



POLYTEC ASSET HOLDINGS LIMITED
保利達資產控股有限公司

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 208)
(於開曼群島註冊成立之有限公司) (股份代號: 208)

ANNUAL REPORT 2016 年報



POLYTEC ASSET HOLDINGS LIMITED

保利達資產控股有限公司

Polytec Asset Holdings Limited (Stock Code: 208) currently focuses on the property market in Macau. In 2004, the Group started to invest in the Macau property market and acquired certain property interests, including a 50%-owned investment property in the central district, The Macau Square. In 2006, the Group acquired an 80% interest in three property development projects in the Orient Pearl District of Macau, with its total attributable gross floor area of the remaining two property projects currently under development exceeding 700,000 sq.m.. The Group is also engaged in the oil business in Kazakhstan and the ice and cold storage business in Hong Kong.

保利達資產控股有限公司(股份代號：208)現時其核心業務集中於澳門地產。集團於二零零四年開始投資於澳門之地產市場，並收購若干物業權益，包括其位於市中心之澳門廣場(集團擁有50%權益之投資物業)。於二零零六年，集團收購了位於澳門東方明珠區三個物業發展項目之80%權益，現時剩餘之兩個物業發展項目之集團應佔總樓面面積超過700,000平方米。集團亦在哈薩克斯坦經營石油業務及在香港經營製冰及冷藏業務。



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Artist's Impression of La Marina (the main entrance to residential towers)

CORPORATE INFORMATION

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Executive Directors

Mr. Or Wai Sheun (*Chairman*)

Mr. Yeung Kwok Kwong

Ms. Wong Yuk Ching

Ms. Chio Koc Ieng

Non-executive Directors

Mr. Lai Ka Fai

Ms. Or Pui Ying, Peranza

Independent Non-executive Directors

Mr. Liu Kwong Sang

Mr. Siu Leung Yau

Dr. Tsui Wai Ling, Carlye

Prof. Dr. Teo Geok Tien Maurice

Committees

Executive Committee

Mr. Yeung Kwok Kwong (*Chairman*)

Ms. Wong Yuk Ching

Mr. Lai Ka Fai

Audit Committee

Mr. Liu Kwong Sang (*Chairman*)

Mr. Siu Leung Yau

Mr. Lai Ka Fai

Remuneration Committee

Mr. Siu Leung Yau (*Chairman*)

Mr. Liu Kwong Sang

Mr. Yeung Kwok Kwong

Nomination Committee

Mr. Or Wai Sheun (*Chairman*)

Mr. Liu Kwong Sang

Mr. Siu Leung Yau

CORPORATE AND SHAREHOLDERS' INFORMATION

Company Secretary

Mr. Lee Chi Ming

Independent Auditor

KPMG

Certified Public Accountants

Authorised Representatives

Mr. Yeung Kwok Kwong

Mr. Lai Ka Fai

Principal Share Registrar and Transfer Office

The R&H Trust Co. Ltd.

Windward 1

Regatta Office Park

P.O. Box 897

Grand Cayman KY1-1103

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong



CORPORATE INFORMATION

CORPORATE AND SHAREHOLDERS' INFORMATION *(continued)***Registered Office**

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Website

www.polytecasset.com

Stock Code

The Stock Exchange of Hong Kong Limited: 208

Principal Bankers

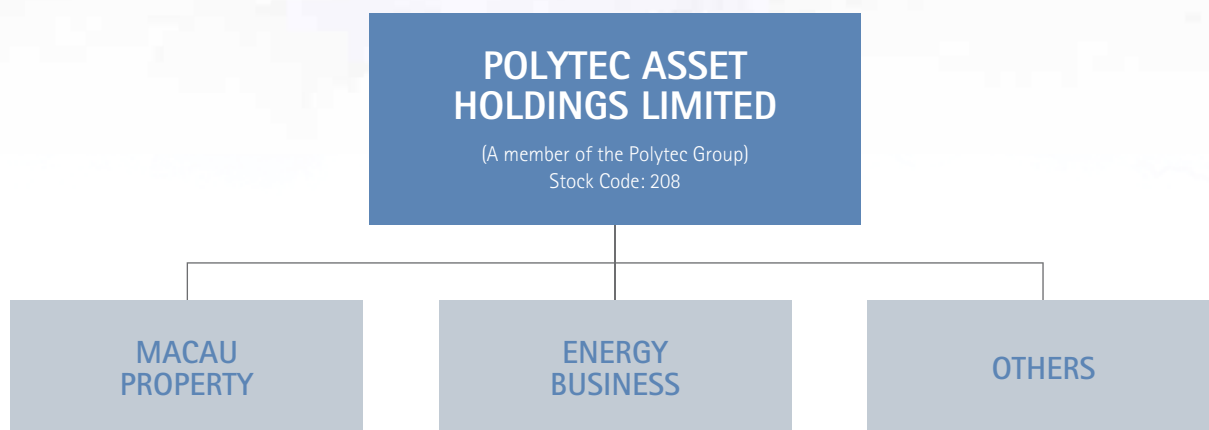
Hang Seng Bank
Bank of China

Financial Calendar

Interim results announcement	24 August 2016
Interim dividend paid	13 December 2016
Annual results announcement	22 March 2017
2017 Annual General Meeting	7 June 2017
Closure of Register of Members	
– 2017 Annual General Meeting	2 June to 7 June 2017 (both dates inclusive)
– Final dividend	19 June to 20 June 2017 (both dates inclusive)
Ex-dividend date for final dividend	15 June 2017
Final dividend payable	5 July 2017



GROUP'S BUSINESS STRUCTURE



Property Development

Major development projects:

- Pearl Horizon[#]
- La Marina[#]

Development Landbank:
715,000 sq.m.

Property Investment

Major investment property:

- The Macau Square

Investment Landbank:
18,000 sq. m.

Oil

Oil production and exploration in
Kazakhstan

Ice & Cold Storage

The Hong Kong Ice & Cold Storage Company Limited is one of the largest ice making distributors in Hong Kong

[#] The development of these projects is under the co-investment agreements with two wholly-owned subsidiaries of the ultimate holding company of the Company.



FIVE-YEAR FINANCIAL SUMMARY

KEY CONSOLIDATED INCOME STATEMENT DATA

HK\$'000	2016	2015	2014	2013	2012
Revenue	211,293	357,517	294,643	284,301	731,762
(Loss)/Profit from Operations	(4,747)	(142,301)	(173,515)	(226,683)	132,704
Profit Attributable to Equity Shareholders of the Company	59,201	51,673	43,657	4,380	287,990
Earnings per Share (HK cents)	1.33	1.16	0.98	0.10	6.49
Underlying Profit/(Loss) Attributable to Equity Shareholders of the Company (Note 2)	21,801	(122,567)	(144,223)	(219,139)	167,871
Underlying Earnings/(Loss) per Share (HK cents) (Note 2)	0.49	(2.76)	(3.25)	(4.94)	3.78
Dividends	31,073	31,073	31,073	62,146	106,535
Dividends per Share (HK cents)	0.70	0.70	0.70	1.40	2.40

KEY CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

HK\$'000	2016	2015	2014	2013	2012
Non-Current Assets	14,322,286	13,081,533	13,241,824	12,931,837	12,500,706
Current Assets	296,715	706,430	395,813	513,298	537,579
Total Assets	14,619,001	13,787,963	13,637,637	13,445,135	13,038,285
Current Liabilities	(206,034)	(508,755)	(202,899)	(172,893)	(331,318)
Non-Current Liabilities	(1,966,351)	(2,101,473)	(2,177,991)	(2,309,184)	(2,082,006)
Net Assets	12,446,616	11,177,735	11,256,747	10,963,058	10,624,961
Share Capital	443,897	443,897	443,897	443,897	443,897
Reserves	11,989,713	10,720,253	10,801,068	10,481,662	10,167,974
Equity Attributable to Equity Shareholders of the Company	12,433,610	11,164,150	11,244,965	10,925,559	10,611,871
Non-controlling Interests	13,006	13,585	11,782	37,499	13,090
Total Equity	12,446,616	11,177,735	11,256,747	10,963,058	10,624,961
Net Asset Value per Share (HK\$)	2.80	2.52	2.53	2.46	2.39
Gearing Ratio (%) (Note 3)	16.07	21.82	18.97	20.57	19.73

Notes:

1. The financial information in this summary is extracted from the published financial statements for the last five years.
2. Underlying profit/(loss) excludes revaluation gain of investment properties.
3. Gearing ratio represents bank borrowings (if any) and amounts due to holding companies over equity attributable to equity shareholders of the Company.

CHAIRMAN'S STATEMENT

HIGHLIGHTS

- For the year ended 31 December 2016, the Group's net profit attributable to equity shareholders rose to HK\$59.2 million from HK\$51.7 million in 2015.
- Excluding revaluation gains from its investment properties net of tax, the underlying net profit amounted to HK\$21.8 million in 2016, compared with an underlying net loss of HK\$122.6 million in 2015.
- Full year dividend per share for 2016 amounts to 0.70 HK cent, with a final dividend per share of 0.50 HK cent.



La Marina 2017



CHAIRMAN'S STATEMENT**GROUP RESULTS AND DIVIDENDS**

For the year ended 31 December 2016, the net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") amounted to HK\$59.2 million compared to HK\$51.7 million in 2015. The basic earnings per share for 2016 amounted to 1.33 HK cents compared to 1.16 HK cents in 2015.

Excluding revaluation gains from its investment properties net of tax, the underlying net profit amounted to HK\$21.8 million in 2016, compared with an underlying net loss of HK\$122.6 million in 2015.

The Board of Directors has recommended the payment of a final dividend per share for 2016 of 0.50 HK cent (2015: 0.50 HK cent). Together with the interim dividend of 0.20 HK cent per share (2015: 0.20 HK cent), the full year dividend for 2016 amounted to 0.70 HK cent per share (2015: 0.70 HK cent). The final dividend will be payable on Wednesday, 5 July 2017 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 20 June 2017, subject to the approval of the shareholders at the 2017 Annual General Meeting.

BUSINESS REVIEW

For the year ended 31 December 2016, excluding revaluation gains from its investment properties net of tax, the Group's underlying net profit amounted to HK\$21.8 million in 2016, compared with an underlying net loss of HK\$122.6 million in 2015. The underlying net loss in 2015 was due to an impairment provision of HK\$170 million made for the Group's Kazakhstan oil assets but no such impairment provision was considered necessary in 2016.

Property Development

With respect to the Lote P development project (Pearl Horizon) in Macau, Polytex Corporation Limited ("PCL"), the registered owner of the property of the project and a wholly-owned subsidiary of the ultimate holding company of the Company, has applied to the Courts of Macau to claim for compensation of time. If the applications are ultimately declined, the Macau Government would have a right to resume the land without any compensation to the owner of the land. Nevertheless, based on the opinions provided by the Group's legal counsel, PCL has strong legal grounds to obtain confirmation from the Courts of Macau that the administrative delays had been caused by the relevant government authorities and therefore PCL is entitled to obtain compensation of time to enable it to complete the project. Currently, the Group is still awaiting hearing dates to be fixed by the Courts of Macau for the legal proceedings.

In respect of the Lotes T+T1 development project (La Marina) in Macau, the topping-out of the superstructure work was completed in the fourth quarter of 2016 and the façade and interior fitting-out works are being expedited. La Marina is located in the Orient Pearl District, adjacent to the future Hong Kong-Zhuhai-Macau Bridge, with combined aggregate total site area of approximately 17,900 sq.m. The site is now developed into six high-end residential towers with retail shops and car parking facilities, with a total gross floor area of approximately 195,600 sq.m.. The Group has an 80% interest in this project.

Property Investment

For the year under review, the Group's share of gross rental income generated from its investment properties rose to HK\$79.3 million, representing an increase of 16.1% over 2015. The improvement in income was mainly due to an increase in rents from The Macau Square, the Group's 50%-owned investment property in Macau, with total rental income of the property attributable to the Group rising to HK\$73.4 million in 2016 from HK\$63.2 million in 2015.

CHAIRMAN'S STATEMENT**Oil**

The oil segment recorded an operating loss of HK\$30.2 million in 2016 compared to an operating loss of HK\$164 million in 2015. While the operating loss in 2015 was mainly due to the impairment provision of HK\$170 million made for the Group's oil assets in Kazakhstan, the operating loss for 2016 was attributable to a further decline in crude oil prices, with the average benchmark Brent crude oil prices for the full year of 2016 falling over 15% from 2015 to approximately US\$45 per barrel. No further impairment was made for the Group's oil assets in Kazakhstan in 2016 because for the year under review the international oil prices rose from their lows in the first quarter and reached above US\$50 per barrel as at 31 December 2016, anticipating the trend of international oil prices to gradually recover from its current lows in the coming years.

Ice Manufacturing and Cold Storage

During the year, the total operating profit for the combined ice manufacturing and cold storage segment rose to HK\$34.2 million, an increase of 21.5% over 2015. The increase in operating profit was attributable to an overall improvement in operations and business expansion.

PROSPECTS

Following the economic contraction since the second half of 2014, the Macau economy started recovering in the third quarter of 2016, with real gross domestic product (GDP) returning to positive growth of 5.7% year-on-year in the second half of 2016. For the whole year of 2016, real GDP fell 2.1% year-on-year, a significant improvement from a contraction of 21.5% in 2015. The gaming industry has stabilised as well, with gross gaming revenues falling 3.3% year-on-year in 2016 after a plunge of 34% in 2015. More encouragingly, following a

two-year downturn, the housing activity saw a noticeable rebound, with the average transacted residential prices rising over 20% in the second half of 2016 from the trough in the first half and more importantly the overall residential transaction volume surged remarkably, up an average of 70% in 2016 following a decline of 37% and 22% in 2014 and 2015 respectively.

Undoubtedly, the Macau economy will continue to be challenged by the uncertainties over the global economy and political environment. Nevertheless, the completion of the Hong Kong-Zhuhai-Macau Bridge, which is expected in 1-2 years, will greatly improve the road transport connecting the three regions and effectively shorten the travelling time between the cities, and hence help further promote the city to become a world-class leisure destination and tourism hub. This will enhance sustainable economic growth in Macau for many years to come. The Group remains optimistic about the prospects of Macau over the medium- to long-term.

With respect to the Lote P development project (Pearl Horizon), all possible approaches will be actively explored in order to be able to resume the construction work as soon as possible.

Regarding the Lotes T+T1 development project (La Marina), the topping-out of superstructure work was completed in the fourth quarter of 2016. The Group is making best efforts to expedite the façade and interior fitting-out works and the progress is satisfactory. The Group will endeavour to ensure an occupation permit is obtained by the middle of 2017 and the completed residential units will be delivered to the buyers in the fourth quarter of 2017. The related sales from the project are expected to be recognised from 2017 onwards.

The Group expects its investment property portfolio in Macau will continue to generate stable income in 2017.

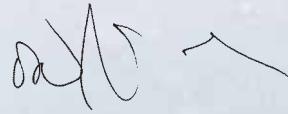
CHAIRMAN'S STATEMENT

The Group has attempted to diversify its ice manufacturing and cold storage business in Hong Kong over the past couple of years, aiming to grow its business and hence increase its future earnings contribution to the Group.

The Group believes that the rate of increase in crude oil prices will slow down in 2017 and therefore the oil business in Kazakhstan is not expected to make a contribution to its earnings.

The Group will carry out a complete assessment to all its businesses this year coming up with strategies and development plans for sustainable earnings growth.

I would like to take this opportunity to express my heartfelt gratitude and appreciation to my fellow directors for their support and all staff for their dedication, hard work and contribution.



Or Wai Sheun
Chairman

Hong Kong, 22 March 2017



FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a sound financial liquidity position during the year. As at 31 December 2016, the Group maintained a balance of cash and bank of HK\$170.3 million (2015: HK\$575.3 million), which was mainly denominated in Hong Kong dollars. The Group maintained a robust current ratio of 1.44 times (2015: 1.39 times).

As at 31 December 2016, the Group had bank borrowings of HK\$1,425.0 million (2015: HK\$1,421.6 million), with HK\$70.2 million being repayable within one year and HK\$1,354.8 million being repayable between one year and two years. The amount due to ultimate holding company was HK\$572.5 million (2015: HK\$1,014.8 million), which was unsecured, denominated in Hong Kong dollars, interest bearing at prevailing market rates and repayable after more than one year.

The Group had banking facilities of HK\$1,425.0 million (2015: HK\$1,421.6 million), which were fully utilised as at 31 December 2016 (2015: fully utilised). The banking facilities were secured by the Group's leasehold land and buildings and the joint venture's investment properties, denominated in Hong Kong dollars and interest bearing at prevailing market rates, which are subject to review from time to time.

As at 31 December 2016, total equity attributable to equity shareholders of the Company amounted to HK\$12,433.6 million (2015: HK\$11,164.2 million). The Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and amount due to ultimate holding company) over the equity attributable to equity shareholders of the Company, decreased to 16.1% as at 31 December 2016 from 21.8% as at 31 December 2015.

TREASURY POLICIES

Apart from the Group's oil business, the majority of the Group's sales and purchases are denominated in Hong Kong dollars and Macau Patacas. Due to the fact that the Macau Pataca is pegged to the Hong Kong dollar, the Group's exposure to this foreign exchange risk is relatively low. In respect of the Group's oil business in Kazakhstan, the Group is exposed to the exchange fluctuations in the Tenge ("KZT"), the local currency of Kazakhstan, because the majority of operating expenses and capital expenditure are denominated in KZT, while a significant portion of its revenue is denominated in United States dollars. As at 31 December 2016, the Group did not have any outstanding financial instruments entered into for hedging purposes. Nevertheless, the Group is closely monitoring its overall foreign exchange exposure and interest rate exposure and will adopt a proactive but prudent approach to minimise the relevant exposures when necessary.

FINANCIAL REVIEW**CAPITAL COMMITMENTS**

As at 31 December 2016, the Group had no capital commitments (2015: Nil) contracted but not provided for.

CHARGES ON ASSETS

As at 31 December 2016, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK\$110.6 million (2015: HK\$113.5 million) and HK\$3,220 million (2015: HK\$3,135 million) respectively, were pledged to secure the banking facilities of the Group.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: Nil).

PROFILE OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Or Wai Sheun, aged 65, joined the Company in April 2006 as the Chairman of the Board and Executive Director. Mr. Or has over 30 years of experience in property development, industrial and financial investment business in Hong Kong, Macau and the Mainland China. Mr. Or is responsible for the development of corporate strategies, corporate planning and general management of the Group. Mr. Or is also the Chairman of the Board of Kowloon Development Company Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Intellinsight Holdings Limited, Polytec Holdings International Limited and a Director of Marble King International Limited, all four companies being substantial shareholders of the Company. He is the father of Ms. Or Pui Ying, Peranza.

Mr. Yeung Kwok Kwong, aged 58, joined the Company in September 2000 as the Chairman of the Board and Managing Director. With effect from 1 April 2006, Mr. Yeung ceased to act as the Chairman of the Board but remained to act as the Managing Director. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 30 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Yeung is also a Non-executive Director of Kowloon Development Company Limited and a Director of Marble King International Limited, both companies being substantial shareholders of the Company.

Ms. Wong Yuk Ching, aged 60, joined the Company in January 2002 as an Executive Director. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. Ms. Wong is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

Ms. Chio Koc Ieng, aged 50, joined the Group in December 2004 and was appointed as an Executive Director in April 2006. She has attained over 25 years of working experience in various prominent and well-established property development companies in Macau. Ms. Chio is responsible for development of corporate strategies, corporate planning and general management of the Group.

PROFILE OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr. Lai Ka Fai, aged 52, joined the Company in September 2000 as an Executive Director, and was re-designated as a Non-executive Director in January 2002. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 25 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in Science. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lai is also an Executive Director of Kowloon Development Company Limited and a Director of Marble King International Limited and Intellinsight Holdings Limited, all three companies being substantial shareholders of the Company.

Ms. Or Pui Ying, Peranza, aged 36, joined the Group in September 2009 and was appointed as a Non-executive Director in July 2011. She has attained solid working experience in various companies engaged in property development, financial investment and finance public relations. She is the Director of the Marketing and Sales Department of Kowloon Development Company Limited. Ms. Or graduated from the Imperial College London with a bachelor degree of Mathematics and Management and also attained a master's degree of International Management for China from the School of Oriental and African Studies (SOAS), the University of London. She is the daughter of Mr. Or Wai Sheun.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Kwong Sang, aged 55, joined the Company in July 2000 as an Independent Non-executive Director. He has been practising as a certified public accountant in Hong Kong with more than 20 years' experience. Mr. Liu graduated with honours from the Hong Kong Polytechnic University with a bachelor degree in accountancy and obtained the Master in Business Administration degree from the University of Lincoln, the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants, of the Institute of Financial Accountants, of the Institute of Public Accountants, Australia, of the Hong Kong Institute of Certified Public Accountants, of the Society of Registered Financial Planners and of the Taxation Institute of Hong Kong, a Certified Tax Adviser. Mr. Liu acts as an Independent Non-executive Director of China National Culture Group Limited, a company listed on the Main Board of the Stock Exchange and abc Multiactive Limited, a company listed on the GEM Board of the Stock Exchange. During the year ended 31 December 2016, Mr. Liu was also an Independent Non-executive Director of Evershine Group Holdings Limited, a company listed on the GEM Board of the Stock Exchange but he has resigned on 31 December 2016. On 23 January 2017, Mr. Liu has been appointed as an Independent Non-executive Director of Pine Care Group Limited, a company listed on the Main Board of the Stock Exchange.

PROFILE OF DIRECTORS**INDEPENDENT NON-EXECUTIVE DIRECTORS** *(continued)*

Mr. Siu Leung Yau, aged 63, joined the Company in September 2000 as an Independent Non-executive Director. Mr. Siu has over 25 years' experience in real estate investment, development, asset management, sale and marketing management. He is currently the Managing Director of Pan Win Holdings Limited. Mr. Siu is a member of Guangzhou Tianhe Political Consultative Committee of the Hong Kong and Macau Committee. He is a senior consultant of Hong Kong Chamber of Commerce in China Guangdong and Honourable President of Finance City of Guangdong.

Dr. Tsui Wai Ling, Carlye, BBS, MBE, JP, DProf, FHKIoD, aged 69, joined the Company in December 2012 as an Independent Non-executive Director. She is the Chief Executive Officer of The Hong Kong Institute of Directors. Dr. Tsui graduated from the University of Hong Kong with a Bachelor of Arts degree (Economics) and Middlesex University, UK, with a Doctorate degree in Professional Studies. Dr. Tsui is Fellow of The Hong Kong Institute of Directors, Hong Kong Management Association, Hong Kong Institution of Engineers and British Computer Society; Chartered Information Technology Professional; Hon Fellow of Hong Kong Association for Computer Education; and holder of Professional Diploma in Corporate Governance and Directorship. A Justice of the Peace, Dr. Tsui is active in public service roles, which include, inter alia, Member of Steering Committee, Asian Financial Forum and Executive Committee Member of Global Network of Director Institutes. She was formerly a Councillor of the Urban Council, a Councillor of Wan Chai District Council, Member of Communications Authority and Founding Chairman of Hong Kong Chinese Orchestra Limited. Dr. Tsui was awarded one of the Ten Outstanding Young Persons in Hong Kong 1981, IT Achiever of the Year 1992, Member of the Most Excellent Order of the British Empire 1997, Bronze Bauhinia Star 2003 and the most outstanding professional doctorate of Middlesex University 2007. Dr. Tsui serves as an Independent Non-executive Director of RoadShow Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Prof. Dr. Teo Geok Tien Maurice, aged 69, joined the Company in December 2012 as an Independent Non-executive Director. He is the Chairman of the Council of the International Institute of Management. He has over 40 years experience in various businesses and industries, including electronics and semiconductors, toys, telecommunications, construction etc.. Prof. Dr. Teo was awarded a PhD (doctor of philosophy) in International Business Administration and a DSc (doctor of science) in Manufacturing. In 2004, he was made Adjunct Professor of Management of Hong Kong Polytechnic University. Later he was invited to become Visiting Professor of Bulacacan State University of Philippines and Tarlac State University. He is currently the Examiner of Overseas Doctorial Candidates in Business Administration for the University.

The Executive Directors of the Company are also members of senior management of the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of good corporate governance practices and believes that maintaining a high standard of corporate governance practices is crucial to the development of the Company.

The Company has complied with all the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, except Code Provision A.4.1 (which stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election) and Code Provision A.6.7 (which stipulates that Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders).

The Board will continue to enhance the corporate governance practices and standards of the Company appropriate to the conduct and growth of its business and to review such practices and standards regularly to ensure that they comply with the statutory and professional standards and align with the latest developments. The key corporate governance principles and practices of the Company are summarised as follows:

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and overseeing the Group's affairs. The Board formulates the overall strategic direction and reviews and approves major transaction of the Group, while the management is delegated with the power to implement policies and strategies as set out by the Board.

The Board has a balanced composition of Executive and Non-executive Directors. Currently, the Board comprises four Executive Directors, being Mr. Or Wai Sheun (Chairman of the Board), Mr. Yeung Kwok Kwong (Managing Director), Ms. Wong Yuk Ching and Ms. Chio Koc Ieng, two Non-executive Directors, being Mr. Lai Ka Fai and Ms. Or Pui Ying, Peranza, and four Independent Non-executive Directors, being Mr. Liu Kwong Sang, Mr. Siu Leung Yau, Dr. Tsui Wai Ling, Carlye and Prof. Dr. Teo Geok Tien Maurice. More than one-third of the Board comprises Independent Non-executive Directors. The profile of the Directors, which is set out on pages 12 to 14, demonstrates a balance of skills, experience and diversity perspectives of the Board. Except as disclosed in the profile of Directors, the Directors have no financial, business, family or other material/relevant relationships with the Group.

Pursuant to Rule 3.13 of the Listing Rules, each Independent Non-executive Director has provided a written annual confirmation of his/her independence to the Company. The Company continues to consider them to be independent. The Company has also complied with the requirement of the CG Code on considering the independence of an Independent Non-executive Director who has served more than nine years for his/her further appointment. Mr. Liu Kwong Sang and Mr. Siu Leung Yau have served on the Board for more than nine years. The Board is of the opinion that they remain independent, notwithstanding the length of their services. Both of them have confirmed to meet the independence criteria as set out in Rule 3.13 of the Listing Rules. They continue to demonstrate the attributes of Independent Non-executive Directors and there is no evidence that their tenure has any impact of their independence. The Board believes that their profound knowledge and invaluable experience could benefit to the Company significantly. Besides, Mr. Liu Kwong Sang and Mr. Siu Leung Yau were also re-elected as Independent Non-executive Director at the 2015 and 2016 Annual General Meeting ("AGM") respectively by passing a separate resolution.

CORPORATE GOVERNANCE REPORT**BOARD OF DIRECTORS** *(continued)*

There was no change in the composition of the Board during the year.

The Board recognises and embraces the benefits of having a diverse Board to enhance the quality of the Company's performance as well as to achieve the business objectives and sustainable development. The Board has established a Board Diversity Policy setting out the approach to achieve diversity on the Board with aims of enhancing its capability of decision making and effectiveness in dealing with organisational changes.

The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed at least annually to ensure that the Directors and officers are adequately protected against potential liabilities.

Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

BOARD PRACTICES

Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Notice of at least 14 days is given for a regular Board meeting. For other Board meetings, reasonable notice is generally given. Board papers together with appropriate, complete and reliable information are circulated to members of the Board not less than 3 days before the date of the board meetings to enable them to make informed decisions.

All Directors are supplied in a timely manner with all relevant documentation and financial information. Monthly updates of the Group's performance, position and prospects are furnished to the Board to enable all members to discharge their duties.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for their inspection.

CORPORATE GOVERNANCE REPORT

TIME COMMITMENT

During the year, four Board meetings and one AGM were held. The attendance of each Director at the Board meetings and the AGM was as follows:

Directors	Number of meetings attended/ meetings held	
	Board meetings	2016 AGM
Mr. Or Wai Sheun (<i>Chairman of the Board</i>)	4/4	1/1
Mr. Yeung Kwok Kwong	4/4	1/1
Ms. Wong Yuk Ching	3/4	1/1
Ms. Chio Koc Ieng	4/4	1/1
Mr. Lai Ka Fai	4/4	1/1
Ms. Or Pui Ying, Peranza	4/4	0/1
Mr. Liu Kwong Sang	4/4	1/1
Mr. Siu Leung Yau	4/4	1/1
Dr. Tsui Wai Ling, Carlye	4/4	1/1
Prof. Dr. Teo Geok Tien Maurice	3/4	1/1

Code Provision A.6.7 stipulates that Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. A Non-executive Director of the Company was unable to attend the 2016 AGM since she was overseas at that time.

The Board was satisfied with the attendance of the Directors as they have committed sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in other listed companies or nature of offices held in public companies or organisations and other significant commitments. The Company has also requested Directors to provide any change in such information in a timely manner as well as their time commitment.

CORPORATE GOVERNANCE REPORT**CHAIRMAN AND CHIEF EXECUTIVE**

The responsibility of the Chairman of the Board being Mr. Or Wai Sheun, is to lead the Board to provide high-level guidance and oversight to the Group, while the Managing Director, being Mr. Yeung Kwok Kwong, is delegated with the power to implement policies and strategies as set out by the Board.

BOARD COMMITTEES

The Company has established four Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee, for managing and overseeing the particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference and they should report to the Board their decisions or recommendations made.

AUDIT COMMITTEE

The members of the Audit Committee are two Independent Non-executive Directors, being Mr. Liu Kwong Sang and Mr. Siu Leung Yau and one Non-executive Director, being Mr. Lai Ka Fai. The Chairman of the Audit Committee is Mr. Liu Kwong Sang who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee is responsible for assisting the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control systems. The roles of the Audit Committee include maintaining a close relationship with the external auditor, reviewing financial information of the Company and overseeing the Company's financial reporting, risk management and internal control systems.

During the year, the Audit Committee reviewed the audited financial statements for 2015 and the interim financial statements for 2016 and met with the external auditor and the management of the Company to discuss issues arising from the audit of the financial statements. The Audit Committee also reviewed the effectiveness of the risk management and internal control systems of the Group, the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting function, and relevant training programmes and budgets. In addition, the Audit Committee monitored the whistleblowing policy and system for employees and independent third parties who dealt with the Company to raise concerns about any suspected impropriety, misconduct or malpractice within the Group.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(continued)*

During the year, the Audit Committee held three meetings with the presence of the Company's external auditor. The attendance of each member at the Audit Committee meetings was as follows:

Members	Number of meetings attended/meetings held
Mr. Liu Kwong Sang <i>(Chairman of the Audit Committee)</i>	3/3
Mr. Siu Leung Yau	3/3
Mr. Lai Ka Fai	3/3

REMUNERATION COMMITTEE

The members of the Remuneration Committee are two Independent Non-executive Directors, being Mr. Siu Leung Yau and Mr. Liu Kwong Sang and one Executive Director, being Mr. Yeung Kwok Kwong. A majority of the members are Independent Non-executive Directors.

The Remuneration Committee is responsible for formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, time commitment and responsibilities, desirability of performance based remuneration, and individual performance of the Directors, and implementing the remuneration policy laid down by the Board. The Company has adopted the model for remuneration committee as described in the Code Provision B.1.2(c)(ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors, including salaries, bonuses and benefits in kind.

During the year, the Remuneration Committee reviewed the remuneration policy of the Company, the Directors' fees of the Non-executive Directors and the remuneration packages of the Executive Directors.

During the year, the Remuneration Committee held three meetings. The attendance of each member at the Remuneration Committee meeting was as follows:

Members	Number of meetings attended/meetings held
Mr. Siu Leung Yau <i>(Chairman of the Remuneration Committee)</i>	3/3
Mr. Yeung Kwok Kwong	3/3
Mr. Liu Kwong Sang	3/3

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(continued)*

Pursuant to Code Provision B.1.5, the annual remuneration of the members of senior management by band for the year ended 31 December 2016 was set out below:

	Number of Employees
Nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$2,000,000	2
HK\$3,000,000 to HK\$4,000,000	1
	4

NOMINATION COMMITTEE

The members of the Nomination Committee are one Executive Director, being Mr. Or Wai Sheun, and two Independent Non-executive Directors, being Mr. Liu Kwong Sang and Mr. Siu Leung Yau. A majority of the members are Independent Non-executive Directors.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the Independent Non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

During the year, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the Independent Non-executive Directors and considered the re-election of Directors at the 2016 AGM.

The Board Diversity Policy sets out the approach to achieve diversity on the Board. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, with reference to the business models and special needs of the Company in determining the optimum composition of the Board. Appointments to the Board will be made based on merit and contribution that the individual is expected to bring to the Board. The Nomination Committee monitors the implementation of the Board Diversity Policy on an ongoing basis.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE *(continued)*

During the year, the Nomination Committee held one meeting. The attendance of each member at the Nomination Committee meeting was as follows:

Members	Number of meeting attended/meeting held
Mr. Or Wai Sheun <i>(Chairman of the Nomination Committee)</i>	1/1
Mr. Liu Kwong Sang	1/1
Mr. Siu Leung Yau	1/1

EXECUTIVE COMMITTEE

The members of the Executive Committee are two Executive Directors, being Mr. Yeung Kwok Kwong and Ms. Wong Yuk Ching and one Non-executive Director, being Mr. Lai Ka Fai. The Board has established the Executive Committee to delegate its daily management and administration functions and has formalised the functions reserved by the Board and those delegated to the management. Clear direction has also been given as to the power of the management.

NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. Non-executive Directors of the Company do not have a specific term of appointment, but are subject to rotation in accordance with article 108(A) of the articles of association of the Company. As Non-executive Directors are subject to rotation in accordance with the articles of association of the Company, the Board considers that Non-executive Directors so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in Code Provision A.4.

CORPORATE GOVERNANCE REPORT**APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS**

The first sentence of Code Provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with article 112 of the articles of association of the Company, any Director appointed to fill a casual vacancy shall hold office until the next following annual general meeting of the Company.

As the Director appointed to fill a casual vacancy shall be subject to re-election in the next following annual general meeting of the Company in accordance with the articles of association of the Company which complies with paragraph 4(2) of the Appendix 3 of the Listing Rules, the Board considers that the Directors so appointed subject to election by shareholders at the next following annual general meeting of the Company after their appointment will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in Code Provision A.4.

The Company did not have any deviation from the first sentence of Code Provision A.4.2 during the year.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the duties relating to corporate governance functions as set out below:

- (a) developing and reviewing the Company's policies and practices on corporate governance;
- (b) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Board reviewed the effectiveness of the risk management and internal control systems of the Company through the Audit Committee, reviewed the code of conduct of the Company and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) (the "Model Code") as a code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the year and they have all confirmed that they had fully complied with the required standards set out in the Model Code.

DIRECTORS' TRAINING

During the year, the Directors participated in appropriate continuous professional development activities by ways of reading materials and attending seminars regarding latest developments in corporate governance practices and relevant legal and regulatory developments. Records of training received by each Director in 2016 are as follows:

Directors	Type of training (Notes)
Mr. Or Wai Sheun (<i>Chairman of the Board</i>)	A
Mr. Yeung Kwok Kwong	A, B
Ms. Wong Yuk Ching	A
Ms. Chio Koc Ieng	A
Mr. Lai Ka Fai	A, B
Ms. Or Pui Ying, Peranza	A, B
Mr. Liu Kwong Sang	A, B
Mr. Siu Leung Yau	A, B
Dr. Tsui Wai Ling, Carlye	A, B
Prof. Dr. Teo Geok Tien Maurice	A, B

Notes: A: Reading materials

B: Attending seminars

The Board will also provide each newly appointed Director a comprehensive, formal and tailored induction and information to ensure that he/she has a proper understanding of the Company's business and operations as well as his/her responsibilities under relevant laws, rules and regulations.

COMPANY SECRETARY'S TRAINING

During the year, the Company Secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training to update his skills and knowledge.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

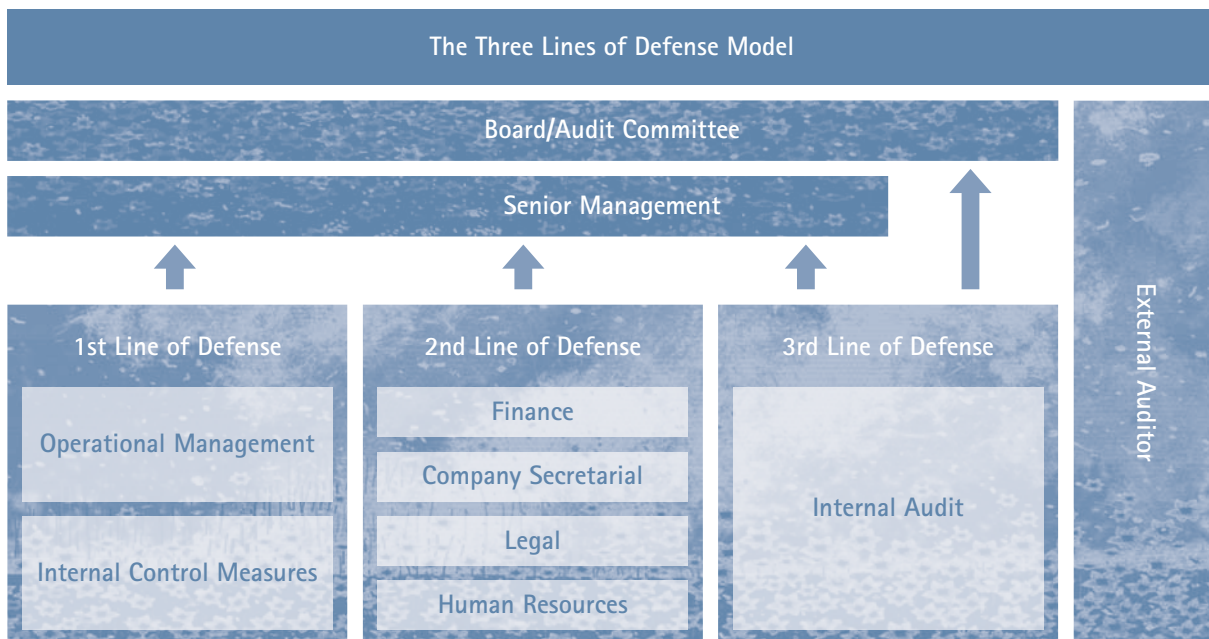
The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2016.

The Board is responsible for presenting a balanced, clear and understandable assessment of the Company's annual and interim reports, announcements and other disclosures as required under the Listing Rules and other regulatory requirements. The management has provided sufficient explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to maintain the Group's risk management and internal control systems and review their effectiveness on an ongoing basis. The Board has delegated part of this responsibility to the Audit Committee.

The Group's risk management structure meets with the best practice model known as the "Three Lines of Defense Model" with the first line of defense being operational management and internal control measures, the second line of defense being finance, company secretarial, legal and human resources functions, and the third line of defense being internal audit.



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage rather than completely eliminate the risks of failure in operational systems. The systems play a key role in the management of risks that are significant to the achievement of corporate objectives, ensuring good corporate practice and safeguarding the shareholders' investments and the Group's assets. The systems comprise the Group's policies and procedures, and standards to ensure effective management, including a well-defined organisational structure with specified authority limits and areas of responsibility, basis for review of financial performance, application of financial reporting standards, maintenance of proper accounting records, assurance of reliable financial information, and compliance with relevant laws and regulations.

The Board and management each has a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated. Supported by the Audit Committee, review of the effectiveness of the risk management and internal control systems is conducted at least annually. The review assesses all material controls, including financial, operational and compliance controls. The assessment considers the changes in nature and extent of significant risks since the previous review and the Group's ability to respond to changes in its business and the external environment. It covers the regular reports provided by management on significant issues identified during their daily operation, together with the action plans to resolve material internal control defects, if any. Internal and external auditors also report directly to the Audit Committee regularly on any risks and control issues identified in the course of their audits.

The Board believes that the quality of corporate governance is influenced by the corporate culture. Therefore, the Group is determined to foster and maintain high standards of professional conduct and business ethics. A code of conduct has been provided to all our employees to inform them of the Group's expectations and put them under special obligations in maintaining the highest standard of honesty and trustworthiness in their jobs. The whistle-blowing policy, which is posted on the Company's website and the Group's intranet, has established an effective channel allowing employees to communicate their concerns and findings upwards to the management. The Group aims to build risk awareness and control responsibility into the corporate culture and regards them as part of the risk management and internal control systems. In addition, the Group has applied relevant controls on the handling of inside information by relevant employees, including controls over the dissemination of such information and their dealings in the Group's shares.

During the year, the Audit Committee has discussed with the senior management and internal audit team of the Group the risk management and internal control systems and made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard the assets of the Group. The internal audit team reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Audit Committee any findings and measures to address the variances and identified risks. Based on the result of the review for the year ended 31 December 2016, the Board considered that the risk management and internal control systems were effective and adequate.

CORPORATE GOVERNANCE REPORT**INSIDE INFORMATION**

In view of the requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules, the Company has developed an Inside Information Policy and guidelines on reporting and disseminating inside information, maintaining confidentiality and complying with dealing instructions which are in place for employees to follow. The Inside Information Policy (for all staff) has been communicated to the staff through the Group's intranet. Senior officers of the Group have been identified and authorised to handle and respond the external enquiries in relation to the published announcement(s). The systems and procedures on publication and handling of inside information are monitored and reviewed on a regular basis.

CONSTITUTIONAL DOCUMENTS

There have been no changes in the constitutional documents of the Company during the year.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2016 is set out in the section headed "Independent Auditor's Report" in the Annual Report.

During the year, the external auditor performed audit services and the corresponding remuneration was HK\$2,132,000.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**Shareholders' Relations**

The Board has established a Shareholders Communication Policy and is dedicated to maintain an on-going dialogue with the shareholders and the investment community. The policy is subject to review regularly to ensure its effectiveness. It aims to ensure the shareholders and the investment community are provided with ready and timely access to all publicly available information about the Company so as to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and investment community to engage actively with the Company. Information is communicated to them mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings, as well as other disclosure on the websites of the Company (www.polyteccasset.com) and the Hong Kong Exchanges and Clearing Limited. The Company has also taken its own initiative to disclose the price-sensitive information in a timely manner and to comply with the latest statutory requirement under Part XIVA of the Securities and Futures Ordinance.

General meetings of the Company provide a forum for effective communication with shareholders. The most recent general meeting was the 2016 AGM held at U Banquet, 4th Floor, Pioneer Centre, 750 Nathan Road, Hong Kong on 28 June 2016.

CORPORATE GOVERNANCE REPORT**SHAREHOLDERS' RIGHTS****Procedures for shareholders to propose a person for election as a Director**

Pursuant to the articles of association of the Company, a shareholder may propose a person for election as a Director, other than a retiring Director unless recommended by the Directors for election at any general meeting. The notice of the intention to propose a Director and notice by that person of his willingness to be elected shall have been lodged at the Company's head office or registration office at least 7 days before the date of the general meeting. The period for lodgement of the notice shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting. Detailed procedures can be found on the Company's website.

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meetings

Pursuant to the articles of association of the Company, extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to send enquiries to the Board

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

The Company Secretary
Polytec Asset Holdings Limited
23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong
Telephone Number: +852 2380 9682
Fax Number: +852 2380 6310

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated in the Cayman Islands with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in page 3 of the Annual Report.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 32 to the financial statements. There was no significant change in the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including an indication of likely future developments in the Group's businesses, can be found in the "Five-year Financial Summary", "Chairman's Statement", "Financial Review" and "Corporate Governance Report" sections of the Annual Report. This discussion forms part of this Report of the Directors.

Description of the key risks and uncertainties that the Group may be facing can be found below.

KEY RISKS AND UNCERTAINTIES

The Group is exposed to various risks including those related to its specific business nature as well as those that are common to other businesses. The Group's risk management and internal control systems are in place to ensure principal risks as well as significant emerging risks are identified, monitored and managed on a continuous basis. The principal risks and uncertainties set out below may have material impacts on the Group's businesses, operating results, financial position or prospects, but they are by no means exhaustive or comprehensive.

Property development business risk

The Group owns an 80% interest in two property development projects in Macau. Property development is faced with the risk of deterioration of property market conditions which is subject to the changes in the overall economic environment, political stability, governmental policies as well as the measures imposed by Macau Government to curb property speculation.

Oil business risk

The Group's oil business in Kazakhstan is exposed to the risk of fluctuation of crude oil prices, which are mainly influenced by global supply and demand, Organisation of the Petroleum Exporting Countries (OPEC) policy and worldwide political events. It is also subject to extensive governmental and environmental approvals and regulations in its operating jurisdiction. In addition, the estimation of oil reserves is complex and subject to uncertainty. Other operating risks for oil business include natural disaster, fire, malfunctions of facilities and shortage of electricity supply.

REPORT OF THE DIRECTORS**KEY RISKS AND UNCERTAINTIES** *(continued)***Ice manufacturing and cold storage business risk**

Ice manufacturing business is exposed to product quality assurance risk. To minimise potential contamination, our packaged edible ice is produced under high sanitary conditions and a concealed environment. The plant is also equipped with an on-line control laboratory to monitor the critical control parameters continuously. Though safety guidelines and protective equipment are provided to the employees, accidents and injuries may occur. The ice manufacturing and cold storage business may also be affected by malfunctions of production facilities and reefer trucks.

Regulatory risk

The Group operates in highly-regulated markets and industries where changes to legal and regulatory requirements may have a significant impact on our businesses. The Group has to ensure that all the regulatory requirements including the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Companies Ordinance as well as legal, tax, environmental and any other statutory requirements for our Group's various businesses in different jurisdictions have been complied with.

People risk

The Group recognises that human capital is a key asset to sustain long-term growth and development of its business. The shortage or loss of key personnel may adversely affect the Group's existing operations and prospects.

Financial risk

The Group is exposed to interest rate risk, credit risk, liquidity risk, price risk and currency risk which arise in the normal course of the Group's businesses. The analysis of these risks is disclosed in note 27 to the financial statements.

DIVIDENDS

An interim dividend of HK\$0.002 per share (2015: HK\$0.002 per share) was paid on 13 December 2016. The Board of Directors now recommends the payment of a final dividend of HK\$0.005 per share (2015: HK\$0.005 per share) in respect of the year ended 31 December 2016.

RESERVES

Details of the movements in reserves of the Company and of the Group during the year are set out in note 28(b) to the financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK\$1,124,175,000. Further, the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2016, the Company's share premium account amounted to HK\$5,912,600,000.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 21 to the financial statements.

REPORT OF THE DIRECTORS**DIRECTORS**

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

Executive Directors

Mr. Or Wai Sheun (*Chairman*)

Mr. Yeung Kwok Kwong

Ms. Wong Yuk Ching

Ms. Chio Koc Ieng

Non-executive Directors

Mr. Lai Ka Fai

Ms. Or Pui Ying, Peranza

Independent Non-executive Directors

Mr. Liu Kwong Sang

Mr. Siu Leung Yau

Dr. Tsui Wai Ling, Carlye

Prof. Dr. Teo Geok Tien Maurice

In accordance with articles 108(A) and (B) and 112 of the articles of association of the Company, Mr. Yeung Kwok Kwong, Mr. Lai Ka Fai, Ms. Or Pui Ying, Peranza and Dr. Tsui Wai Ling, Carlye will retire and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

Particulars of the Directors' emoluments, disclosed pursuant to the Companies Ordinance and Appendix 16 of the Listing Rules, are set out in note 7 to the financial statements.

Brief biographical particulars of all Directors are given on pages 12 to 14 of the Annual Report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors remain independent.

DIRECTORS' INTERESTS IN CONTRACTS

The Directors' interests in contracts with the Group during the year are set out in notes 12 and 25(a), (b) and (c) to the financial statements.

Save as disclosed above, no contract of significance in relation to the Group's business to which the Company, any of its holding companies or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

None of the Directors being 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' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company, any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

Long positions in the shares of the Company

Directors	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital (Note 1)
Mr. Or Wai Sheun (Notes 2 and 4)	Founder and beneficiary of a trust	3,260,004,812	73.44%
Mr. Yeung Kwok Kwong	Personal	2,000,000	0.05%
Ms. Wong Yuk Ching	Personal	6,655,000	0.15%
Ms. Chio Koc Ieng	Personal	270,000	0.01%
Mr. Lai Ka Fai	Personal	430,000	0.01%
Ms. Or Pui Ying, Peranza (Notes 3 and 4)	Beneficiary of a trust	3,260,004,812	73.44%
	Personal	7,000,000	0.16%

REPORT OF THE DIRECTORS

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

Long positions in the shares of associated corporations

– Kowloon Development Company Limited ("KDC")

Directors	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital <i>(Note 6)</i>
Mr. Or Wai Sheun <i>(Notes 2 & 5)</i>	Founder and beneficiary of a trust	830,770,124	72.20%
	Corporate	277,500	0.02%
Mr. Yeung Kwok Kwong	Personal	180,000	0.02%
Ms. Wong Yuk Ching	Personal	1,170,000	0.10%
Ms. Chio Koc Ieng	Personal	225,000	0.02%
Mr. Lai Ka Fai	Personal	751,000	0.07%
Ms. Or Pui Ying, Peranza <i>(Notes 3 and 5)</i>	Beneficiary of a trust	830,770,124	72.20%

– Ors Holdings Limited

Directors	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital
Mr. Or Wai Sheun <i>(Note 7)</i>	Founder and beneficiary of a trust	1	100.00%
Ms. Or Pui Ying, Peranza <i>(Note 7)</i>	Beneficiary of a trust	1	100.00%

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)**Notes:*

1. As at 31 December 2016, the total number of issued shares of the Company was 4,438,967,838 ordinary shares.
2. Mr. Or Wai Sheun was deemed to be interested in 830,770,124 ordinary shares in KDC as the founder and one of the beneficiaries of a discretionary family trust. Mr. Or Wai Sheun was also deemed to be interested in 277,500 ordinary shares in KDC owned by China Dragon Limited due to his corporate interest therein.

Mr. Or Wai Sheun was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through his interest in KDC.
3. Ms. Or Pui Ying, Peranza was deemed to be interested in 830,770,124 ordinary shares in KDC as one of the beneficiaries of a discretionary family trust.

Ms. Or Pui Ying, Peranza was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through her interest in KDC.
4. The interest in 3,260,004,812 ordinary shares in the Company as disclosed respectively by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza mentioned in this section and as disclosed respectively by KDC, Ors Holdings Limited and HSBC International Trustee Limited mentioned in the section under the heading of "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" were the same interests in the Company.
5. The interest in 830,770,124 ordinary shares in KDC as disclosed above by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza respectively were the same interests in KDC.
6. As at 31 December 2016, the total number of issued shares of KDC was 1,150,681,275 ordinary shares.
7. The interest in 1 ordinary share in Ors Holdings Limited as disclosed above by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza respectively were the same interests in Ors Holdings Limited.

Save as disclosed above, as at 31 December 2016, none of the Directors or Chief Executives 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 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests and short positions of the persons, other than the Directors and Chief Executives, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions

Substantial shareholders	Capacity and nature of interests	Number of ordinary shares held	Percentage of the issued ordinary share capital (Note 1)
Ors Holdings Limited (Notes 2 and 4)	Corporate	3,260,004,812	73.44%
HSBC International Trustee Limited (Notes 3 and 4)	Trustee	3,260,004,812	73.44%
Kowloon Development Company Limited (Notes 4 and 5)	Corporate	3,260,004,812	73.44%

Notes:

- As at 31 December 2016, the total number of issued shares of the Company was 4,438,967,838 ordinary shares.
- Ors Holdings Limited held 830,770,124 ordinary shares in KDC (being 72.20% of the issued ordinary shares of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
- Based on information available to the Company, HSBC International Trustee Limited held 831,617,074 ordinary shares in KDC (being 72.27% of the issued ordinary shares of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
- The interest in 3,260,004,812 ordinary shares in the Company as disclosed respectively by KDC, Ors Holdings Limited and HSBC International Trustee Limited mentioned in this section and as disclosed respectively by Mr. Or Wai Sheun and Ms. Or Pui Ying, Peranza mentioned in the section under the heading of "Directors' Interests and Short Positions in Shares and Underlying Shares" were the same interests in the Company.
- According to the register of the Company, as at 31 December 2016, KDC was interested in 3,245,004,812 ordinary shares in the Company (being 73.10% of the issued ordinary shares of the Company). On specific enquiries made, KDC had confirmed that as at 31 December 2016, it was interested in 3,260,004,812 ordinary shares in the Company. There was a difference of 15,000,000 ordinary shares between the actual number of shares interested in of KDC and the number of shares interested in as disclosed by KDC because KDC did not have any obligations pursuant to the SFO to disclose such interest in 15,000,000 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2016, no person had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

REPORT OF THE DIRECTORS**CHANGE IN INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are set out below:

The monthly salary of the following Directors has been changed as follows with effect from 1 July 2016:

	Before change	After change
Mr. Yeung Kwok Kwong	HK\$179,500	HK\$186,700
Ms. Wong Yuk Ching	HK\$109,300	HK\$113,700
Ms. Chio Koc Ieng	HK\$110,800	HK\$115,300

Mr. Liu Kwong Sang resigned as an Independent Non-executive Director of Evershine Group Holdings Limited, a company listed on the GEM Board of the Stock Exchange, on 31 December 2016 and was appointed as an Independent Non-executive Director of Pine Care Group Limited, a company listed on the Main Board of the Stock Exchange, on 23 January 2017.

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

RETIREMENT SCHEME

Particulars of the retirement scheme operated by the Group are set out in note 29 to the financial statements.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

SHARE OPTION SCHEME

The Share Option Scheme of the Company expired by effluxion of time on 8 January 2014 and no further new/revised share option scheme has been adopted by the Company since then. The Company did not have any outstanding share options as at 31 December 2016.

REPORT OF THE DIRECTORS**HUMAN RESOURCES**

As at 31 December 2016, the total number of employees of the Group was about 370 (2015: 370). Staff costs (excluding directors' emoluments) during the year totalled HK\$59,428,000 (2015: HK\$64,071,000). The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice. The emolument policy of the Group is reviewed by the members of the Remuneration Committee and approved by the Board.

The emoluments of the Directors of the Company are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics and approved by the Board.

The Group believes that the quality of its human resources is critical for it to maintain a strong competitive edge. The Group has encouraged its employees to take training courses to strengthen their all-round skills and knowledge, aiming to well equip them to cope with its development in the ever-changing economy.

In addition, the Group also held an annual dinner and Christmas party for employees during the year to promote team spirit and loyalty and to promote communication between departments.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of the Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF THE DIRECTORS**BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Group as at 31 December 2016 are set out in notes 19 and 25 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5 of the Annual Report.

MANAGEMENT CONTRACTS

Save for the directors' service contracts or employment contracts, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's turnover attributable to the largest customer and the five largest customers in aggregate of the Group were 33% and 50% respectively. None of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% in the share capital of the Company) has any interest in those customers.

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

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on pages 107 to 108 of the Annual Report.

OIL RESERVES

Except for the production during the period under review, there is no material change in the oil reserves of the Group.

DONATIONS

Charitable donations made by the Group during the year amounted to HK\$616,000 (2015: HK\$820,000).

REPORT OF THE DIRECTORS**CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining members who entitle to attend and vote at the 2017 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 2 June 2017 to Wednesday, 7 June 2017, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2017 Annual General Meeting, all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Thursday, 1 June 2017.

For the purpose of determining members who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Monday, 19 June 2017 to Tuesday, 20 June 2017, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Friday, 16 June 2017.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 27 of the Annual Report.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group, in conjunction with the Company's auditor.

AUDITOR

The Group's consolidated financial statements for the year ended 31 December 2016 have been audited by KPMG, Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

REPORT OF THE DIRECTORS**SUSTAINABLE DEVELOPMENT****Environmental policies and performances**

The Group is committed to the long term sustainability of the environment and communities in which it operates. Regarding the ice manufacturing business, Noble Gainer Limited, a wholly-owned subsidiary of the Company, was the first licensed food factory granted by the Food and Environmental Hygiene Department to produce edible ice for immediate consumption in Hong Kong. The Group strictly follows the requirements set out by the Environmental Protection Department under the Water Pollution Control Ordinance for the discharge of industrial trade effluent, pledging to limit our environmental footprint from our operations.

During the year, the Group's oil business in Kazakhstan and the property development projects (in which the Group owns an 80% interest) in Macau met all of their domestic environmental compliance requirements.

In 2016, there was no reported case of material non-compliance with environmental laws and regulations for the Group.

Compliance with laws and regulations

As far as the Company is aware, there was no material breach of or non-compliance with all applicable laws and regulations that would have had a significant impact on the businesses and operations of the Group during the year.

Relationships with stakeholders

The Group has an integrated human capital strategy to recruit, develop and motivate employees, making sure that employees are provided with a competitive remuneration package, appropriate training and development opportunities and their performance goals are aligned with the Group's business objectives.

Occupational health and safety of employees should be given first and foremost consideration at work. All employees are required to attend safety training regularly to improve their level of safety awareness in the workplace. In particular, new employees are required to fully understand the safety guidelines for handling ammonia and truck drivers are trained to adopt proper driving techniques for the ice manufacturing and cold storage business. Moreover, regarding the oil business in Kazakhstan, emergency drills are regularly conducted to enhance the effectiveness of the crisis preparedness plan and an incident prevention program has been launched to make sure that our employees are all well trained in safety, first aid and emergency procedures. In 2016, there was no work-related fatality recorded for our businesses.

REPORT OF THE DIRECTORS**SUSTAINABLE DEVELOPMENT** *(continued)***Relationships with stakeholders** *(continued)*


The Group is also dedicated to providing high quality deliverables to meet its customers' needs. Product responsibility is paramount to the Group. The packaged edible ice is produced under strict sanitary conditions where the entire process is completed in an enclosed environment to minimise potential contamination. To achieve our commitments to our customers, the Group is striving to maintain good relationship and close communication with our business partners, banks, contractors and suppliers.

In addition, the Group has been donating and volunteering to the indigenous community and various charity organisations in both Hong Kong and Kazakhstan.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

Environmental, social and governance ("ESG") issues are fundamental to the Group's sustainability. Therefore, the Group has included ESG factors as a strategic consideration in its decision-making and seeks for continuous improvement in its ESG performance. In accordance with the requirement set out in Appendix 27 of the Listing Rules, a separate ESG report will be published on the Company's website and the website of Hong Kong Exchanges and Clearing Limited in due course.

By Order of the Board



Or Wai Sheun
Chairman

Hong Kong, 22 March 2017

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report to the Shareholders of Polytec Asset Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Polytec Asset Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 48 to 106, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

INDEPENDENT AUDITOR'S REPORT

Assessing potential impairment of oil production and exploitation assets

Refer to accounting policies 1(g) and 1(h) and notes 2(c), 10 and 11 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2016, the Group held oil production and exploitation assets in Kazakhstan with carrying amounts totalling HK\$582 million, which were stated at cost less accumulated amortisation and impairment losses.</p> <p>The related gas flaring permits, which are required to continue normal crude oil production, are valid until the end of June 2017.</p> <p>The recoverable amounts of oil production and exploitation assets were assessed by management based on the present value of estimated future cash flows arising from the continued use of the assets. The assessment of the recoverable amounts is inherently subjective as it involves significant management judgement and estimation, particularly in relation to the estimation of future crude oil prices, future oil production quantities, inflation and the discount rate applied.</p> <p>We identified assessing potential impairment of oil production and exploitation assets as a key audit matter because the valuation of oil production and exploitation assets is complex and the assessment of the recoverable amounts involved significant management judgement, particularly in light of the volatility of crude oil prices, the uncertainty of the renewal of the related gas flaring permits and the current Kazakhstan business environment. Variations in these management judgements could have a material impact on the consolidated financial statements.</p>	<p>Our audit procedures to assess the potential impairment of oil production and exploitation assets included the following:</p> <ul style="list-style-type: none"> • obtaining and inspecting the impairment assessment prepared by management and comparing the key estimates and assumptions made in prior years with the current year; • with the assistance of our internal asset valuation specialists, discussing with management their valuation methodology and challenging the key estimates and assumptions adopted in the discounted cash flow forecast, in particular in relation to future crude oil prices, production forecasts, future operating and capital expenditure, the discount rate and the inflation rate, by comparing these with publicly available market benchmarks, historical results, economic and industry forecasts and approved business plans and by utilising the industry knowledge and experience of our internal asset valuation specialists; • inspecting the documentation on which management based its assessment of the likelihood of renewal of the related gas flaring permits in the future;

INDEPENDENT AUDITOR'S REPORT

The Key Audit Matter

How the matter was addressed in our audit

- performing a retrospective review for oil production and exploitation assets by comparing the forecast operating results made in the prior year's impairment assessment with the current year's operating results;
- re-performing calculations made by management in arriving at the year end assessments of recoverable amounts and comparing the calculated recoverable amounts with the actual carrying amounts and assessing whether any impairment charges or reversals of previously recognised impairment charges were necessary;
- performing sensitivity analyses by making adjustments to future crude oil prices and the discount rate to assess the risk of possible management bias in the impairment assessment exercise.

INDEPENDENT AUDITOR'S REPORT

Valuation of interests in property development

Refer to accounting policy 1(k) and notes 2(e) and 12 to the consolidated financial statements

The Key Audit Matter

How the matter was addressed in our audit

As at 31 December 2016, interests in property development represented the Group's interests in the development of residential and commercial properties located in Macau which were stated at an aggregate fair value of HK\$12,061 million. The Group recognised a surplus on revaluation of these assets for the year ended 31 December 2016 of HK\$1,241 million in the consolidated statement of comprehensive income.

The interest in property development in Macau mainly represented the Lote P property development project.

The construction work at the Lote P property development project has been suspended since December 2015 as a consequence of ongoing litigation in respect of the terms of the land lease. Any unfavourable outcome of the court proceedings may have an adverse impact on the valuation thereof.

The fair values of interests in property development were measured using a discounted cash flow model prepared by management.

Our audit procedures to address the valuation of interests in property development included the following:

- obtaining and inspecting the discounted cash flow forecasts prepared by management and comparing the key estimates and assumptions made in prior years with the current year and current developments in market;
- with the assistance of our internal asset valuation specialists, discussing with management their valuation methodology and challenging the key estimates and assumptions adopted, by comparing those relating to expected future selling prices, rental prices and yields, costs to completion and the discount rates applied with publicly available market information and by utilising the industry knowledge and experience of our internal property valuation specialists;
- conducting site visits to all interests in the property development projects to observe the development progress and evaluating whether the development progress for each project was consistent with the development plan as reflected in the latest forecast;

INDEPENDENT AUDITOR'S REPORT

The Key Audit Matter

How the matter was addressed in our audit

We identified the valuation of interests in property development as a key audit matter because of the significance of interests in property development to the Group's total assets and the significance of the changes in fair value of the interests in property development to the Group's other comprehensive income and because the valuation of interests in property development can be inherently subjective and requires the exercise of significant management judgement and estimation which increases the risk of error or management bias, particularly given the uncertainty of the outcome of the court proceedings in respect of the Lote P property development project and the volatility of property prices in Macau.

- inspecting the external legal opinion received by the Group and other documentation referred to by management in its assessment of the outcome of the court proceedings in relation to the litigation in respect of the land lease for the Lote P property development project;
- re-performing calculations made by management in arriving at the year end fair value and comparing the expected profit distribution plans with the latest sales budget plans maintained by management;
- performing sensitivity analyses for the Lote P property development project by making adjustments to the completion date of the project to identify any further risk of impairment.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 are responsible for the preparation of 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.

INDEPENDENT AUDITOR'S REPORT

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

The directors 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. This report is made solely to you, as a body, 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Yeung Yuk Fan.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

22 March 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	211,293	357,517
Cost of sales		(79,300)	(132,757)
Gross profit		131,993	224,760
Other income	4	15,072	11,747
Selling and distribution expenses		(47,735)	(111,105)
Administrative expenses		(49,440)	(55,071)
Other operating expenses		(54,637)	(42,632)
Impairment of oil production and exploitation assets	2(c)	–	(170,000)
Loss from operations		(4,747)	(142,301)
Finance costs	5(a)	(32,838)	(33,902)
Share of profit of joint venture		103,414	232,758
Profit before taxation	5	65,829	56,555
Income tax	6	(4,257)	(3,079)
Profit for the year		61,572	53,476
Attributable to:			
Equity shareholders of the Company		59,201	51,673
Non-controlling interests		2,371	1,803
Profit for the year		61,572	53,476
Earnings per share – Basic/Diluted	8	1.33 HK cents	1.16 HK cents

The notes on pages 54 to 106 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	61,572	53,476
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Changes in fair value of interests in property development	1,241,332	(101,415)
Other comprehensive income for the year, net of tax	1,241,332	(101,415)
Total comprehensive income for the year	1,302,904	(47,939)
Attributable to:		
Equity shareholders of the Company	1,300,533	(49,742)
Non-controlling interests	2,371	1,803
Total comprehensive income for the year	1,302,904	(47,939)

The notes on pages 54 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	10	657,173	693,754
Oil exploitation assets	11	48,156	49,325
Interests in property development	12	12,060,840	10,819,508
Interest in joint venture	13	1,433,396	1,396,225
Deferred tax assets	20	105,727	105,727
Goodwill	14	16,994	16,994
		14,322,286	13,081,533
Current assets			
Inventories	15	86,905	80,694
Trade and other receivables	16	39,549	50,448
Cash and bank balances	17	170,261	575,288
		296,715	706,430
Current liabilities			
Trade and other payables	18	77,666	75,189
Bank loans	19	70,200	376,600
Current taxation		58,168	56,966
		206,034	508,755
Net current assets		90,681	197,675
Total assets less current liabilities		14,412,967	13,279,208

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

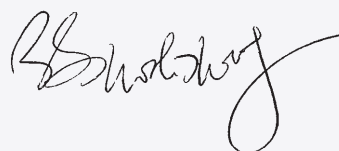
AT 31 DECEMBER 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current liabilities			
Amount due to ultimate holding company	25(a)	572,507	1,014,759
Other payables		21,409	23,342
Bank loans	19	1,354,800	1,045,000
Deferred tax liabilities	20	17,635	18,372
		1,966,351	2,101,473
NET ASSETS		12,446,616	11,177,735
CAPITAL AND RESERVES			
Share capital	21	443,897	443,897
Reserves		11,989,713	10,720,253
Total equity attributable to equity shareholders of the Company		12,433,610	11,164,150
Non-controlling interests		13,006	13,585
TOTAL EQUITY		12,446,616	11,177,735

Approved and authorised for issue by the Board of Directors on 22 March 2017.



Or Wai Sheun
Director



Yeung Kwok Kwong
Director

The notes on pages 54 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to equity shareholders of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2016	443,897	5,912,600	3,523,508	1,284,145	11,164,150	13,585	11,177,735
Profit for the year	-	-	-	59,201	59,201	2,371	61,572
Other comprehensive income for the year	-	-	1,241,332	-	1,241,332	-	1,241,332
Total comprehensive income for the year	-	-	1,241,332	59,201	1,300,533	2,371	1,302,904
Dividends paid to equity shareholders of the Company (note 9)	-	-	-	(31,073)	(31,073)	-	(31,073)
Dividends paid to non-controlling interests	-	-	-	-	-	(2,950)	(2,950)
At 31 December 2016	443,897	5,912,600	4,764,840	1,312,273	12,433,610	13,006	12,446,616
At 1 January 2015	443,897	5,912,600	3,624,923	1,263,545	11,244,965	11,782	11,256,747
Profit for the year	-	-	-	51,673	51,673	1,803	53,476
Other comprehensive income for the year	-	-	(101,415)	-	(101,415)	-	(101,415)
Total comprehensive income for the year	-	-	(101,415)	51,673	(49,742)	1,803	(47,939)
Dividends paid to equity shareholders of the Company (note 9)	-	-	-	(31,073)	(31,073)	-	(31,073)
At 31 December 2015	443,897	5,912,600	3,523,508	1,284,145	11,164,150	13,585	11,177,735

The notes on pages 54 to 106 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net cash generated from operating activities	22	14,891	53,424
Investing activities			
Purchases of property, plant and equipment		(4,024)	(6,228)
Proceeds from disposal of property, plant and equipment		736	6
Decrease/(increase) in bank deposits with maturity more than 3 months		997	(7,433)
Dividend received from joint venture		66,243	54,448
Net cash generated from investing activities		63,952	40,793
Financing activities			
Amount advanced from ultimate holding company		536,876	595,608
Repayments of amount due to ultimate holding company		(989,126)	(1,404,000)
Drawdown of bank loans		380,000	1,100,000
Repayments of bank loans		(376,600)	(13,400)
Dividends paid to non-controlling interests		(2,950)	–
Dividends paid to equity shareholders of the Company		(31,073)	(31,073)
Net cash generated (used in)/from financing activities		(482,873)	247,135
Net (decrease)/increase in cash and cash equivalents		(404,030)	341,352
Cash and cash equivalents at 1 January		567,855	226,503
Cash and cash equivalents at 31 December		163,825	567,855
Analysis of balance of cash and cash equivalents at 31 December			
Cash and bank balances		170,261	575,288
Less: Bank deposits with maturity more than 3 months		(6,436)	(7,433)
Cash and cash equivalents		163,825	567,855

The notes on pages 54 to 106 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture. The measurement basis used in the preparation of the financial statements is the historical cost basis, except where stated otherwise in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(c) Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*
- Annual Improvements to *HKFRSs 2012-2014 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(d) Subsidiaries and non-controlling interests** *(continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in the subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Joint arrangements**Joint ventures**

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, an investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(e) Joint arrangements** *(continued)***Joint ventures** *(continued)*

When the Group's share of losses exceeds its interest in a joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. When the Group undertakes its activities under joint operations, the Group's share of assets, liabilities, revenue and expenses of the joint operations are recognised in the consolidated financial statements and classified according to their nature.

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(f) Goodwill** *(continued)*

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Oil exploitation assets

Costs incurred for the acquisition and maintenance of the exploitation rights of the Group's oil exploration and production activities are capitalised as oil exploitation assets. Oil exploitation assets are stated at cost less accumulated amortisation and impairment losses. The amortisation is calculated based on unit of production method based upon the estimated proved and probable oil reserves.

(h) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 1(l)). Future estimated dismantling and restoration costs of property, plant and equipment are discounted at appropriate rates and are capitalised as part of the cost of property, plant and equipment, which is subsequently depreciated. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time, is reflected as an adjustment to the costs.

Except for certain oil production assets as set out below, depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over its estimated useful life as follows:

Leasehold land	over the unexpired term of lease
Buildings situated on leasehold land	over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of acquisition/completion
Other	2 to 10 years

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(h) Property, plant and equipment and depreciation** *(continued)*

Oil production assets include all the property, plant and equipment arising from oil exploration and production activities.

Depreciation of certain oil production assets is calculated based on a unit of production method based upon the estimated proved and probable oil reserves to write off the cost of each asset, less any estimated residual value.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of property, plant and equipment included in profit or loss is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(i) Leasing

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

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

(j) Investment properties

Investment properties are land and/or buildings held under leasehold interest to earn long-term rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. They are valued semi-annually by an independent firm of professional valuers on a market value basis.

Investment properties are stated in the consolidated statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair values cannot be reliably determined at that time in which case they are stated at cost less any impairment losses. All changes in fair value of investment properties are recognised directly in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(k) Interests in property development**

Interests in property development are stated at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, unless there is objective evidence that the interests in property development have been impaired, whereupon any amount held in the fair value reserve in respect of the interests in property development is transferred to the consolidated income statement for the period in which the impairment is identified (see note 1(l)). The fair value of interests in property development is determined based on the estimated entitlements to the interests in property development. When the interests in property development are derecognised, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement.

(l) Impairment of assets**(i) Impairment of investments in debt and equity securities, interests in property development and other receivables**

Investments in debt and equity securities, interests in property development and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(l) Impairment of assets** *(continued)***(i) Impairment of investments in debt and equity securities, interests in property development and other receivables** *(continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for sale securities and interests in property development, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(I) Impairment of assets** *(continued)***(i) Impairment of investments in debt and equity securities, interests in property development and other receivables** *(continued)*

Impairment losses in respect of available-for-sale debt securities and interests in property development are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed.

Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

- property, plant and equipment (other than properties carried at revalued amounts);
- leasehold land held for own use;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(I) Impairment of assets** *(continued)***(ii) Impairment of other assets** *(continued)*

- Calculation of recoverable amount
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).
- Recognition of impairment losses
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).
- Reversals of impairment losses
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(l) Impairment of assets** *(continued)***(iii) Interim financial reporting and impairment**

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, "Interim financial reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, interests in property development and available-for-sale equity securities are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security or interests in property development increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(m) Inventories

Inventories, other than consumables, are stated at the lower of cost and net realisable value. Consumables are stated at cost less any provision for obsolescence.

Cost of inventories, other than properties, is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of properties mainly comprises costs of acquisition and other costs incurred in bringing the properties to their present condition. Net realisable value of the properties held for sale represents the estimated selling price less costs to be incurred in selling the property.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(o) Financial assets**

The Group's and the Company's policies for financial assets, other than investments in subsidiaries and joint ventures, are as follows:

Financial assets are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. These assets are subsequently accounted for as follows, depending on their classification:

Financial investments held for trading are classified as current assets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as they are recognised in accordance with the policies set out in note 1(v).

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses.

Financial assets which do not fall into any of the above categories are classified as available-for-sale investments. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in note 1(v). Foreign exchange gains and losses resulting from changes in the amortised cost of debts securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(q) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary difference respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(j), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(r) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(s) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(t) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(v) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and relevant costs can be measured reliably, on the following bases:

- from the sale of goods and crude oil, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither continuous managerial involvement to the degree usually associated with ownership, nor effective control over the goods and crude oil sold;
- from the sale of completed properties, upon the execution of a binding sale agreement;
- income from interests in property development, when the Group is entitled to a distribution in respect of the investment;
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- from the sale of investments, on a trade date basis or on the date on which the relevant sales contracts become or are deemed unconditional, where appropriate;
- service income, when the relevant service is rendered to the customers;
- dividends, when the shareholders' right to receive payment has been established; and
- rental income, on straight-line basis over the lease term.

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(w) Segment reporting**

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's senior management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

NOTES TO THE FINANCIAL STATEMENTS

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(y) Related parties** *(continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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).
 - (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

NOTES TO THE FINANCIAL STATEMENTS

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2. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)***(a) Depreciation and amortisation**

The Group depreciates plant and equipment, other than certain oil production assets, on a straight-line basis over an estimated useful life of 2 to 10 years, after taking into account the estimated residual value, using the straight-line method, commencing from the date the plant and equipment is placed into intended use. The estimated useful life and dates that the Group places the plant and equipment into productive use reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment. Management reviews the useful lives of plant and equipment annually and, if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for future periods will be adjusted accordingly.

Certain oil production assets and oil exploitation assets are depreciated and amortised based on a unit of production method based upon the estimated proved and probable oil reserves. The estimates of the Group's oil reserves are the best estimates based on the information currently available to the management and represent only approximate amounts because of the subjective judgements involved in developing such information. Oil reserve estimates are subject to revision, either upward or downward, based on new relevant information. Changes in oil reserves will affect unit of production depreciation, amortisation and depletion recorded in the Group's consolidated financial statements for property, plant and equipment and oil exploitation assets related to oil production activities. A reduction in oil reserves will increase depreciation, amortisation and depletion charges.

(b) Estimation of provision for properties held for sale

Management determines the net realisable value of properties held for sale by using the prevailing market data such as the most recent sale transactions and market survey reports available from independent property valuers.

Management's assessment of the net realisable value of properties held for sale requires judgement as to the anticipated sale prices with reference to the recent sale transaction in nearby locations, the rate of new property sales, marketing costs and the expected costs to complete the properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate and estimates may need to be adjusted in later periods.

NOTES TO THE FINANCIAL STATEMENTS

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2. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)***(c) Estimated impairment of oil production assets and oil exploitation assets**

Oil production and exploitation assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amounts may exceed the recoverable amounts, which is considered to be the higher of the fair value less costs of disposal and value in use. The fair value of oil production and exploitation assets is determined based on the present value of estimated future cash flows arising from the continued use of the assets. Cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the assets. Determination as to whether and how much an asset is impaired involves management judgements in estimating future crude oil price, the discount rate used in discounting the projected cash flows and the production profile. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan and on the assumptions that all relevant licences and permits are obtained. However, the business environment, including crude oil prices, is affected by a wide range of global and domestic factors, which are all beyond the control of the Group. Any adverse change in the key assumptions could increase the impairment provision.

The gas flaring permit to flare associated gas for conducting normal crude oil production in the South Alibek Oilfield of Caspi Neft TME, a wholly-owned subsidiary of the Company, in Kazakhstan will expire on 30 June 2017. Caspi Neft TME has been taking all necessary steps to obtain a gas flaring permit valid for a longer period so as to enable it to continue to conduct normal crude oil production after 30 June 2017 and is also currently considering several alternatives to resolve the issue regarding the treatment and utilisation of associated gas permanently, including obtaining approvals from the relevant authorities of the Kazakhstan Government and engaging in active communication with other external parties in order to substantiate the other alternatives. Based on the above, the Group considers that there is no indication that gas flaring permits will not be renewed in the future.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)***(c) Estimated impairment of oil production assets and oil exploitation assets** *(continued)*

As at 31 December 2016, management reassessed the operation and the risk exposures of the Group's oil exploration and production business as a whole and estimated that the estimated recoverable amounts of the oil production and exploitation assets exceeded their carrying values. No further impairment is considered necessary for the year ended 31 December 2016. In 2015, in view of the significant drop in crude oil prices, the carrying amounts of oil production and exploitation assets exceeded their estimated recoverable amounts. Accordingly, impairment for oil production assets and oil exploitation assets amounting to HK\$156,400,000 and HK\$13,600,000 respectively, was recognised in the Group's consolidated income statement. The recoverable amounts of oil production and exploitation assets were determined based on value in use calculations applying a discount rate of 12.5% (2015: 12.5%).

Crude oil price assumptions were based on market expectations. At 31 December 2016, it is estimated that an increase/decrease of 20% (2015: 20%) in the estimated crude oil price used in the assessment, with all other variables held constant would have increased/decreased the carrying amounts of the oil production and exploitation assets by HK\$285,252,000/HK\$269,746,000 (2015: HK\$281,621,000/HK\$332,135,000). The discount rate used represents the rate to reflect the time value of money and the risks specific to the assets. It is estimated that an increase/decrease of 200 basis points (2015: 200 basis points) in the discount rate used in the assessment, with all other variables held constant would have decreased/increased the carrying amounts of the oil production and exploitation assets by HK\$54,421,000/HK\$61,203,000 (2015: HK\$62,478,000/HK\$70,144,000).

(d) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Any adverse change in the key assumptions could increase any impairment provision.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)***(e) Estimated fair value of interests in property development**

Interests in property development are stated at their fair value measured using a discounted cash flow model. In preparing the discounted cash flow model, the management estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate based on the past performance, current market conditions, development and building plans, sale and marketing plans and management's expectations for market development and terms provided under the co-investment agreements. Any adverse change in the key assumptions could decrease the fair value.

Interests in property development represent the Group's interests in the development of two properties located at Lote P and Lotes T+T1 of Novos Aterros da Areia Preta, in Macau under the co-investment agreements with two wholly-owned subsidiaries of the ultimate holding company.

In respect of the development project at Lote P, its land concession was agreed in December 1990 whereby the land use was successfully converted from industrial to residential and commercial in 2006, with a lease term of 25 years ending on 25 December 2015 (the "Expiry Date"). If the project had been completed on or before the Expiry Date, it would have become a definite land concession which would be renewable every 10 years until 2049. However, in September 2013, the Macau Special Administrative Region Government (the "Macau SAR Government") promulgated the Macau New Land Law (the "MNLL") which came into effect in March 2014. The MNLL provides that the Macau SAR Government will have the right to resume the land of any property development that is not completed and/or where the conditions as stated in the land concession for which have not been fulfilled by the stipulated expiry date without any compensation to the property owner. Owing to the delays caused by the Macau SAR Government in granting the requisite approvals and permits for the development of the project, the project could not commence until August 2014. As a result, the construction work could not be completed by the Expiry Date and all construction work is currently suspended. An application had been made to the Macau SAR Government for an extension of the Expiry Date but was declined by the relevant department of the Macau SAR Government.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)***(e) Estimated fair value of interests in property development** *(continued)*

Based on a legal opinion received by the Group, Polytex Corporation Limited ("PCL"), the registered owner of the property of the project and a wholly-owned subsidiary of the ultimate holding company of the Company, has sufficient grounds to apply to the Courts of the Macau SAR for remedies in all aspects to continue and complete the project. A few legal actions have been initiated by the legal representatives of PCL and are now in progress. Based on the opinion of the legal expert, the Courts will consider and judge on the essential points regarding the delays caused by the Macau SAR Government and the right of PCL to claim for compensation of time in order to allow the completion of the construction work of the Lote P development project and deliver the properties to the respective purchasers. Currently, the Group is still awaiting hearing dates to be fixed by the Courts of the Macau SAR for the legal proceedings.

As the outcome of these court proceedings is still uncertain, management of the Company has taken into account all available evidence, including the opinion of legal experts, in preparing the discounted cash flow model in order to assess the fair value of the project. Management of the Company believes that PCL has strong legal grounds to obtain a favourable judgment so that the Lote P development project will be re-activated and completed. The construction work will be resumed as soon as practicable subject to a favourable judgment being obtained and relevant approvals being given by the Macau SAR Government. No impairment for the interests in property development was considered necessary at 31 December 2016.

In respect of the development project at Lotes T+T1, the expiry date of the land concession is 5 July 2017. Based on the current status of the development, management of the Company considers that the Lotes T+T1 project will be completed before the expiry date.

One of the key assumptions for the discounted cash flow model to measure the fair value of the interest in property development of Lote P is the completion date. As at 31 December 2016, it is estimated that deferring the completion date of the Lote P development project by one year (2015: six months), with all other variables held constant, would have decreased the fair value of the interest in property development by HK\$951,535,000 (2015: HK\$898,783,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)***(f) Estimated impairment of interest in subsidiaries**

In considering the impairment losses that may be required for the Company's interest in subsidiaries and amounts due from subsidiaries, the recoverable amount of the assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to the subsidiaries. The Company uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs of subsidiaries. Any adverse change in the key assumptions could increase the impairment provision.

3. REVENUE AND SEGMENT REPORTING**(a) Revenue**

The principal activities of the Group are property investment and development, oil exploration and production, manufacturing of ice and provision of cold storage services.

An analysis of the Group's revenue is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sale of properties	–	2,000
Sale of crude oil	76,744	214,418
Sale of goods	102,214	94,545
Service income	32,335	35,692
Proceeds from sales of held for trading investments	–	10,862
	211,293	357,517

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

3. REVENUE AND SEGMENT REPORTING *(continued)***(b) Segment reporting**

The Group manages its businesses by segments which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified four (2015: four) operating segments for the year which comprise property investment, trading and development related activities ("Properties"), oil exploration and production related activities ("Oil"), manufacturing of ice and provision of cold storage and related services ("Ice and cold storage") and other miscellaneous operations ("Others").

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment but exclude exceptional items.

Reportable segment result represents result before taxation by excluding share of profit of joint venture, finance costs and head office and corporate expenses.

Segment assets include all tangible, intangible assets and current assets with exception of interest in joint venture, deferred tax assets and other corporate assets.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate income/ expenses and assets mainly comprise exceptional items, corporate administrative and financing expenses and corporate financial assets respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

3. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

Information regarding the Group's reportable segments as provided to the Group's senior management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

	Properties HK\$'000	Oil HK\$'000	Ice and cold storage HK\$'000	Others HK\$'000	2016 Total HK\$'000
Revenue	-	77,377	133,916	-	211,293
Reportable segment result	5,586	(30,238)	34,248	(10)	9,586
Head office and corporate expenses					(14,333)
Loss from operations					(4,747)
Finance costs					(32,838)
Share of profit of joint venture	103,414	-	-	-	103,414
Profit before taxation					65,829
Reportable segment assets	12,144,003	605,925	158,337	-	12,908,265
Interest in joint venture	1,433,396	-	-	-	1,433,396
Head office and corporate assets					277,340
					14,619,001
Capital expenditure incurred	-	1,461	2,560	3	4,024
Depreciation and amortisation	-	33,333	8,089	106	41,528

During the year ended 31 December 2016, the Group had one customer in the oil segment with sales amounting to HK\$68,898,000, which exceeded 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

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3. REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

	Properties HK\$'000	Oil HK\$'000	Ice and cold storage HK\$'000	Others HK\$'000	2015 Total HK\$'000
Revenue	2,000	214,724	129,931	10,862	357,517
Reportable segment result	4,173	(164,364)	28,189	1,415	(130,587)
Head office and corporate expenses					(11,714)
Loss from operations					(142,301)
Finance costs					(33,902)
Share of profit of joint venture	232,758	-	-	-	232,758
Profit before taxation					56,555
Reportable segment assets	10,905,538	636,411	167,676	-	11,709,625
Interest in joint venture	1,396,225	-	-	-	1,396,225
Head office and corporate assets					682,113
					13,787,963
Capital expenditure incurred	-	2,957	3,187	84	6,228
Depreciation and amortisation	-	63,571	9,198	98	72,867
Impairment of oil production and exploitation assets	-	170,000	-	-	170,000

During the year ended 31 December 2015, the Group had one customer in the oil segment with sales amounting to HK\$189,094,000, which exceeded 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

3. REVENUE AND SEGMENT REPORTING *(continued)***(b) Segment reporting** *(continued)*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred tax assets. The geographical location of revenue is based on the location which the goods were delivered or the services were provided. The geographical location of non-current assets is based on the physical location of the assets and, in the case of interest in joint venture, the location of operations.

	Revenue		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
The People's Republic of China	133,916	142,793	1,573,911	1,542,556
Kazakhstan	77,377	214,724	581,808	613,742
	211,293	357,517	2,155,719	2,156,298

In addition to the above non-current assets, the Group has interests in property development of HK\$12,060,840,000 (2015: HK\$10,819,508,000) in the People's Republic of China.

4. OTHER INCOME

An analysis of the Group's other income is as follows:

	2016 HK\$'000	2015 HK\$'000
Rental income from properties held for sale	8,197	7,141
Bank and other interest income	5,144	2,967
Others	1,731	1,639
	15,072	11,747

NOTES TO THE FINANCIAL STATEMENTS

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5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2016 HK\$'000	2015 HK\$'000
(a) Finance costs		
Interest expense on		
– Bank borrowings wholly repayable within five years	21,705	7,914
– Amount due to ultimate holding company repayable after more than one year	9,998	24,598
	31,703	32,512
Other finance costs	1,135	1,390
	32,838	33,902
(b) Staff costs		
Staff costs (excluding directors' remuneration)*:		
Wages and salaries	57,712	62,393
Contributions to retirement benefit scheme	1,716	1,678
	59,428	64,071
(c) Other items		
Depreciation of property, plant and equipment#	40,359	69,535
Amortisation of oil exploitation assets#	1,169	3,332
Minimum lease payments under operating leases in respect of land and buildings	1,604	1,561
Auditors' remuneration	2,132	1,858
Exchange loss/(gain)	10,134	(216)
Net realised gain on disposal of held for trading investment	–	(1,457)
(Gain)/loss on disposal of property, plant and equipment	(490)	2,190
Share of taxation of joint venture (included in share of profit of joint venture)	11,910	29,557

* Cost of sales includes HK\$39,220,000 (2015: HK\$73,267,000) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

NOTES TO THE FINANCIAL STATEMENTS

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6. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	3,751	3,453
– Overseas income tax	1,954	2,052
– (Over)/under provision in respect of prior years	(711)	10
	4,994	5,515
Deferred tax	(737)	(2,436)
	4,257	3,079

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation	65,829	56,555
Tax charge at the average income tax rate	4,528	(2,463)
Tax effect of share of profit of joint venture	(11,910)	(29,557)
Tax effect of expenses not deductible in determining taxable profit	9,440	7,502
Tax effect of income not taxable in determining taxable profit	(178)	–
Utilisation of tax losses previously not recognised	(1,074)	(313)
Tax effect of tax losses not recognised	4,162	27,900
(Over)/under provision in respect of prior years	(711)	10
Actual tax expense	4,257	3,079

NOTES TO THE FINANCIAL STATEMENTS

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7. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance related bonuses HK\$'000	Provident fund contributions HK\$'000	2016 Total HK\$'000
Mr. Or Wai Sheun	-	-	-	-	-
Mr. Yeung Kwok Kwong	-	2,384	610	220	3,214
Ms. Wong Yuk Ching	-	1,452	250	134	1,836
Ms. Chio Koc Ieng	-	1,472	330	-	1,802
Mr. Lai Ka Fai	170	-	-	-	170
Ms. Or Pui Ying, Peranza	170	-	-	-	170
Mr. Liu Kwong Sang	170	-	-	-	170
Mr. Siu Leung Yau	170	-	-	-	170
Dr. Tsui Wai Ling, Carlye	170	-	-	-	170
Prof. Dr. Teo Geok Tien Maurice	170	-	-	-	170
	1,020	5,308	1,190	354	7,872

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Performance related bonuses HK\$'000	Provident fund contributions HK\$'000	2015 Total HK\$'000
Mr. Or Wai Sheun	-	-	-	-	-
Mr. Yeung Kwok Kwong	-	2,272	598	209	3,079
Ms. Wong Yuk Ching	-	1,384	228	127	1,739
Ms. Chio Koc Ieng	-	1,403	318	-	1,721
Mr. Lai Ka Fai	170	-	-	-	170
Ms. Or Pui Ying, Peranza	170	-	-	-	170
Mr. Liu Kwong Sang	170	-	-	-	170
Mr. Siu Leung Yau	170	-	-	-	170
Dr. Tsui Wai Ling, Carlye	170	-	-	-	170
Prof. Dr. Teo Geok Tien Maurice	170	-	-	-	170
	1,020	5,059	1,144	336	7,559

NOTES TO THE FINANCIAL STATEMENTS

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7. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS *(continued)***(a) Directors' emoluments** *(continued)*

In addition to the directors' emoluments disclosed above, the Group pays a management fee to an intermediate holding company, part of which is for the services provided by certain directors/management of an intermediate holding company who are Directors of the Company. Details of the amount of fee payable are disclosed in note 25. No apportionment of this management fee has been made as the Directors do not believe that it is practicable to apportion this amount between the qualifying services provided by the Directors and all other services provided by an intermediate holding company.

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2015: three) are directors whose emoluments are disclosed in note 7(a). The aggregate of the emoluments in respect of the other two (2015: two) individuals are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	1,881	1,765
Performance related bonuses	434	420
Provident fund contributions	36	36
	2,351	2,221

The emoluments of the two (2015: two) individuals with the highest emoluments are within the following bands:

	2016	2015
HK\$1,000,001 – HK\$1,500,000	2	2

8. EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company of HK\$59,201,000 (2015: HK\$51,673,000) and 4,438,967,838 ordinary shares (2015: 4,438,967,838 ordinary shares) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

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9. DIVIDENDS

(a) Dividends attributable to the year:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.002 (2015: HK\$0.002) per share	8,878	8,878
Final dividend proposed after the end of the reporting period of HK\$0.005 (2015: HK\$0.005) per share	22,195	22,195
	31,073	31,073

The final dividend declared after the year end has not been recognised as a liability at 31 December.

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.005 (2015: HK\$0.005) per share	22,195	22,195

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10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Oil production assets <i>HK\$'000</i>	Other assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 January 2016	120,210	32,790	1,500,152	44,066	1,697,218
Additions	-	-	1,461	2,563	4,024
Disposals	-	-	(299)	(1,690)	(1,989)
At 31 December 2016	120,210	32,790	1,501,314	44,939	1,699,253
At 1 January 2015	120,210	32,790	1,497,294	44,630	1,694,924
Additions	-	-	2,957	3,271	6,228
Disposals	-	-	(99)	(3,835)	(3,934)
At 31 December 2015	120,210	32,790	1,500,152	44,066	1,697,218
Accumulated depreciation and impairment losses:					
At 1 January 2016	31,374	8,143	935,735	28,212	1,003,464
Charge for the year	2,820	98	32,164	5,277	40,359
Disposals	-	-	(237)	(1,506)	(1,743)
At 31 December 2016	34,194	8,241	967,662	31,983	1,042,080
At 1 January 2015	28,554	7,789	719,178	23,746	779,267
Charge for the year	2,820	354	60,239	6,122	69,535
Impairment loss	-	-	156,400	-	156,400
Disposals	-	-	(82)	(1,656)	(1,738)
At 31 December 2015	31,374	8,143	935,735	28,212	1,003,464
Net book value:					
At 31 December 2016	86,016	24,549	533,652	12,956	657,173
At 31 December 2015	88,836	24,647	564,417	15,854	693,754

Key sources of estimation uncertainty relating to oil production assets are disclosed in note 2.

The leasehold land of the Group is held in Hong Kong under a medium term lease.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

11. OIL EXPLOITATION ASSETS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost:		
At 1 January and 31 December	130,579	130,579
Accumulated amortisation and impairment losses:		
At 1 January	81,254	64,322
Amortisation for the year	1,169	3,332
Impairment loss	–	13,600
At 31 December	82,423	81,254
Net book value	48,156	49,325

Key sources of estimation uncertainty relating to oil exploitation assets are disclosed in note 2.

12. INTERESTS IN PROPERTY DEVELOPMENT

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 January	10,819,508	10,920,923
Change in fair value recognised in other comprehensive income	1,241,332	(101,415)
At 31 December	12,060,840	10,819,508

Interests in property development represent the Group's interests in the development of two properties located at Lote P and Lotes T+T1 of Novos Aterros da Areia Preta, in Macau under the co-investment agreements with two wholly-owned subsidiaries of the ultimate holding company. Pursuant to the terms of the co-investment agreements, the Group will provide funding to cover any shortfall in the funding of the development projects which is subject to an aggregate maximum amount. In return, the two wholly-owned subsidiaries of the ultimate holding company will pay to the Group cash flows from the development projects according to the formulae set out in the co-investment agreements. Details of the funding arrangements and other key terms of the co-investment agreements were disclosed in the Company's Circular dated 23 May 2006. The basis and estimations for arriving at the fair value of the interests in property development are further described in note 2.

NOTES TO THE FINANCIAL STATEMENTS

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13. INTEREST IN JOINT VENTURE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Investment cost	12	12
Share of post acquisition profit	1,433,384	1,396,213
Share of net assets	1,433,396	1,396,225

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements are as follows:

Joint venture	Form of business structure	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Principal activities
South Bay Centre Company Limited	Corporate	Macau	50%	Property investment and trading

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

13. INTEREST IN JOINT VENTURE *(continued)*

Summarised financial information of South Bay Centre Company Limited ("South Bay"), adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Income	252,833	542,599
Profit for the year	206,827	465,515
Dividend received from South Bay	66,243	54,448
Depreciation	1,345	92
Income tax	23,820	59,114
Non-current assets	3,226,159	3,135,637
Current assets	24,594	23,850
Current liabilities	(54,834)	(48,109)
Non-current liabilities	(329,127)	(318,927)
Equity	2,866,792	2,792,451
Reconciliation to the Group's interest in joint venture:		
Group's share of net assets/carrying amount in consolidated financial statements	1,433,396	1,396,225

The above unlisted investment in joint venture is indirectly held by the Company.

14. GOODWILL

For the purposes of impairment testing, the goodwill has been allocated to an individual cash-generating unit (the "CGU") in the ice and cold storage segment. At 31 December 2016, management of the Group determined that there is no impairment of the CGU containing goodwill.

NOTES TO THE FINANCIAL STATEMENTS

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15. INVENTORIES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Properties held for sale	72,972	72,606
Crude oil	8,545	3,879
Consumables	4,358	3,575
Others	1,030	634
	86,905	80,694

16. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Ageing analysis of trade receivables (based on the due date):		
Current	10,287	14,669
Within 3 months	6,258	10,102
Over 3 months	152	51
Trade receivables	16,697	24,822
Other receivables	22,852	25,626
	39,549	50,448

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers.

Trade and other receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Trade and other receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The fair value of the Group's trade and other receivables at the end of the reporting period approximates the corresponding carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

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17. CASH AND BANK BALANCES

The carrying amounts of cash and bank balances approximates their fair value at the end of the reporting period.

18. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Ageing analysis of trade payables (based on the due date):		
Current	675	643
Within 3 months	399	143
Over 3 months	3	3
Trade payables	1,077	789
Other payables		
– Government fees and levies	9,436	11,294
– Others	67,153	63,106
	76,589	74,400
	77,666	75,189

NOTES TO THE FINANCIAL STATEMENTS

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19. BANK LOANS

As at 31 December 2016, the bank loans were secured and repayable as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 year	70,200	376,600
After 1 year but within 2 years	1,354,800	55,000
After 2 years but within 5 years	–	990,000
	1,354,800	1,045,000
	1,425,000	1,421,600

The bank loans are subject to fulfilment of covenants relating to certain of the Group's ratios of the statement of financial position, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facility would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(c). As at 31 December 2016, none of covenants relating to the drawn down facilities had been breached (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

20. DEFERRED TAXATION

The following are the components of deferred tax (assets)/liabilities recognised and movements during the current year and the prior year:

Deferred tax arising from:	Accelerated depreciation allowances <i>HK\$'000</i>	Revaluation of assets <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	(88,496)	15,754	(14,613)	(87,355)
Credited to the profit or loss	(454)	(283)	–	(737)
At 31 December 2016	(88,950)	15,471	(14,613)	(88,092)
At 1 January 2015	(85,771)	16,070	(15,218)	(84,919)
(Credited)/charged to the profit or loss	(2,725)	(316)	605	(2,436)
At 31 December 2015	(88,496)	15,754	(14,613)	(87,355)
			2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Representing:				
Deferred tax assets			(105,727)	(105,727)
Deferred tax liabilities			17,635	18,372
			(88,092)	(87,355)

No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams. At the end of the reporting period, the Group has unrecognised tax losses of HK\$293,195,000 (2015: 406,235,000) available for offset against future profits, of which HK\$256,044,000 (2015: HK\$369,760,000) will expire within ten years from the end of the reporting period and the remaining losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

21. SHARE CAPITAL AND RESERVES

	2016 HK\$'000	2015 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
5,000,000,000 convertible preference shares of HK\$0.01 each	50,000	50,000
	1,050,000	1,050,000
Issued:		
4,438,967,838 fully paid ordinary shares of HK\$0.1 each	443,897	443,897

(a) Share premium

The application of the share premium account is governed by Section 34 of the Cayman Islands Companies Law.

(b) Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of bank borrowings, borrowings from ultimate holding company, cash and cash equivalents and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and retained profits.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital and maintains an appropriate gearing ratio determined as the Group's borrowings (bank borrowings plus amount due to ultimate holding company) over equity attributable to equity shareholders of the Company. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising new debts or redemption of existing debts. The Group's overall strategy remains unchanged from prior year and the gearing ratio as at 31 December 2016 was 16.1% (2015: 21.8%).

(c) Distribution of reserves

As at 31 December 2016, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK\$1,124,175,000 (2015: HK\$1,166,489,000). Further, the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2016, the Company's share premium account amounted to HK\$5,912,600,000 (2015: HK\$5,912,600,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

22. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to net cash generated from operating activities:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Operating activities		
Profit before taxation	65,829	56,555
Adjustments for:		
Share of profit of joint venture	(103,414)	(232,758)
Interest income	(5,144)	(2,967)
Depreciation and amortisation	41,528	72,867
(Gain)/loss on disposal of property, plant and equipment	(490)	2,190
Impairment of oil production and exploitation assets	–	170,000
Finance costs	32,838	33,902
Operating cash flow before working capital changes	31,147	99,789
Decrease in held for trading investments	–	9,405
(Increase)/decrease in inventories	(6,211)	7,777
Decrease in trade and other receivables	10,899	20,986
Increase/(decrease) in trade and other payables	544	(72,972)
Cash generated from operations	36,379	64,985
Interest received	5,144	2,967
Interest paid	(22,840)	(9,304)
Tax paid	(3,792)	(5,224)
Net cash generated from operating activities	14,891	53,424

23. NOTE TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2016, loans from minority shareholders of a subsidiary of HK\$5,490,000 (2015: HK\$5,490,000) were classified as equity being the capital contribution to such subsidiary by those minority shareholders.

NOTES TO THE FINANCIAL STATEMENTS

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24. OPERATING LEASE ARRANGEMENTS AND CAPITAL COMMITMENTS**(a) Operating lease arrangements****As lessee**

The Group leases certain of its office properties and factory premises under operating lease arrangements. Leases for properties are negotiated for terms from three months to two years. As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	928	256
In the second to fifth years inclusive	244	-
	1,172	256

As lessor

The Group leases certain of its inventories under operating lease arrangements with lease terms for not exceeding two years. As at 31 December 2016, total future minimum lease receivables under non-cancellable operating leases are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	2,834	6,786
In the second to fifth years inclusive	6	2,593
	2,840	9,379

(b) Capital commitments

As at 31 December 2016, the Group had no capital commitments (2015: Nil) contracted but not provided for.

NOTES TO THE FINANCIAL STATEMENTS

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25. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed above, the Group also entered into the following material related party transactions:

- (a) The amount due to ultimate holding company was unsecured, interest bearing at a premium over HIBOR and repayable after more than one year. During the year, interest of HK\$9,998,000 (2015: HK\$24,598,000) was payable to the ultimate holding company.
- (b) During the year, the Group paid rental expenses and building management fees amounting to HK\$1,070,000 (2015: HK\$1,108,000) in aggregate to an intermediate holding company of the Company for the leasing of administrative offices in Hong Kong.
- (c) During the year, management fees totalling HK\$5,290,000 (2015: HK\$4,825,000) were payable to an intermediate holding company of the Company for the administrative expenses shared by the Group.
- (d) Applicability of the Listing Rules relating to connected transactions.

The related party transactions in respect of notes 25(a), (b) and (c) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, they are exempt from the disclosure requirements of Chapter 14A of the Listing Rules.

26. PLEDGE OF ASSETS

As at 31 December 2016, the banking facilities granted to the Group were secured by legal charge over:

- (a) all of the Group's medium term leasehold land with an aggregate net book value of HK\$86,016,000 (2015: HK\$88,836,000);
- (b) all of the Group's buildings with an aggregate net book value of HK\$24,549,000 (2015: HK\$24,647,000);
and
- (c) the joint venture's investment properties with an aggregate book value of HK\$3,220,000,000 (2015: HK\$3,135,000,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group is exposed to interest rate, credit, liquidity, price and currency risks arising in the normal course of the Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by financial policies and practices undertaken by the Group.

(a) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings and borrowings from ultimate holding company. All the borrowings are on a floating rate basis. The risk is mainly concentrated on the fluctuation in Hong Kong dollar interest rates arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate risk is managed by the Group's senior management with defined policies through regular review to determine the strategy as to funding in floating/fixed rate mix appropriate to its current business profile, and engaging in relevant hedging arrangements at appropriate times.

If interest rates had increased/decreased by 100 basis points, with all other variables held constant, the Group's result attributable to the equity shareholders of the Company and retained profits would have decreased/increased by HK\$19,348,000 (2015: HK\$23,828,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the amount of interest-bearing borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease in Hong Kong dollar interest rates is used when reporting interest rate risk. The analysis has been performed on the same basis as for 2015.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counter-parties failure to perform their obligations as at 31 December 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the date of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's credit risk is significantly reduced.

Cash at bank, deposits placed with financial institutions and investments are with counterparties with sound credit ratings to minimise credit exposure.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter-parties and customers.

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Liquidity risk

Cash management of the Group is centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flows				Total HK\$'000	Statement of financial position carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	Over 1 year but less than 2 years HK\$'000	Over 2 year but less than 5 years HK\$'000	Undated HK\$'000		
At 31 December 2016						
Trade and other payables	77,666	-	-	21,409	99,075	99,075
Bank loans	97,566	1,376,911	-	-	1,474,477	1,425,000
Amount due to ultimate holding company	-	-	-	572,507	572,507	572,507
	175,232	1,376,911	-	593,916	2,146,059	2,096,582
At 31 December 2015						
Trade and other payables	75,189	-	-	23,342	98,531	98,531
Bank loans	396,521	69,715	1,001,824	-	1,468,060	1,421,600
Amount due to ultimate holding company	-	-	-	1,014,759	1,014,759	1,014,759
	471,710	69,715	1,001,824	1,038,101	2,581,350	2,534,890

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Price risk

At the end of the reporting period, the Group has the following financial instruments measured at fair value across the three levels of fair value hierarchy based on the degree to which the fair value is observable:

	2016 HK\$'000	2015 HK\$'000
Assets		
Level 3 (Notes)		
– Interests in property development	12,060,840	10,819,508

Notes:

Level 1: Assets/liabilities carried at fair values measured using unadjusted quoted prices in active markets for identical financial instruments

Level 2: Assets/liabilities carried at fair values using quoted prices in active markets for similar financial instruments or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3: Assets/liabilities carried at fair values measured using valuation techniques in which any significant input is not based on observable market data

The Group is exposed to property price risk through its interests in property development classified as non-current assets. The Group has a team reporting to the senior management which performs the valuation of the interests in property development required for financial reporting purposes. Discussions of valuation processes and results are held between the senior management and the team at least once every six months, in line with the Group's half-yearly reporting dates. The key unobservable market data used in the model includes estimated selling prices of the underlying properties which are derived from observable market data, including average market prices of residential properties in Macau, with certain adjustments to reflect the impacts of those factors on the development. The adjustments to the selling price range from -10% to +10%. The fair value measurement is positively correlated to adjustments to the selling prices of the underlying properties. At 31 December 2016, it is estimated that an increase/decrease of 5% in the selling price of the underlying properties of the Group's interests in property development classified as non-current assets, with all other variables held constant, would have increased/decreased the Group's fair value reserve by HK\$668,520,000/HK\$668,518,000 (2015: HK\$574,726,000/HK\$574,726,000).

The analysis has been determined assuming that the changes in the selling price of the underlying properties had occurred at the end of the reporting period and had been applied to the exposure to property price risk in existence at that date. The analysis has been performed on the same basis as for 2015 and taken into account of the expiration of the land concession as set out in note 2(e).

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)***(e) Currency risk**

The Group conducts its oil exploration and production business primarily in Kazakhstan. Currency exposure arises from sales of crude oil in a currency other than the local currency of the domicile of the Group entity making the sale. The sales are substantially denominated in United States dollars, whilst the costs are substantially denominated in Kazakhstan Tenge.

As at 31 December 2015, the Group is also exposed to foreign currency risk in respect of its cash balances denominated in British Pounds equivalent to HK\$113,608,000. Where appropriate and cost efficient, the Group may enter into forward foreign exchange contracts to manage its foreign currency risk arising from the above anticipated transactions denominated in currencies other than its entities' functional currencies. It is estimated that an increase/decrease of 10% in the exchange rate of British Pounds would have increased/decreased the Group's profit after taxation and retained profits by HK\$11,361,000. There was no material currency risk as at 31 December 2016.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation and retained profits that would have arisen if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

NOTES TO THE FINANCIAL STATEMENTS

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28. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND ITS NOTES

(a) Company-Level Statement of Financial Position

<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets		
Investments in subsidiaries	1	1
Current assets		
Amounts due from subsidiaries	10,260,970	10,249,473
Other receivables	551	556
Cash and cash equivalents	105,967	11,786
	10,367,488	10,261,815
Current liabilities		
Other payables	7,973	7,178
Amounts due to subsidiaries	2,306,337	1,716,892
	2,314,310	1,724,070
Net current assets	8,053,178	8,537,745
Total assets less current liabilities	8,053,179	8,537,746
Non-current liabilities		
Amount due to ultimate holding company	572,507	1,014,760
NET ASSETS	7,480,672	7,522,986
CAPITAL AND RESERVES		
Share capital	21 443,897	443,897
Reserves	28(b) 7,036,775	7,079,089
TOTAL EQUITY	7,480,672	7,522,986

Approved and authorised for issue by the board of directors on 22 March 2017.



Or Wai Sheun
Director



Yeung Kwok Kwong
Director

NOTES TO THE FINANCIAL STATEMENTS

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28. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND ITS NOTES
(continued)**(b) Reserves of the Company**

	Share premium account <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	5,912,600	1,166,489	7,079,089
Loss and other comprehensive income for the year	–	(11,241)	(11,241)
Dividends paid (note 9)	–	(31,073)	(31,073)
At 31 December 2016	5,912,600	1,124,175	7,036,775
At 1 January 2015	5,912,600	1,397,337	7,309,937
Loss and other comprehensive income for the year	–	(199,775)	(199,775)
Dividends paid (note 9)	–	(31,073)	(31,073)
At 31 December 2015	5,912,600	1,166,489	7,079,089

29. STAFF RETIREMENT SCHEME

The Group operates a defined contribution staff retirement scheme. Contributions under the scheme are charged to the income statement as incurred. The amount of contributions is based on a specified percentage of the basic salary of eligible employees. Contributions to the Mandatory Provident Funds of HK\$2,070,000 (2015: HK\$2,014,000) as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance were charged to the income statement for the year. Contributions to the scheme vest immediately.

30. PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2016, the Directors consider the parent company and ultimate holding company to be Marble King International Limited and Polytec Holdings International Limited, which are both incorporated in the British Virgin Islands. Neither entity produces financial statements available for public use.

NOTES TO THE FINANCIAL STATEMENTS

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31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018
HKFRS 16, Leases	1 January 2019

The adoption of amendments to HKAS 7 and HKAS 12 and HKFRS 15 and HKFRS 16 is unlikely to have a significant impact on the consolidated financial statements. In respect of the classification of interests in property development, the current policy is set out in note 1(k). Under HKFRS 9, the classification of financial assets is determined based on the entity's business model for managing the asset and the contractual cash flow characteristics of the asset. Management is assessing the impact of the adoption of HKFRS 9 and, based on its initial assessment, it is expected that its adoption will result in change in classification of the interests in property development to fair value through profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact reported performance amounts such as profit and earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

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32. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2016 are as follows:

Subsidiaries	Place of incorporation/ operation	Particulars of issued and paid up capital	Percentage of equity attributable to the Company	Principal activities
<i>Directly held:</i>				
Noble Prime International Limited	British Virgin Islands	US\$1	100%	Investment holding
Power Charm International Limited	British Virgin Islands	US\$1	100%	Investment holding
Power Mighty Limited	British Virgin Islands	US\$1	100%	Investment holding
Sinocharm Trading Limited	British Virgin Islands	US\$1	100%	Investment holding
<i>Indirectly held:</i>				
Aquatic & Agriculture (HK) Company Limited	Hong Kong	HK\$1	100%	General trading
Caspi Neft TME	Kazakhstan	50,000,000 Tenge	100%	Oil exploration and production
Coöperatieve Power Mighty U.A.	Netherlands	Euro30,000	100%	Investment holding
Eastford Development Limited	Hong Kong	HK\$100	100%	Property development and investment
Equal Talent Limited	British Virgin Islands	US\$1	100%	Investment holding
Glentech International Company Limited	Hong Kong	HK\$2	100%	Provision of consultancy services
Kam Yuen Property Investment Limited	Macau	MOP30,000	58%	Property investment and development
Melosa Limited	British Virgin Islands	US\$1	100%	Inactive

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

32. PARTICULARS OF SUBSIDIARIES (continued)

Subsidiaries	Place of incorporation/ operation	Particulars of issued and paid up capital	Percentage of equity attributable to the Company	Principal activities
<i>Indirectly held: (continued)</i>				
New Bedford Properties Limited	British Virgin Islands	US\$1	100%	Investment holding
New Cosmos Holdings Limited	British Virgin Islands	US\$100	58%	Investment holding
Noble Gainer Limited	Hong Kong	HK\$2	100%	Ice manufacturing and trading
Power Giant Limited	British Virgin Islands/ Macau	US\$1	100%	Property trading and investment
Power Mighty A N.V.	Curacao	US\$6,000	100%	Investment holding
Power Mighty B N.V.	Curacao	US\$6,000	100%	Investment holding
Power Mighty B.V.	Netherlands	Euro18,000	100%	Investment holding
Profit Sphere International Limited	British Virgin Islands	US\$1	100%	Investment holding
Richstone International Limited	Hong Kong	HK\$1	100%	Property development and investment
Sheen Concord Enterprises Limited	Hong Kong	HK\$2	100%	Inactive
Success Ever Limited	British Virgin Islands	US\$1	100%	Investment holding
The Hong Kong Ice & Cold Storage Company Limited	Hong Kong	HK\$500,000	100%	Ice manufacturing and provision of cold storage services
Think Bright Limited	British Virgin Islands/ Macau	US\$200	70.5%	Property trading and investment
Top Vision Assets Limited	British Virgin Islands	US\$1	100%	Investment holding
Wide Universe International Limited	British Virgin Islands	US\$1	100%	Inactive

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

PARTICULARS OF PROPERTIES

31 DECEMBER 2016

Properties	Purpose	Gross floor area	Group's interest (%)	Stage of completion
<i>Properties held for sale of the Group:</i>				
3 car parking spaces of Pacifica Garden at Lots TN25b and TN26d near Estrada Coronel Nicolau de Mesquita, Taipa, Macau	Commercial	3 car parking spaces	58	Completed
35 shop units and 59 car parking spaces at China Plaza Avenida da Praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6 – B, Macau	Commercial	1,940 square metres and 59 car parking spaces	70.5	Completed
4 car parking spaces at Va long Praca da Amizade Nos. 6-52, Avenida do Infante D. Henrique Nos. 25-31 and Avenida Doutor Mario Soares Nos. 227-259 Macau	Commercial	4 car parking spaces	100	Completed
Lot no. 725 in Demarcation District no. 171 and Lot No. 67 in Demarcation District no. 175, Kau To Shan, Shatin, New Territories, Hong Kong	Residential	1,122 square metres	100	Completed

PARTICULARS OF PROPERTIES

31 DECEMBER 2016

Properties	Purpose	Gross floor area	Group's interest (%)	Category of lease	
<i>Investment properties of the joint venture:</i>					
208 shop units, 208 office units and 265 car parking spaces at The Macau Square Rua do Dr. Pedro Jose Lobo No.2-16A, Avenida do Infante D. Henrique No. 43-53A and Avenida Doutor Mario Soares No. 81-113 Macau	Commercial	36,553 square metres and 265 car parking spaces	50	Short term lease	
Properties	Purpose	Gross floor area/ site area	Group's interest (%)	Status	Expected completion date
<i>Interests in property development of the Group:</i>					
Pearl Horizon The Orient Pearl District Novos Aterros da Areia Preta Macau*	Residential/ Commercial	697,568 square metres/ 68,001 square metres	80	Suspended	To be determined
La Marina The Orient Pearl District Novos Aterros da Areia Preta Macau*	Residential/ Commercial	195,575 square metres/ 17,969 square metres	80	Topping-out of superstructure work completed; facade and interior fitting-out works in progress	Mid-2017

* The development of these properties is under the co-investment agreements with two wholly-owned subsidiaries of the ultimate holding company of the Company.



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