI at its extraordinary general meeting held on the same date. For details, please refer to the said announcement of GDI. Upon completion of the Transaction, GDI will become the immediate holding company of the Company.

- * *The English translation of the Chinese name of the company is prepared by the Company for reference only, and such translation may not be accurate and such company may not have an official English translation of this Chinese name.*

Save as disclosed above, as at 31 December 2016, so far as is known to any Director or chief executive of the Company, no other persons (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Connected Transactions

Details of the Group's connected transactions, including only the continuing connected transactions during the year, are disclosed in note 28 to the financial statements.

Related Party Transactions

Details of the significant related party transactions are provided under note 28 to the financial statements. Details of the transactions described in note 28 to the financial statements constitute continuing connected transactions under the Listing Rules. In respect of these transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Apart from the abovementioned continuing connected transactions, none of the related party transactions as disclosed in note 28 to the financial statements is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

Purchase, Sale and Redemption of Listed Securities

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

Report of the Directors (continued)

Equity-Linked Agreements

During the year ended 31 December 2016, the Company had not entered into any equity-linked agreements.

Significant Contracts with Controlling Shareholder or its Subsidiaries

Save as disclosed in note 28 to the financial statements, the Company and the controlling shareholders of the Company or its subsidiaries had not entered into any contracts of significance during the year under review.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws and there are no restrictions against such rights under the laws of Bermuda, being the jurisdiction in which the Company is incorporated.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year under review.

Purchases from the Group's five largest suppliers accounted for approximately 98.0% of the Group's total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 96.2% of the total purchases for the year under review.

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

Auditors

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 23 March 2017

Corporate Governance Report

Corporate Governance Code

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of the Code Provisions of the Corporate Governance Code (the “CG Code”), contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors of the Company, the Company was in compliance with the applicable code provisions in the CG Code for the year ended 31 December 2016 and, where appropriate, the applicable recommended best practices of the CG Code.

Directors’ Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors and also implemented internal policy to govern the dealing in securities by the employees of the Group. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they had complied with the required standards of dealings as set out in the Model Code during the year under review.

Board of Directors

The board of directors (the “Board”) is responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performances. The management is entrusted by the Board with the authority and responsibility for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company’s circumstances and to ensure processes and procedures are in place to achieve the Company’s corporate governance objectives.

As of the date of this report, the Board comprises one Non-Executive Director, being Mr. HUANG Xiaofeng who is also the Chairman of the Board, four Executive Directors, being Ms. ZHAO Chunxiao who is the Chief Executive Officer of the Company, Mr. LI Wai Keung, Mr. WU Mingchang and Mr. ZENG Yi, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho.

During the financial year ended 31 December 2016, changes in the composition of the Board are as follows:

- Mr. HUANG Zhenhai resigned as a Non-Executive Director of the Company with effect from 27 January 2016.
- Mr. LUO Fanyu resigned as a Non-Executive Director of the Company with effect from 17 March 2016.
- Mr. WU Mingchang was appointed as a Non-Executive Director of the Company with effect from 17 March 2016 and was re-designated as an Executive Director of the Company with effect from 7 June 2016.

Corporate Governance Report (continued)

Board of Directors (continued)

- Mr. YE Xuquan resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 1 May 2016.
- Ms. ZHAO Chunxiao, an Executive Director of the Company, was appointed as the Chief Executive Officer of the Company with effect from 25 August 2016.
- Mr. ZENG Yi was appointed as an Executive Director of the Company with effect from 27 October 2016.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's annual, interim and quarterly results. During the year under review, five Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. At least fourteen days' notice of a Board meeting is given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The Bye-laws also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates has a material interest. Every Director is entitled to have access to the Board papers and related materials as well as to the advice and services of the Company Secretary.

Corporate Governance Functions

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board performing corporate governance functions under CG Code include:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance report.

Corporate Governance Report (continued)

Corporate Governance Functions (continued)

During the year under review, the Board considered, among other matters, the following corporate governance issues:

- (i) reviewed the training and continuous professional development of Directors and senior management of the Company;
- (ii) monitored the policy for the employees to raise concerns about possible improprieties;
- (iii) reviewed the effectiveness of the internal controls and risk management systems of the Company through the Internal Audit Department and the Audit Committee;
- (iv) developed and reviewed the internal control assessment manual of the Company; and
- (v) reviewed the Company's compliance with the CG Code and related disclosure.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. HUANG Xiaofeng and the Chief Executive Officer is Ms. ZHAO Chunxiao. Their roles are clearly defined and segregated to ensure independence, proper checks and balances. Mr. Huang as the Chairman of the Board, with his strategic vision and with a non-executive perspective, provides leadership to the Board and gives direction in the development of the Company, which is of added benefit to the check and balance mechanism of the Company. Ms. Zhao as the Chief Executive Officer focuses on the day-to-day management of the Group's business, and leads the management team of the Group.

Non-Executive Directors

All Directors, including Non-Executive Directors, appointed to fill a causal vacancy or as an addition to the existing Board, shall hold office only until the first general meeting after their appointment and shall then be eligible for re-election.

Moreover, each Non-Executive Director (including Independent Non-Executive Directors) of the Company is appointed for a term of not more than approximately three years expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director; or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the Bye-laws and/or applicable laws and regulations.

During the year under review, the Non-Executive Directors (including Independent Non-Executive Directors) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and committee meetings.

Independence of Independent Non-Executive Directors

During the year under review and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from the three Independent Non-Executive Directors, namely Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho in accordance with Rule 3.13 of the Listing Rules.

Corporate Governance Report (continued)

Independence of Independent Non-Executive Directors (continued)

Mr. Alan Howard SMITH and Mr. Felix FONG Wo have served the Board for more than nine years. They have clearly demonstrated their willingness to exercise independent judgement and to provide objective challenges and opinions to the management. There is no evidence that length of tenure is having an adverse impact on their independence. The Board therefore considers that Mr. Alan Howard SMITH and Mr. Felix FONG Wo remain independent, notwithstanding the length of their tenure.

The Nomination Committee has assessed the independence of all the Independent Non-Executive Directors and has concluded that all of them are independent within the definition of the Listing Rules. Further, up to the date of this report, the Board is not aware of the occurrence of any events, which would cause it to believe that the independence of any of the Independent Non-Executive Directors has been impaired.

Relationship amongst Directors

The Board members do not have any financial, business, family or other material/relevant relationships with each other. Such balanced board composition also ensures that strong independence exists across the Board. The biographies of the Directors as at the date of this report as set out in pages 16 to 19 to this report, demonstrate a diversity of skills, expertise, experience and qualifications.

Directors' Continuous Professional Development

The Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously develop and refresh their relevant knowledge and skills. Some Directors attended seminars and conferences organized by government authorities, professional bodies and industrial organizations in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skills. The Company has organized a training seminar relating to latest trends of the environmental, social and governance performance in real estate sector in August 2016 and provided the Directors with reading materials in order to keep them updated of the changes in rules and regulations and to ensure that their contribution to the Board remains informed and relevant.

As of the date of this report, according to the records kept by the Company, the Directors attended the following trainings during the year under review:

Name of Director	Attending Directors' training organized by the Company and/or other professional organizations	Reading materials
Non-Executive Director		
HUANG Xiaofeng	✓	✓
Executive Directors		
ZHAO Chunxiao	✓	✓
LI Wai Keung	✓	✓
WU Mingchang	✓	✓
ZENG Yi	✓	✓
Independent Non-Executive Directors		
Alan Howard SMITH	✓	✓
Felix FONG Wo	✓	✓
Vincent Marshall LEE Kwan Ho	✓	✓

Corporate Governance Report (continued)

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013 which sets out the approach to achieve diversity on the Board.

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, length of service, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments are based on meritocracy and candidates are considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee has set the measurable objectives based on several focused areas: gender, age, cultural and educational background, length of service, professional experience, skills and knowledge for the implementation of Board diversity of the Company. The Nomination Committee reviews the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this report, the Board comprises eight Directors, amongst them, three are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of professional experience, skills and knowledge.

Having reviewed the implementation of the Board Diversity Policy and the structure, size and composition of the Board, the Nomination Committee and the Board considered that the requirements of the Board Diversity Policy had been met.

Board Committees

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Terms of Reference of those committees detailing their respective authorities and responsibilities are available on the Company's website.

Remuneration Committee

The Company established the Remuneration Committee in June 2005. The Remuneration Committee has been delegated responsibility from the Board to determine the remuneration packages of individual Executive Directors and senior management. Details of the authority and duties of the Remuneration Committee are available on the Company's website.

The Remuneration Committee comprises three Independent Non-Executive Directors, being Mr. Felix FONG Wo, Mr. Alan Howard SMITH and Mr. Vincent Marshall LEE Kwan Ho. Mr. Felix FONG Wo is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Remuneration Committee meeting was held in 2016 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report. In addition to the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during the year under review.

In 2016, the Remuneration Committee reviewed and approved the remuneration package and performance bonus for the Executive Director and senior management of the Company.

Details of the amount of Directors' emoluments for the year 2016 are set out in note 8 to the financial statements.

Corporate Governance Report (continued)

Nomination Committee

The Company established the Nomination Committee in March 2012. The Nomination Committee is responsible for, amongst other things, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of its Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules and the CG Code, considering the re-appointment of the retiring Directors and succession planning for Directors, reviewing the Board Diversity Policy and implementing the relevant measurable objectives and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and duties of the Nomination Committee are available on the Company's website.

The Nomination Committee comprises Chairman of the Board and Non-Executive Director, Mr. HUANG Xiaofeng, and three Independent Non-Executive Directors, being Mr. Alan Howard SMITH, Mr. Felix FONG Wo and Mr. Vincent Marshall LEE Kwan Ho. Mr. HUANG Xiaofeng is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. Four Nomination Committee meetings were held in 2016 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report.

In 2016, the Nomination Committee performed the works as summarized below:

- (i) assessed the independence of the Independent Non-Executive Directors;
- (ii) considered the re-appointment of the retiring Directors of the Company;
- (iii) reviewed the implementation of the Board Diversity Policy and the structure, size and composition of the Board;
- (iv) considered and recommended to the Board for the appointment of an Executive Director and a Non-Executive Director of the Company;
- (v) considered and recommended to the Board for the appointment of the Chief Executive Officer of the Company; and
- (vi) considered and recommended to the Board for the re-designation of a Non-Executive Director as an Executive Director of the Company.

Audit Committee

The Audit Committee of the Company was established in September 1998. The Audit Committee oversees matters concerning the external auditors including making recommendations to the Board regarding the appointment of the external auditors, reviewing the scope of their audit and work and approving their fees. The Audit Committee further ensures that the management has put in place effective systems of the risk management and internal control and maintains an overview of the Group's risk management system and financial controls. It reviews the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions and their training programmes and budget. In addition, it reviews the internal audit schedules of the Group, considers the Group's internal audit reports and monitors the effectiveness of the internal audit function. Details of the authority and duties of the Audit Committee are available on the Company's website.

The Audit Committee comprises three Independent Non-Executive Directors, being Mr. Vincent Marshall LEE Kwan Ho, Mr. Alan Howard SMITH and Mr. Felix FONG Wo. Mr. Vincent Marshall LEE Kwan Ho is the chairman of the Audit Committee.

Corporate Governance Report (continued)

Audit Committee (continued)

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members with Non-Executive Director only and must be chaired by an Independent Non-Executive Director) is an Independent Non-Executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Four Audit Committee meetings were held in 2016 and the attendance of each member is set out in the section headed "Board and Committees Meetings" of this report. In addition to the Committee meetings, the Audit Committee also dealt with matters by way of circulation during the year under review. In addition to its four meetings as aforesaid, the Audit Committee also had two private meetings with the external auditors without the presence of the management to discuss any area of concern.

In 2016, the Audit Committee performed the works as summarized below:

- (i) reviewed the annual caps on continuing connected transactions of the Company;
- (ii) reviewed and recommended 2015 final results, auditors' findings and draft final results announcement for the Board's approval;
- (iii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;
- (iv) reviewed the internal audit plan of 2016;
- (v) reviewed and recommended 2016 interim and quarterly results, auditors' findings, draft interim and quarterly results announcements for the Board's approval;
- (vi) reviewed and recommended the internal audit reports for the Board's approval;
- (vii) engaged an external professional firm to assess the effectiveness of the risk management and internal control systems of the Group; and
- (viii) considered and approved the audit fee for 2016.

Auditors' Remuneration

During the year under review, the remuneration paid/payable to the Company's auditors, Ernst & Young, is set out as follows:

Services rendered	Fee paid/payable <i>HK\$'000</i>
Audit of annual financial statements	1,933
Review of interim results	520
Agreed-upon procedures in respect of quarterly results	408
Review of statement of indebtedness and working capital sufficiency	380
Environmental, social and governance report consultancy services	322
Taxation compliance and consultancy services	19
Agreed-upon procedures in respect of continuing connected transactions	10
	<hr/> 3,592

Corporate Governance Report (continued)

Board and Committees Meetings

The individual attendance records of each Director at the meetings of the Board, Nomination Committee, Remuneration Committee, Audit Committee and general meeting of the Company during the year ended 31 December 2016 are set out below:

Name of Director	Board Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Audit Committee Meeting	Annual General Meeting
Non-Executive Directors					
HUANG Xiaofeng	4/5	3/4	N/A	N/A	1/1
HUANG Zhenhai ^(Note 1)	N/A	N/A	N/A	N/A	N/A
LUO Fanyu ^(Note 2)	0/1	N/A	N/A	N/A	N/A
Executive Directors					
ZHAO Chunxiao	5/5	N/A	N/A	N/A	1/1
YE Xuquan ^(Note 3)	2/2	N/A	N/A	N/A	N/A
LI Wai Keung	5/5	N/A	N/A	N/A	1/1
WU Mingchang ^(Note 4)	4/4	N/A	N/A	N/A	1/1
ZENG Yi ^(Note 5)	1/1	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Alan Howard SMITH	5/5	4/4	1/1	4/4	1/1
Felix FONG Wo	5/5	4/4	1/1	4/4	1/1
Vincent Marshall LEE Kwan Ho	5/5	4/4	1/1	4/4	1/1

Notes:

1. Mr. HUANG Zhenhai resigned as a Non-Executive Director of the Company with effect from 27 January 2016.
2. Mr. LUO Fanyu resigned as a Non-Executive Director of the Company with effect from 17 March 2016.
3. Mr. YE Xuquan resigned as an Executive Director and Chief Executive Officer of the Company with effect from 1 May 2016.
4. Mr. WU Mingchang was appointed as a Non-Executive Director of the Company with effect from 17 March 2016 and was re-designated as an Executive Director of the Company with effect from 7 June 2016.
5. Mr. ZENG Yi was appointed as an Executive Director of the Company with effect from 27 October 2016.

Accountability and Audit

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2016, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that financial year. In preparing the financial statements for the year ended 31 December 2016, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

Corporate Governance Report (continued)

Accountability and Audit (continued)

The Group endeavours to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The annual and interim results of the Company are announced in a timely manner within the limit of three months and two months respectively after the end of the relevant periods in accordance with the Listing Rules. To further enhance the Company's level of corporate governance and transparency, the Company has announced its unaudited quarterly financial information during the financial year ended 31 December 2016, and will continue to publish unaudited financial information quarterly in the future.

The Directors have acknowledged their responsibility for preparing all information and representations contained in the financial statements of the Company for the year ended 31 December 2016.

Risk Management and Internal Control

The Board has overall responsibilities for maintaining and ensuring effective implementation of the risk management and internal control systems of the Group. Such systems are designed to prudently manage the Group's risks within an acceptable risk profile. The Board has delegated to management the implementation of such systems of risk management and internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

The management under the supervision of the Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the systems of risk management and internal control when there are changes to business environment or regulatory guidelines.

The management assists the Board with the implementation of all relevant policies and procedures on risk and control by identifying and assessing the risk faced and designing, operating and monitoring suitable risk management and internal control to mitigate and control these risks. The key processes that have been established in reviewing the adequacy and integrity of the systems of risk management and internal control include the following:

A defined management structure is maintained with specified limits of authority and control responsibilities, which is designed to (a) safeguard assets from inappropriate use; (b) maintain proper accounts; (c) ensure compliance with regulations; and (d) identify, manage and mitigate key risks to the Group.

In addition to the duties of the Audit Committee as mentioned above, the Audit Committee, *inter alia*, reviews the financial controls, risk management, internal control systems of the Group and any significant internal control issues identified by the internal audit department, the external auditors and the management. It also conducts review of the internal audit functions with particular emphasis on the scope and quality of the internal audits and independence of the internal audit department. During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions, and their training programmes and budgets.

The internal audit department monitors compliance with policies and procedures and the effectiveness of the risk management and internal control systems and highlights significant findings in respect of any non-compliance. It plays an important role in the Group's risk management and internal control framework, and provides objective assurance to the Board that the sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic checking. The internal audit department issues reports to the Board and relevant management covering various operational and financial processes of the Group and provides summary reports to the Audit Committee together with the status of implementation of their recommendation in each Audit Committee meeting.

Corporate Governance Report (continued)

Risk Management and Internal Control (continued)

An Inside Information Policy was adopted by the Company which sets out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information (as defined in the Listing Rules) of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

In addition, the Company has engaged an 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. The internal audit consultant completed the risk assessment and has submitted the assessment results (including the annual internal audit plan) to the management of the Company for review and reported to the Audit Committee and the Board for approval.

The independent internal audit consultant, who provides risk assessment services to the Company, has also performed the internal audit reviews for the Group. The consultant has recommended an internal audit plan to the management and the Board and has assisted the Company to review the internal control system on certain processes in 2016. The management agreed on the findings and adopted the recommendations accordingly.

The Board is satisfied that the risk management and internal control systems in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and, up to the date of issuance of the annual report and accounts, are reasonably effective and adequate.

Company Secretary

Ms. Vanessa WONG Kin Yan had been the Company Secretary of the Company since September 2006 and resigned on 6 March 2017. She was a full time employee of the Company and had day-to-day knowledge of the Company. Ms. Wong reported to the Chairman and the Chief Executive Officer of the Company and was responsible for advising the Board on corporate governance matters. For the year under review, Ms. Wong undertook over fifteen hours of relevant professional training to update her skills and knowledge.

Mr. LI Wai Keung, an Executive Director of the Company, has been appointed as the Company Secretary of the Company with effect from 6 March 2017.

Shareholders' Rights

The following procedures are subject to the Bye-laws, the Companies Act 1981 of Bermuda and applicable legislation and regulation.

Procedures for shareholders to convene a special general meeting

Registered shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such special general meeting shall be held within two months after the deposit of such requisition. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the head office of the Company in Hong Kong at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong marked for the attention of the Board or the Company Secretary.

Corporate Governance Report (continued)

Shareholders' Rights (continued)

Procedures for shareholders to convene a special general meeting (continued)

The written requisition must state the purpose of the general meeting, signed by the registered shareholders concerned and may consist of several documents in like form, each signed by one or more of those shareholders. The written requisition will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a special general meeting by serving sufficient notice in accordance with the statutory and regulatory requirements to all the registered shareholders. On the contrary, if the written requisition is invalid, the shareholders concerned will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

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

Procedures for shareholder to put forward proposals at general meetings

The Company holds an annual general meeting every year, and may hold a general meeting known as a special general meeting whenever necessary.

Registered shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than one hundred shareholders, can submit a written request stating the resolution intended to be moved at the next annual general meeting; or a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Company Secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the head office of the Company in Hong Kong at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong marked for the attention of the Board or the Company Secretary.

If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the annual general meeting; or (ii) to circulate the statement for the general meeting, provided that the shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid or the shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the annual general meeting; or the statement will not be circulated for the general meeting.

Corporate Governance Report (continued)

Shareholders' Rights (continued)

Shareholders' enquiries

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders may also send written enquiries to the Company, for the attention of the Chief Financial Officer or the Company Secretary by mail to 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong or by fax to (852) 2815 2020.

In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and to strengthen the communications with both the public and the shareholders. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner.

Investor Relations

During the year under review, there were no significant changes in the Company's Memorandum and Bye-laws. An up-to-date consolidated version of the Company's Memorandum and Bye-laws is available on the Company's website.

Relationship with Stakeholders

The Company recognizes that our employees, customers and suppliers and business associates are key stakeholders to the Company's success. We strive to achieve corporate sustainability through engaging our employees, providing quality services to our customers, collaborating with business partners (including suppliers and contractors) to deliver quality sustainable products and services and supporting our community.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 23 March 2017

Independent Auditor's Report



To the shareholders of Guangdong Land Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Guangdong Land Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 101, which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

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

Independent Auditor's Report (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Fair value measurement of investment properties under development</i>	
<p>It is the Group's accounting policy to measure all of its investment properties at fair value, except for those properties, the fair values of which are not reliably measurable. If the fair values of investment properties under development are not reliably measurable, the Group measures those properties at cost until their fair values become reliably measurable or the development is completed, whichever is earlier. The determination of whether the fair values of investment properties under development are reliably measurable on a continuing basis requires significant management judgement. This includes determination as to whether the market for comparable properties is inactive and whether alternative reliable measurements of fair values are available. As at 31 December 2016, the Group had recorded investment properties under development measured at cost amounting to approximately HK\$1,032 million.</p> <p>The directors concluded that the fair values of the investment properties under development could not be measured reliably at the end of the current reporting period and, therefore, such investment properties under development continue to be measured at cost until fair value can be reliably measured.</p> <p>The accounting policies and disclosures for the investment properties under development are included in notes 2.4, 3 and 13 to the consolidated financial statements.</p>	<p>Our audit procedures included evaluating the judgement and assessment of management. We have also considered the development progress of the relevant investment properties under development at year end to determine whether the fair value of the investment properties under development could be reliably measured.</p>
<i>Estimation of net realisable values of completed properties held for sale</i>	
<p>As at 31 December 2016, the Group recorded completed properties held for sale of approximately HK\$265 million. Completed properties held for sale are stated at the lower of cost and net realisable value. The determination of net realisable values involves significant judgement on estimated sales proceeds and selling expenses.</p> <p>The accounting policies and disclosures for the completed properties held for sale are included in notes 2.4 and 3 to the consolidated financial statements.</p>	<p>Our audit procedures included evaluating management's impairment assessment on completed properties held for sale with reference to selling prices of property sales during the year and after the end of the reporting period and market transactions of similar properties nearby. We have also reviewed the calculation of estimated selling expenses based on marketing expenses, sales staff salaries and sales commission incurred previously.</p>

Independent Auditor's Report (continued)

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Ip Hing Lam.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

23 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
REVENUE	5	1,091,941	857,937
Cost of sales		(901,049)	(858,054)
Gross profit/(loss)		190,892	(117)
Other income and gains	5	83,983	258,350
Gain on bargain purchase	23	—	233,862
Selling and distribution expenses		(13,552)	(10,141)
Administrative expenses		(72,729)	(69,461)
Other operating expenses, net		(32,578)	(236,131)
Finance costs	6	—	—
PROFIT BEFORE TAX	7	156,016	176,362
Income tax expense	10	(125,690)	(4,112)
PROFIT FOR THE YEAR		30,326	172,250
Attributable to:			
Owners of the Company		17,734	174,773
Non-controlling interest		12,592	(2,523)
		30,326	172,250
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted		HK1.04 cents	HK10.21 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
PROFIT FOR THE YEAR	30,326	172,250
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(278,756)	(38,045)
Release of exchange fluctuation reserve upon settlement of intercompany balances	—	(48,048)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(278,756)	(86,093)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(248,430)	86,157
Attributable to:		
Owners of the Company	(243,549)	93,571
Non-controlling interest	(4,881)	(7,414)
	(248,430)	86,157

Consolidated Balance Sheet

31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	8,112	9,328
Investment properties	13	1,057,327	27,930
Deferred tax assets	20	70,047	22,165
Total non-current assets		1,135,486	59,423
CURRENT ASSETS			
Completed properties held for sale		265,386	1,290,357
Properties under development	14	1,633,600	97,279
Prepayments, deposits and other receivables	15	26,108	713,571
Available-for-sale financial asset	16	447,160	—
Restricted bank balances	17	563,073	470,176
Cash and cash equivalents	17	2,402,840	3,209,733
Total current assets		5,338,167	5,781,116
CURRENT LIABILITIES			
Trade payables	18	(1,528,040)	(74,547)
Other payables, accruals and provisions	19	(155,310)	(339,820)
Receipts in advance		(20,245)	(311,373)
Due to a non-controlling shareholder	28(c)	(27,948)	—
Tax payable		(336,502)	(186,725)
Total current liabilities		(2,068,045)	(912,465)
NET CURRENT ASSETS		3,270,122	4,868,651
TOTAL ASSETS LESS CURRENT LIABILITIES		4,405,608	4,928,074
NON-CURRENT LIABILITIES			
Deferred tax liabilities	20	(72,178)	(318,267)
Net assets		4,333,430	4,609,807
EQUITY			
Equity attributable to owners of the Company			
Issued capital	21	171,154	171,154
Reserves	22	4,016,653	4,260,202
Non-controlling interest		4,187,807	4,431,356
		145,623	178,451
Total equity		4,333,430	4,609,807

ZHAO Chunxiao
Director

LI Wai Keung
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account* HK\$'000	Capital reserve* HK\$'000	Property revaluation reserve* HK\$'000	Enterprise development funds* HK\$'000	Reserve funds* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 1 January 2015	171,154	1,688,606	13,824	6,984	216	48,298	234,551	2,174,152	4,337,785	—	4,337,785
Profit/(loss) for the year	—	—	—	—	—	—	—	174,773	174,773	(2,523)	172,250
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(33,154)	—	(33,154)	(4,891)	(38,045)
Release of exchange fluctuation reserve upon settlement of intercompany balances	—	—	—	—	—	—	(48,048)	—	(48,048)	—	(48,048)
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	(81,202)	174,773	93,571	(7,414)	86,157
Acquisition of a subsidiary (note 23)	—	—	—	—	—	—	—	—	—	185,865	185,865
At 31 December 2015	171,154	1,688,606*	13,824*	6,984*	216*	48,298*	153,349*	2,348,925*	4,431,356	178,451	4,609,807

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account* HK\$'000	Capital reserve* HK\$'000	Property revaluation reserve* HK\$'000	Enterprise development funds* HK\$'000	Reserve funds* HK\$'000	Exchange fluctuation reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 1 January 2016	171,154	1,688,606	13,824	6,984	216	48,298	153,349	2,348,925	4,431,356	178,451	4,609,807
Profit for the year	—	—	—	—	—	—	—	17,734	17,734	12,592	30,326
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(261,283)	—	(261,283)	(17,473)	(278,756)
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	(261,283)	17,734	(243,549)	(4,881)	(248,430)
Transfer to reserve funds	—	—	—	—	—	46,724	—	(46,724)	—	—	—
Dividend declared to a non-controlling shareholder	—	—	—	—	—	—	—	—	—	(27,947)	(27,947)
At 31 December 2016	171,154	1,688,606*	13,824*	6,984*	216*	95,022*	(107,934)*	2,319,935*	4,187,807	145,623	4,333,430

* These reserve accounts comprise the consolidated reserves of HK\$4,016,653,000 (2015: HK\$4,260,202,000) in the consolidated balance sheet.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		156,016	176,362
Adjustments for:			
Interest income		(73,436)	(172,630)
Gain on disposal of items of property, plant and equipment	5	(4,822)	(17,234)
Gain on disposal of assets held for sale	5	—	(19,218)
Gain on bargain purchase		—	(233,862)
Release of exchange fluctuation reserve upon settlement of intercompany balances	5	—	(48,048)
Impairment of other receivables under assets held for sale	7	—	740
Changes in fair value of investment properties	5	(1,006)	(87)
Depreciation	7	1,228	1,048
		77,980	(312,929)
Decrease in completed properties held for sale		896,442	822,559
Increase in properties under development		(643,248)	(272,285)
Decrease in prepayments, deposits and other receivables		56,858	43,152
Decrease in trade payables		(53,786)	(31,565)
Decrease in other payables, accruals and provisions		(171,967)	(113,682)
Increase/(decrease) in receipts in advance		(283,858)	311,373
Cash generated from/(used in) operations		(121,579)	446,623
Interest received		63,422	135,975
Interest paid		—	(7,728)
Overseas tax paid		(219,975)	(42,858)
Net cash flows from/(used in) operating activities		(278,132)	532,012

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		5,210	18,322
Purchases of items of property, plant and equipment	12	(918)	(4,307)
Additions to investment properties		(479,320)	—
Proceeds from disposal of assets held for sale		—	47,813
Acquisition of a subsidiary	23	—	(503,997)
Increase in restricted bank balances		(128,348)	(469,985)
Consideration received for the disposal of the previous brewery subsidiaries		638,507	—
Addition of an available-for-sale financial asset		(467,720)	—
Decrease/(increase) in time deposits with original maturity of over three months when acquired		(344,944)	2,171,145
Net cash flows from/(used in) investing activities		(777,533)	1,258,991
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		—	181,849
Repayment of bank loans		—	(405,967)
Net cash flows used in financing activities		—	(224,118)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,055,665)	1,566,885
Cash and cash equivalents at beginning of year		3,209,733	1,660,435
Effect of foreign exchange rate changes, net		(81,009)	(17,587)
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,073,059	3,209,733
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		323,396	213,893
Non-pledged time deposits with original maturity of less than three months when acquired	17	1,749,663	2,995,840
Non-pledged time deposits with original maturity of over three months when acquired	17	329,781	—
Cash and cash equivalents as stated in the consolidated balance sheet		2,402,840	3,209,733
Non-pledged time deposits with original maturity of over three months when acquired	17	(329,781)	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		2,073,059	3,209,733

Notes to Financial Statements

31 December 2016

1. Corporate and Group Information

Guangdong Land Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 18th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong. GDH Limited ("GDH") is the immediate holding company of the Company. In the opinion of the directors, the ultimate holding company of the Company is 廣東粵海控股集團有限公司 (Guangdong Holdings Limited), a company established in the People's Republic of China ("PRC").

On 19 January 2017, GDH entered into a sale and purchase agreement with Guangdong Investment Limited ("GDI"), a fellow subsidiary of the Company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to sell its 73.82% equity interest of the Company for a consideration of RMB3,358,000,000. The transaction is not yet completed and, upon completion, GDI will become the immediate holding company of the Company.

During the year, the Group was involved in property development and investment.

Particulars of the Company's principal subsidiaries are disclosed in note 33.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties and an available-for-sale financial asset which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

Notes to Financial Statements (continued)

31 December 2016

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

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

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

Notes to Financial Statements (continued)

31 December 2016

2.2 Changes in Accounting Policies and Disclosures (continued)

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

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
 - (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the statement of profit or loss and the balance sheet may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

Notes to Financial Statements (continued)

31 December 2016

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

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

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

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

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

⁴ No mandatory effective date yet determined but available for adoption

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

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

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

Notes to Financial Statements (continued)

31 December 2016

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

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

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

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

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

Notes to Financial Statements (continued)

31 December 2016

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (continued)

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

2.4 Summary of Significant Accounting Policies

Business combinations and goodwill

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

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

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

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

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

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

Related parties

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

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

or

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

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

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost of properties under development comprises cost of land, development expenditure, capitalised borrowing costs and other direct costs attributable to the development. Net realisable value is based on estimated selling prices less estimated cost to be incurred to completion and disposal.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of total development cost, including capitalised borrowing cost, attributable to the unsold units. Net realisable value is determined on the basis of anticipated sales proceeds estimated by management based on the prevailing market conditions less all estimated costs to completion and selling expenses, on an individual property basis.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

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

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

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

Buildings	3% — 6%
Plant, machinery and equipment	18% — 20%
Furniture and fixtures	18% — 20%
Motor vehicles	18% — 20%

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

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

Investment properties

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

Properties under construction or development for further use as investment properties are classified as investment properties under development. If the fair value cannot be reliably determined, the investment properties under development will be measured at cost until such time as fair value can be determined or construction is completed. The Group concluded that the fair value of its investment properties under development cannot be measured reliably at the end of the reporting period, and therefore, the Group's investment properties under development are measured at cost.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

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

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

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

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

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

Derecognition of financial assets

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

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

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

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

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

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

The Group’s financial liabilities include trade and other payables, certain accruals and an amount due to a non-controlling shareholder.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

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

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

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

Revenue recognition

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

- (a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;
- (b) rental income, on a time proportion basis over the lease terms; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Retirement benefit schemes

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

Employees of the Group's certain subsidiaries which operate in Mainland China are required to participate in a local pension scheme (the "LPS") operated by the local municipal government. These subsidiaries are required to contribute 21% to 23% of their payroll costs to the LPS. The contributions under the LPS are charged to the statement of profit or loss as they become payable in accordance with the rules of the LPS.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Notes to Financial Statements (continued)

31 December 2016

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of subsidiaries not operating in Hong Kong are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries not operating in Hong Kong are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries not operating in Hong Kong which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Classification between investment properties and properties under development

The Group determines whether a property qualifies as an investment property or a property under development, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Properties under development are properties held by the Group with intention for sale in the Group's ordinary course of business. Judgement is made on an individual property basis to determine whether properties are classified as investment properties or properties under development.

Notes to Financial Statements (continued)

31 December 2016

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Investment properties under development

Properties under construction or development for future use as investment properties are classified as investment properties under development. If the fair value cannot be reliably determined, the investment properties under development will be measured at cost until such time as fair value can be determined or construction is completed.

The Group has to exercise judgement in determining when the fair value of investment properties under development can be reliably measured, which might include the consideration of (i) whether the construction permits have been obtained; and (ii) the stage of construction or completion. Other indications may also be appropriate in light of the facts and circumstances of individual developments.

The directors concluded that the fair value of investment properties under development continues to be measured at cost until construction is substantially completed or the remaining construction cost can be accurately estimated.

Estimation uncertainty

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

Land appreciation tax

Under the Detailed Rules for the Implementation of Provisional Regulations on Land Appreciation Tax ("LAT"), all gains arising from the transfer of real estate properties in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group that recorded sales of property assets in Mainland China are subject to LAT, which has been included in income tax. However, the implementation of LAT varies amongst various Mainland China cities and the Group has not finalised certain of its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax and provisions for LAT in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to provision for LAT at 31 December 2016 was HK\$70,047,000 (2015: HK\$22,165,000). The amount of unrecognised tax losses at 31 December 2016 was HK\$435,426,000 (2015: HK\$606,402,000). Further details are contained in note 20 to the financial statements.

Notes to Financial Statements (continued)

31 December 2016

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Estimation of net realisable values of completed properties held for sale and properties under development

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices.

Estimation of total budgeted costs and costs to completion for properties under development and investment properties under development

Total budgeted costs for properties under development and investment properties under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties under development and investment properties under development, management makes reference to information such as (i) current offers from contractors and suppliers; (ii) recent offers agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and activities and has two reportable segments as follows:

- (a) the property development and investment segment consists of property development and property investment; and
- (b) the other segment consists of corporate and other income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about the resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income is excluded from such measurement.

Segment assets exclude deferred tax assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

Notes to Financial Statements (continued)

31 December 2016

4. Operating Segment Information (continued)

	Property development and investment <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2016			
Segment revenue:			
Sales to external customers	1,091,941	—	1,091,941
Segment results	143,684	(61,104)	82,580
<i>Reconciliation:</i>			
Interest income			73,436
Profit before tax			156,016
As at 31 December 2016			
Segment assets	5,997,460	406,146	6,403,606
<i>Reconciliation:</i>			
Unallocated assets			70,047
Total assets			6,473,653
Segment liabilities	(2,041,067)	(26,978)	(2,068,045)
<i>Reconciliation:</i>			
Unallocated liabilities			(72,178)
Total liabilities			(2,140,223)
Year ended 31 December 2016			
Other segment information:			
Changes in fair value of investment properties	(1,006)	—	(1,006)
Depreciation	1,003	225	1,228
Capital expenditure*	1,088,372	280	1,088,652

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

Notes to Financial Statements (continued)

31 December 2016

4. Operating Segment Information (continued)

	Property development and investment HK\$'000	Other HK\$'000	Total HK\$'000
Year ended 31 December 2015			
Segment revenue:			
Sales to external customers	857,937	—	857,937
Segment results			
<i>Reconciliation:</i>			
Interest income			172,630
Profit before tax			176,362
As at 31 December 2015			
Segment assets			
<i>Reconciliation:</i>			
Unallocated assets			22,165
Total assets			5,840,539
Segment liabilities			
<i>Reconciliation:</i>			
Unallocated liabilities			(318,267)
Total liabilities			(1,230,732)
Year ended 31 December 2015			
Other segment information:			
Gain on bargain purchase	(233,862)	—	(233,862)
Changes in fair value of investment properties	(87)	—	(87)
Depreciation	703	345	1,048
Impairment of other receivables under assets held for sale	—	740	740
Release of exchange fluctuation reserve upon settlement of intercompany balances	—	(48,048)	(48,048)
Capital expenditure*	4,297	10	4,307

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

Geographical information

Revenue and non-current assets information is based on the locations of the customers and the locations of the assets. As the Group's major operations are principally located in Mainland China, no further geographical segment information is provided.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for each of the years ended 31 December 2016 and 2015.

Notes to Financial Statements (continued)

31 December 2016

5. Revenue, Other Income and Gains

Revenue represents sales of completed properties held for sale and rental income received during the year.

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

	2016 HK\$'000	2015 HK\$'000
Revenue		
Sale of properties	1,090,261	857,520
Rental income	1,680	417
	1,091,941	857,937
Other income		
Gain on sale of scrap materials	—	1,102
Bank interest income	72,828	135,975
Interest income from an available-for-sale financial asset	608	—
Imputed interest income	—	36,655
Others	1,769	31
	75,205	173,763
Gains		
Changes in fair value of investment properties	1,006	87
Gain on disposal of items of property, plant and equipment	4,822	17,234
Gain on disposal of assets held for sale	—	19,218
Release of exchange fluctuation reserve upon settlement of intercompany balances	—	48,048
Others	2,950	—
	8,778	84,587
	83,983	258,350

6. Finance Costs

An analysis of finance costs is as follows:

	2016 HK\$'000	2015 HK\$'000
Interest on bank loans	—	7,728
Less: Amount capitalised in properties under development	—	(7,728)
	—	—

Notes to Financial Statements (continued)

31 December 2016

7. Profit Before Tax

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

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Cost of properties sold		901,049	858,054
Depreciation	12	1,228	1,048
Minimum lease payments under operating leases		2,499	2,727
Auditor's remuneration		2,453	2,385
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		59,285	47,680
Pension scheme contributions*		9,367	8,235
Less: Forfeited contributions		(3)	—
Net pension scheme contributions		9,364	8,235
		68,649	55,915
Less: Amounts capitalised under property development project		(28,726)	(20,297)
		39,923	35,618
Impairment of other receivables under assets held for sale [#]		—	740
Provisions for the disposal transaction of previous brewery subsidiaries [#]	19	—	18,340
Foreign exchange differences, net [#]		32,306	213,715

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

Included in "other operating expenses, net" on the face of the consolidated statement of profit or loss.

Notes to Financial Statements (continued)

31 December 2016

8. Directors' and Chief Executive's Remuneration

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Fees:		
Independent Non-Executive Directors	1,640	1,640
Non-Executive Directors	—	—
Executive Directors	—	—
	1,640	1,640
Other emoluments:		
Salaries, allowances and benefits in kind	1,215	2,000
Performance-related bonuses	463	1,389
Pension scheme contributions	133	400
	1,811	3,789
	3,451	5,429

(a) Independent Non-Executive Directors

The fees paid or payable to Independent Non-Executive Directors during the year were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Fees		
Alan Howard SMITH	520	520
FONG Wo, Felix	560	560
Vincent Marshall LEE Kwan Ho	560	560
	1,640	1,640

There were no other emoluments payable to the Independent Non-Executive Directors during the year (2015: Nil).

Notes to Financial Statements (continued)

31 December 2016

8. Directors' and Chief Executive's Remuneration (continued)

(b) Executive Directors and Non-Executive Directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance- related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2016					
<i>Executive Directors:</i>					
ZHAO Chunxiao (note a) (Chief Executive Officer)	—	—	—	—	—
YE Xuquan (note b)	—	1,215	463	133	1,811
LI Wai Keung	—	—	—	—	—
WU Mingchang (note c)	—	—	—	—	—
ZENG Yi (note d)	—	—	—	—	—
	—	1,215	463	133	1,811
<i>Non-Executive Directors:</i>					
HUANG Xiaofeng (Chairman)	—	—	—	—	—
HUANG Zhenhai (note e)	—	—	—	—	—
LUO Fanyu (note f)	—	—	—	—	—
	—	—	—	—	—
	—	1,215	463	133	1,811
2015					
<i>Executive Directors:</i>					
YE Xuquan (Chief Executive Officer)	—	2,000	1,389	400	3,789
ZHAO Chunxiao	—	—	—	—	—
LI Wai Keung	—	—	—	—	—
	—	2,000	1,389	400	3,789
<i>Non-Executive Directors:</i>					
HUANG Xiaofeng (Chairman)	—	—	—	—	—
HUANG Zhenhai	—	—	—	—	—
LUO Fanyu	—	—	—	—	—
	—	—	—	—	—
	—	2,000	1,389	400	3,789

Notes to Financial Statements (continued)

31 December 2016

8. Directors' and Chief Executive's Remuneration (continued)

(b) Executive Directors and Non-Executive Directors (continued)

Notes:

- (a) ZHAO Chunxiao was appointed as the Chief Executive Officer of the Company effective from 25 August 2016.
- (b) YE Xuquan resigned as an Executive Director and the Chief Executive Officer of the Company effective from 1 May 2016.
- (c) WU Mingchang was appointed as a Non-Executive Director of the Company on 17 March 2016 and re-designated as an Executive Director of the Company effective from 7 June 2016.
- (d) ZENG Yi was appointed as an Executive Director of the Company effective from 27 October 2016.
- (e) HUANG Zhenhai resigned as a Non-Executive Director of the Company effective from 27 January 2016.
- (f) LUO Fanyu resigned as a Non-Executive Director of the Company effective from 17 March 2016.

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

9. Five Highest Paid Employees

The five highest paid employees during the year included one (2015: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2015: four) highest paid employees who are not directors of the Company are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefits in kind	3,133	3,332
Performance-related bonuses	3,015	1,485
Pension scheme contributions	636	327
	6,784	5,144

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

	Number of employees	
	2016	2015
HK\$1,000,001 to HK\$1,500,000	2	4
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,500,001 to HK\$3,000,000	1	—
	4	4

Notes to Financial Statements (continued)

31 December 2016

10. Income Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2015: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

LAT has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current – Hong Kong	—	—
Current – Elsewhere	169,342	109,668
LAT in Mainland China	223,753	119,113
Deferred (note 20)	(267,405)	(224,669)
Total tax charge for the year	125,690	4,112

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2016 <i>HK\$'000</i>	%	2015 <i>HK\$'000</i>	%
Profit before tax	156,016		176,362	
Tax at the statutory tax rates	41,779	26.8	13,391	7.6
Effect of withholding tax at 5% on the dividend distribution made by a PRC subsidiary	5,590	3.6	—	—
Income not subject to tax	(36,291)	(23.3)	(84,339)	(47.8)
Expenses not deductible for tax	65,950	42.3	60,326	34.2
Utilisation of previously unrecognised tax losses	(42,899)	(27.5)	(447)	(0.3)
Tax losses not recognised	155	0.1	2,912	1.7
LAT	223,753	143.4	119,113	67.5
Release of deferred LAT liabilities	(132,347)	(84.8)	(106,844)	(60.6)
Tax charge at the Group's effective rate	125,690	80.6	4,112	2.3

Notes to Financial Statements (continued)

31 December 2016

11. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company and the number of ordinary shares of 1,711,536,850 (2015: 1,711,536,850) in issue during the year.

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

12. Property, Plant and Equipment

	Note	Buildings HK\$'000	Plant, machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost		34,034	5,830	1,006	1,865	42,735
Accumulated depreciation		(30,045)	(2,342)	(345)	(675)	(33,407)
Net carrying amount		3,989	3,488	661	1,190	9,328
At 1 January 2016, net of accumulated depreciation						
Additions		—	918	—	—	918
Disposals		(135)	(253)	—	—	(388)
Depreciation provided during the year	7	(245)	(587)	(201)	(195)	(1,228)
Exchange realignment		(237)	(214)	—	(67)	(518)
At 31 December 2016, net of accumulated depreciation		3,372	3,352	460	928	8,112
At 31 December 2016:						
Cost		23,850	6,322	1,006	1,747	32,925
Accumulated depreciation		(20,478)	(2,970)	(546)	(819)	(24,813)
Net carrying amount		3,372	3,352	460	928	8,112

Notes to Financial Statements (continued)

31 December 2016

12. Property, Plant and Equipment (continued)

	Notes	Buildings HK\$'000	Plant, machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2015						
At 1 January 2015:						
Cost		38,444	2,837	996	669	42,946
Accumulated depreciation		(32,702)	(2,087)	(145)	(566)	(35,500)
Net carrying amount		5,742	750	851	103	7,446
At 1 January 2015, net of accumulated depreciation						
Additions		—	3,009	10	1,288	4,307
Disposals		(1,088)	—	—	—	(1,088)
Acquisition of a subsidiary	23	—	276	—	—	276
Depreciation provided during the year	7	(322)	(378)	(200)	(148)	(1,048)
Exchange realignment		(343)	(169)	—	(53)	(565)
At 31 December 2015, net of accumulated depreciation		3,989	3,488	661	1,190	9,328
At 31 December 2015:						
Cost		34,034	5,830	1,006	1,865	42,735
Accumulated depreciation		(30,045)	(2,342)	(345)	(675)	(33,407)
Net carrying amount		3,989	3,488	661	1,190	9,328

Notes to Financial Statements (continued)

31 December 2016

13. Investment Properties

	Completed investment properties at fair value <i>HK\$'000</i>	Investment properties under development at cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
2016			
Carrying amount at 1 January 2016	27,930	—	27,930
Additions	—	1,087,734	1,087,734
Net gain from a fair value adjustment	1,006	—	1,006
Disposal	(1,929)	—	(1,929)
Exchange realignment	(1,731)	(55,683)	(57,414)
Carrying amount at 31 December 2016	25,276	1,032,051	1,057,327
2015			
Carrying amount at 1 January 2015	29,559	—	29,559
Net gain from a fair value adjustment	87	—	87
Exchange realignment	(1,716)	—	(1,716)
Carrying amount at 31 December 2015	27,930	—	27,930

The Group's completed investment properties consist of one industrial, one warehouse and one residential/non-residential properties in Mainland China. The directors of the Company determined that the completed investment properties consist of three classes of assets, i.e., industrial, warehouse and residential/non-residential, based on the nature, characteristics and risks of each property. The Group's completed investment properties were revalued on 31 December 2016 by Vigers Appraisal and Consulting Limited, independent professionally qualified valuers, at HK\$25,276,000. Each year, the Group's finance manager and the chief financial officer decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance manager and the chief financial officer have discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Investment properties under development are measured at cost until such time as fair value can be determined reliably or construction is completed. The Group has concluded that the fair value of these investment properties under development cannot be measured reliably and they were therefore measured at cost in the consolidated balance sheet.

Further particulars of the Group's investment properties are included on page 102.

Notes to Financial Statements (continued)

31 December 2016

13. Investment Properties (continued)

Fair value hierarchy

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

	Fair value measurement as at 31 December 2016 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
Warehouse property	—	—	15,047	15,047
Residential/non-residential property	—	—	10,229	10,229
	—	—	25,276	25,276

	Fair value measurement as at 31 December 2015 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
Industrial property	—	—	2,220	2,220
Warehouse property	—	—	14,753	14,753
Residential/non-residential property	—	—	10,957	10,957
	—	—	27,930	27,930

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

Notes to Financial Statements (continued)

31 December 2016

13. Investment Properties (continued)

Fair value hierarchy (continued)

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

	Industrial property <i>HK\$'000</i>	Warehouse property <i>HK\$'000</i>	Residential/ non- residential property <i>HK\$'000</i>
Carrying amount at 1 January 2015	2,662	15,389	11,508
Net gain/(loss) from a fair value adjustment recognised in profit or loss	(286)	263	110
Exchange realignment	(156)	(899)	(661)
Carrying amount at 31 December 2015 and 1 January 2016	2,220	14,753	10,957
Net gain/(loss) from a fair value adjustment recognised in profit or loss	(246)	1,285	(33)
Disposal	(1,929)	—	—
Exchange realignment	(45)	(991)	(695)
Carrying amount at 31 December 2016	—	15,047	10,229

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

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2016 2015	
Industrial property	Market approach	Accommodation value (per sq.m.)	N/A	HK\$656.5
Warehouse and residential/ non-residential properties	Market approach	Accommodation value (per sq.m.)	HK\$396.9 to HK\$449.4	HK\$423.7 to HK\$479.8
	Depreciated replacement method	Estimated cost of construction (per sq.m.)	HK\$2,210.1 to HK\$2,622.6	HK\$2,363.3 to HK\$2,803.8

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

The industrial property was assessed by adopting the market approach, and reference has been made to the standard land price in Shenzhen City.

Notes to Financial Statements (continued)

31 December 2016

13. Investment Properties (continued)

Fair value hierarchy (continued)

The warehouse and residential/non-residential properties were assessed by adopting a combination of the market and depreciated replacement cost approaches in assessing the land portions of the properties and the buildings and structures standing on the land. The sum of the two results represents the market value of the properties as a whole. In the valuation of the land portions, reference has been made to the standard land price in Shenzhen City. As the nature of the buildings and structures cannot be valued on the basis of market value; they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparable sales.

A significant increase (decrease) in the accommodation value and estimated cost of construction would result in a significant increase (decrease) in the fair values of completed investment properties.

14. Properties Under Development

Properties under development included interest expense of HK\$7,728,000 that was incurred and capitalised during the prior year.

At the end of the reporting period, properties under development of HK\$1,633,600,000 (2015: HK\$97,279,000) were not scheduled for completion within twelve months.

15. Prepayments, Deposits and Other Receivables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Prepayments	5,417	40,081
Deposits and other receivables	20,691	30,828
Consideration receivable from the disposal of previous brewery subsidiaries	—	642,662
	26,108	713,571

In the prior year, the consideration receivable from the disposal of previous brewery subsidiaries was due at various intervals with the final amount of approximately RMB538.4 million falling due 24 months after the Overall Completion Date, as defined in the master sales agreement. Such balance was settled in full during the current year.

In addition to certain adjustments to the considerations stipulated in the master sales agreement, the Group had undertaken to bear any losses arising from the subsidiaries disposed of for additional obligations on, but not limited to, taxes, government levy, staff welfare and uncollectible trade receivables that occurred prior to the date of disposal.

Notes to Financial Statements (continued)

31 December 2016

16. Available-For-Sale Financial Asset

	2016 HK\$'000	2015 HK\$'000
Unlisted wealth management product, at fair value	447,160	—

The above investment represents a wealth management product issued by a bank in the PRC.

During the year, there was no gain or loss in respect of the Group's available-for-sale financial asset recognised in other comprehensive income.

17. Cash and Cash Equivalents and Restricted Bank Balances

	Note	2016 HK\$'000	2015 HK\$'000
Cash and bank balances		886,469	684,069
Time and structured deposits with original maturity of less than three months when acquired		1,749,663	2,995,840
Time and structured deposits with original maturity of over three months when acquired		329,781	—
		2,965,913	3,679,909
Less: Restricted bank balances	(i)	(563,073)	(470,176)
Cash and cash equivalents		2,402,840	3,209,733

Note:

- (i) Balance at 31 December 2016 represented pre-sale proceeds from the Group's completed properties held for sale placed at designated bank accounts under supervision pursuant to relevant regulations in the PRC amounting to approximately HK\$562,903,000 (2015: HK\$469,995,000) and a cash deposit made by China Resources Snow Breweries Co., Ltd. ("CRSB") to a designated bank account for specific use in relation to the disposal of the entire equity capital of nine previous brewery subsidiaries amounting to HK\$170,000 (2015: HK\$181,000).

At the end of the reporting period, cash and cash equivalents and restricted bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$2,789,344,000 (2015: HK\$3,674,884,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time and structured deposits are made for varying periods of between seven days and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. Bank balances and time and structured deposits are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements (continued)

31 December 2016

17. Cash and Cash Equivalents and Restricted Bank Balances (continued)

Structured deposits held at the end of the reporting period were HK\$1,907,819,000 (2015: HK\$2,231,650,000). The principal and interest amounts of the structured deposits held as at the end of the reporting period are guaranteed. The Group uses the structured deposits primarily to enhance its return on fixed deposits. Structured deposits are made for varying periods of between one month and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The structured deposits are made with creditworthy banks with no recent history of default.

18. Trade Payables

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	483	53
1 to 2 months	—	—
2 to 3 months	—	88
Over 3 months	1,527,557	74,406
	1,528,040	74,547

The trade payables are non-interest bearing.

19. Other Payables, Accruals and Provisions

Included in the Group's balance at 31 December 2016 were an amount due to the immediate holding company of HK\$32,000 (2015: HK\$289,000) and amounts due to fellow subsidiaries of HK\$167,000 (2015: HK\$55,000).

Amounts directly related to liabilities associated with the disposal of the brewery subsidiaries of HK\$5,733,000 (2015: HK\$91,193,000), are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other payables and accruals	896	956
Tax payable including capital gain tax	—	49,092
Provisions [#]	4,837	41,145
	5,733	91,193

Notes to Financial Statements (continued)

31 December 2016

19. Other Payables, Accruals and Provisions (continued)

According to the master sales agreement relating to the disposal of brewery subsidiaries in 2013, the Group had undertaken to bear any losses arising from the brewery subsidiaries disposed of for additional obligations on, but not limited to, taxes, government levy, staff welfare and uncollectible trade receivables that occurred prior to the date of disposal. At 31 December 2016, provisions of HK\$4,837,000 (2015: HK\$41,145,000) were recorded in relation to such undertaking. The movements during the current and prior years are as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 January	41,145	24,547
Additional provisions during the year	—	18,340
Settlement during the year	(35,593)	—
Exchange realignment	(715)	(1,742)
At 31 December	4,837	41,145

Financial liabilities included in other payables and accruals at the end of the reporting period are non-interest-bearing and are either due within one year or have no fixed terms of repayment.

20. Deferred Tax

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

Deferred tax liabilities

	Revaluation of properties HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2015	(5,860)	—	(5,860)
Acquisition of a subsidiary (note 23)	—	(513,677)	(513,677)
Deferred tax credited to the statement of profit or loss during the year	—	201,270	201,270
At 31 December 2015 and at 1 January 2016	(5,860)	(312,407)	(318,267)
Deferred tax credited to the statement of profit or loss during the year	326	215,526	215,852
Exchange realignment	318	29,919	30,237
At 31 December 2016	(5,216)	(66,962)	(72,178)

Notes to Financial Statements (continued)

31 December 2016

20. Deferred Tax (continued)

Deferred tax assets

	Provision for LAT HK\$'000
At 1 January 2015	—
Deferred tax credited to the statement of profit or loss during the year	23,399
Exchange differences	(1,234)
At 31 December 2015 and at 1 January 2016	22,165
Deferred tax credited to the statement of profit or loss during the year	51,553
Exchange realignment	(3,671)
At 31 December 2016	70,047

The Company and subsidiaries operating in Hong Kong have tax losses arising in Hong Kong of HK\$196,604,000 (2015: HK\$196,604,000) that are available indefinitely for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered it is not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised.

As at 31 December 2016, the Group's subsidiaries had tax losses arising in Mainland China of HK\$238,822,000 (2015: HK\$409,798,000) that are available for a maximum of five years from the year in which the tax loss arises for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of a subsidiary of the Group established in the PRC. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$16,164,000 at 31 December 2016 (2015: HK\$8,619,000).

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

Notes to Financial Statements (continued)

31 December 2016

21. Share Capital

Shares

	2016 HK\$'000	2015 HK\$'000
<i>Authorised:</i>		
5,000,000,000 (2015: 5,000,000,000) ordinary shares of HK\$0.10 each	500,000	500,000
<i>Issued and fully paid:</i>		
1,711,536,850 (2015: 1,711,536,850) ordinary shares of HK\$0.10 each	171,154	171,154

Pursuant to an ordinary resolution passed on 19 June 2015, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$500,000,000 by the creation of 3,000,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing shares of the Company.

22. Reserves

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

Pursuant to the relevant PRC laws and regulations, a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to the enterprise development funds and the reserve funds which are restricted as to use and are not available for distribution. When the balances of these reserves reach 50% of each company's share capital, any further appropriation is optional. The amounts transferred from the retained profits are determined by the board of directors of these subsidiaries.

On 23 April 1998, a special resolution was passed in a special general meeting of the Company for a reduction of its share premium account in the amount of HK\$140,234,000. This amount was credited to the Group's capital reserve account against which goodwill arising on the acquisitions of subsidiaries was eliminated.

23. Business Combination

On 27 April 2015, the Group acquired a 100% interest in Triumphant Success Limited and its subsidiaries (the "Triumphant Success Group") from GDH, the immediate holding company of the Company. The acquisition was in line with the Group's core business of property development and investment in the PRC. The acquisition was a related party transaction and constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

The purchase consideration for the acquisition, in form of cash, was RMB403,091,000 (equivalent to approximately HK\$509,674,000) which was fully settled in the prior year.

The Group elected to measure the non-controlling interest in the Triumphant Success Group at the non-controlling interest's proportionate share of the Triumphant Success Group's identifiable net assets.

Notes to Financial Statements (continued)

31 December 2016

23. Business Combination (continued)

The fair values of the identifiable assets and liabilities of the Triumphant Success Group as at the date of acquisition were as follows:

	Fair values recognised on acquisition <i>HK\$'000</i>
Property, plant and equipment	276
Properties under development	1,949,721
Prepayments, deposits and other receivables	31,587
Cash and bank balances	5,677
Trade payables	(112,696)
Other payables and accruals	(5,623)
Amount due to the ultimate holding company	(59,597)
Amounts due to fellow subsidiaries	(138,081)
Interest-bearing bank borrowings	(228,186)
Deferred tax liabilities	(513,677)
Shareholder's loan	(189,851)
Total identifiable net assets at fair value	739,550
Non-controlling interest	(185,865)
	553,685
Gain on bargain purchase recognised in the consolidated statement of profit or loss	(233,862)
Assignment of a shareholder's loan	189,851
Satisfied by cash	509,674

As at the date of acquisition, the fair values of the other receivables were also their gross contractual amounts of HK\$11,150,000. No other receivables were expected to be uncollectible.

The Group incurred transaction costs of HK\$3,542,000 for this acquisition. These costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2015.

An analysis of cash flows in respect of the acquisition is as follows:

	<i>HK\$'000</i>
Cash consideration	(509,674)
Cash and bank balances acquired	5,677
Net outflow of cash and cash equivalents included in cash flows from investing activities	(503,997)
Transaction costs of the acquisition included in cash flows from operating activities	(3,542)
	(507,539)

Notes to Financial Statements (continued)

31 December 2016

23. Business Combination (continued)

Since the acquisition, the Triumphant Success Group contributed HK\$857,520,000 to the Group's revenue and incurred a loss of HK\$12,615,000 which was included in the Group's results for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year ended 31 December 2015, the revenue of the Group and the profit of the Group for that year would have been HK\$857,520,000 and HK\$169,394,000, respectively.

24. Partly-Owned Subsidiary with Material Non-Controlling Interest

Details of the Group's subsidiary that has material non-controlling interest are set out below:

	2016	2015
Percentage of equity interest held by non-controlling interest: 廣州市番禺粵海房地產有限公司 ("GPY")	20%	20%
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit/(loss) for the year allocated to non-controlling interest: GPY	12,592	(2,523)
Dividends declared to non-controlling interest of GPY	27,947	—
Accumulated balance of non-controlling interest at the reporting dates: GPY	145,623	178,451

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any intercompany eliminations:

GPY	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	1,090,261	857,521
Total expenses	(1,027,303)	(870,136)
Profit/(loss) for the year	62,958	(12,615)
Total comprehensive loss for the year	(24,403)	(37,070)
Current assets	1,326,862	1,894,363
Non-current assets	70,484	34,175
Current liabilities	(602,268)	(723,873)
Non-current liabilities	(66,962)	(312,410)
Net cash flows from operating activities	556,561	799,749
Net cash flows used in investing activities	(27)	(490,612)
Net cash flows used in financing activities	—	(224,118)
Net increase in cash and cash equivalents	556,534	85,019

Notes to Financial Statements (continued)

31 December 2016

25. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (2015: one to three years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	3,159	2,724
In the second to fifth years, inclusive	6,054	—
	9,213	2,724

26. Commitments

In addition to the operating lease commitments detailed in note 25 to these financial statements, the Group had the following commitments at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contracted, but not provided for: Property development expenditure	82,092	153,189

27. Contingent Liabilities

Other than as disclosed elsewhere in these financial statements, as at 31 December 2016, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2016, the Group's outstanding guarantees amounted to HK\$914,039,000 (2015: HK\$535,596,000) for these guarantees.

Notes to Financial Statements (continued)

31 December 2016

28. Related Party Transactions and Continuing Connected Transactions

Related party transactions

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following related party transactions during the year:

Rental expenses

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Rental expenses paid to a fellow subsidiary	2,495	2,722

The rental was based on normal commercial terms agreed between the respective parties.

At the end of the reporting period, the Group had total future minimum lease commitment to its fellow subsidiary of HK\$9,202,000 (2015: HK\$2,722,000) for a lease arrangement ending on 30 November 2019.

- (b) Compensation of key management personnel of the Group:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Short term employee benefits	2,853	4,622
Post-employment benefits	235	400
Total compensation paid to key management personnel	3,088	5,022

Further details of the directors' emoluments are included in note 8 to the financial statements.

- (c) Outstanding balance with related parties

The Group had outstanding balances due to its immediate holding company of HK\$32,000 (2015: HK\$289,000), fellow subsidiaries of HK\$167,000 (2015: HK\$55,000) and a non-controlling shareholder of a subsidiary of HK\$27,948,000 (2015: Nil) as at the end of the reporting period. These balances are unsecured, interest-free and have no fixed terms of repayment.

The related party transactions in respect of items disclosed in note (a) above also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Continuing connected transactions

During the year, the Group had the following continuing connected transactions that are disclosed below as required by Chapter 14A of the Listing Rules.

Notes to Financial Statements (continued)

31 December 2016

28. Related Party Transactions and Continuing Connected Transactions (continued)

Continuing connected transactions (continued)

Leasing of the Company's office premises

On 29 November 2013, the Company entered into a tenancy agreement with Guangdong Power (International) Limited ("GPIL"), a non-wholly owned subsidiary of Guangdong Investment Limited, a fellow subsidiary of the Company, which became effective for the period from 1 December 2013 to 30 November 2016 in relation to the leasing of the whole floor of the 18th Floor of the Guangdong Investment Tower as the Company's office premises as its head office and principal place of business in Hong Kong at a monthly rent of HK\$247,000 (the "Old Tenancy Agreement").

On 28 November 2016, the Company renewed the tenancy agreement with GPIL which became effective for the period from 1 December 2016 to 30 November 2019 in relation to the leasing of the whole floor of the 18th Floor of Guangdong Investment Tower as the Company's office premises as its head office and principal place of business in Hong Kong at a monthly rent of HK\$263,000 (the "New Tenancy Agreement").

The Board of the Company, including the Independent Non-Executive Directors, have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the Old Tenancy Agreement and the New Tenancy Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

29. Financial Instruments by Category

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

Financial assets

2016

	Loans and receivables HK\$'000	Available- for-sale financial asset HK\$'000	Total HK\$'000
Available-for-sale financial asset	—	447,160	447,160
Financial assets included in prepayments, deposits and other receivables	20,691	—	20,691
Restricted bank balances	563,073	—	563,073
Cash and cash equivalents	2,402,840	—	2,402,840
	2,986,604	447,160	3,433,764

Notes to Financial Statements (continued)

31 December 2016

29. Financial Instruments by Category (continued)

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

Financial assets (continued)
2015

	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial asset <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets included in prepayments, deposits and other receivables	673,490	—	673,490
Restricted bank balances	470,176	—	470,176
Cash and cash equivalents	3,209,733	—	3,209,733
	4,353,399	—	4,353,399

Financial liabilities

	Financial liabilities at amortised cost	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	1,528,040	74,547
Financial liabilities included in other payables, accruals and provisions	118,567	228,931
Due to a non-controlling shareholder	27,948	—
	1,674,555	303,478

30. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, accruals and provisions and an amount due to a non-controlling shareholder approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Notes to Financial Statements (continued)

31 December 2016

30. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the available-for-sale financial asset has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement as at 31 December 2016 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale financial asset	—	447,160	—	447,160

The Group did not have any financial assets measured at fair value as at 31 December 2015.

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 2015.

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

31. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables and accruals, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

Notes to Financial Statements (continued)

31 December 2016

31. Financial Risk Management Objectives and Policies (continued)

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

(i) Foreign currency risk

The Group has transactional currency exposures. These exposures arise from revenue or expenses by operating units in currencies other than the units' functional currencies. The Group's monetary assets, financing and transactions are principally denominated in RMB and HK\$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK\$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity HK\$'000
2016			
If HK\$ weakens against RMB	3	6,620	6,620
If HK\$ strengthens against RMB	(3)	(6,620)	(6,620)
2015			
If HK\$ weakens against RMB	3	105,082	105,082
If HK\$ strengthens against RMB	(3)	(105,082)	(105,082)

(ii) Credit risk

Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, restricted bank balances, an available-for-sale financial asset and financial assets included in prepayments, deposits and other receivables, arises from default of the counterparty, with the maximum exposure equal to the carrying amounts of these instruments. At 31 December 2015, an amount of HK\$642,662,000 in connection with the disposal of nine previous brewery subsidiaries was due from CRSB. The balance was fully settled during the year.

Notes to Financial Statements (continued)

31 December 2016

31. Financial Risk Management Objectives and Policies (continued)

(iii) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., other receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the bank facilities.

Management of the Group has carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, accompanied by the bank facilities available, the directors of the Company have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the forecast period. In preparing the cash flow forecast, the directors of the Company have considered historical cash requirements of the Group as well as other key factors, including the availability of loans financing which may impact the operations of the Group prior to the end of the next twelve months after the end of the reporting period. The directors of the Company are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	Total HK\$'000
2016				
Trade payables	223	260	1,527,557	1,528,040
Financial liabilities included in other payables, accruals and provisions	—	80,296	38,271	118,567
Due to a non-controlling shareholder	27,948	—	—	27,948
	28,171	80,556	1,565,828	1,674,555
2015				
Trade payables	—	74,547	—	74,547
Financial liabilities included in other payables and accruals	956	227,975	—	228,931
	956	302,522	—	303,478

Notes to Financial Statements (continued)

31 December 2016

31. Financial Risk Management Objectives and Policies (continued)

(iv) Capital management

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

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

The Group monitors capital using a gearing ratio, which is total debt divided by equity plus total debt. The Group's policy is to maintain the ratio at less than 100%. Total debt includes interest-bearing bank borrowings. Equity represents equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2016 HK\$'000	2015 HK\$'000
Total debt	—	—
Equity attributable to equity holders of the Company	4,187,807	4,431,356
Equity and total debt	4,187,807	4,431,356
Gearing ratio	0%	0%

Notes to Financial Statements (continued)

31 December 2016

32. Balance Sheet of the Company

Information about the balance sheet of the Company at the end of the reporting period is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	716	661
Investments in subsidiaries	943,203	967,687
Total non-current assets	943,919	968,348
CURRENT ASSETS		
Due from subsidiaries	4,525,771	3,998,252
Prepayments, deposits and other receivables	1,427	89,561
Restricted bank balances	170	181
Cash and cash equivalents	5,226	5,073
Total current assets	4,532,594	4,093,067
CURRENT LIABILITIES		
Due to subsidiaries	(3,629,823)	(2,957,879)
Other payables, accruals and provision	(13,546)	(58,251)
Total current liabilities	(3,643,369)	(3,016,130)
NET CURRENT ASSETS	889,225	1,076,937
Net assets	1,833,144	2,045,285
EQUITY		
Issued capital	171,154	171,154
Reserves (note)	1,661,990	1,874,131
Total equity	1,833,144	2,045,285

Notes to Financial Statements (continued)

31 December 2016

32. Balance Sheet of the Company (continued)

Note:

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

	Share premium account HK\$'000	Capital reserve* HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2015	1,688,606	140,234	253,097	2,081,937
Total comprehensive loss	—	—	(207,806)	(207,806)
At 31 December 2015 and 1 January 2016	1,688,606	140,234	45,291	1,874,131
Total comprehensive loss	—	—	(212,141)	(212,141)
At 31 December 2016	1,688,606	140,234	(166,850)	1,661,990

* On 23 April 1998, a special resolution was passed in a special general meeting of the Company for a reduction of its share premium account in the amount of HK\$140,234,000.

33. Information about Principal Subsidiaries

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

Company	Place of incorporation/ registration and business	Issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
廣州市番禺粵海房地產有限公司*	PRC/ Mainland China	RMB 187,300,000	—	80	Property development and investment
粵海科技(深圳)有限公司**	PRC/ Mainland China	US\$50,000,000	—	100	Property development and investment
粵海置地(深圳)有限公司**	PRC/ Mainland China	RMB 2,650,000,000	—	100	Property development and investment
Bonus Point Enterprises Limited	Hong Kong	HK\$1	—	100	Investment holding
Brilliant Well Enterprises Limited	Hong Kong	HK\$1	—	100	Investment holding

Notes to Financial Statements (continued)

31 December 2016

33. Information about Principal Subsidiaries (continued)

Company	Place of incorporation/ registration and business	Issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
City Century Limited	Hong Kong	HK\$1	—	100	Investment holding
Ease Court Investment Limited	Hong Kong	HK\$102	—	100	Investment holding
Harbour Bright Enterprises Limited	Hong Kong	HK\$102	—	100	Investment holding
Jade Shine Limited	Hong Kong	HK\$1	—	100	Investment holding
Morefit limited*	British Virgin Islands	US\$1	—	100	Investment holding
Silver Coin Limited	Hong Kong	HK\$1	—	100	Investment holding

The subsidiaries were registered as wholly-foreign-owned enterprises under PRC law.

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

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

34. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 23 March 2017.

Particulars of Properties

31 December 2016

Completed Investment Properties

Location	Use	Tenure	Attributable interest of the Group
Biao Ma Ling, Buji Town, Longgang District, Shenzhen City, Guangdong, PRC	Commercial	Vacant	100%
No. 5 Da Feng Industrial Area, Shiyan Town, Baoan District, Shenzhen City, Guangdong, PRC	Commercial	Vacant	100%

Properties Under Development and Investment Properties Under Development

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Attributable interest of the Group
No.1, Dongchang Road, Luohu District, Shenzhen, Guangdong, PRC	—	87,075	—	100%

Completed Properties Held for Sale

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Attributable interest of the Group
Ruyingju, South of Sanzhi Xiangshui Road Dongxiang Village, Panyu District, Guangzhou Guangdong, PRC	Residential	38,771	127,597	80%

