北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925

2016 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. QIAN Xu *(Chairman & Chief Executive Officer)*
Mr. HU Yebi *(Vice Chairman)*
Mr. SIU Kin Wai *(President)*
Mr. ZHAO Jiansuo (appointed on 27 June 2016)
Mr. LI Shuping (appointed on 5 December 2016)
Mr. WAN Lee Cham *(Chief Financial Officer)* (appointed on 27 June 2016)
Mr. DONG Qilin *(Chief Operating Officer)* (appointed on 27 June 2016)
Mr. LI Changfeng (appointed on 27 June 2016)
Mr. YU Luning
Mr. ANG Renyi
Mr. YU Li (resigned on 27 June 2016)
Mr. JIANG Xinhao (resigned on 13 June 2016)

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. CHAN Yuk Cheung

AUDIT COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. CHAN Yuk Cheung

INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mr. HU Yebi *(Chairman)*
Mr. QIAN Xu
Mr. SIU Kin Wai
Mr. YU Luning
Mr. ZHU Wuxiang
Mr. ANG Renyi
Mr. JIANG Xinhao (resigned on 13 June 2016)

NOMINATION COMMITTEE

Mr. James CHAN *(Chairman)*
Mr. GOH Gen Cheung
Mr. QIAN Xu
Mr. YU Luning
Mr. SONG Lishui
Mr. CHAN Yuk Cheung

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. YU Luning
Mr. James CHAN
Mr. SONG Lishui
Mr. CHAN Yuk Cheung

COMPANY SECRETARY

Mr. CHENG Ching Fu (appointed on 27 June 2016)
Mr. SIU Kin Wai (resigned on 27 June 2016)

STOCK CODE

925

AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

66th Floor
Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2511 6016
Fax: (852) 2598 6905

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton, HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Ernst & Young

WEBSITE

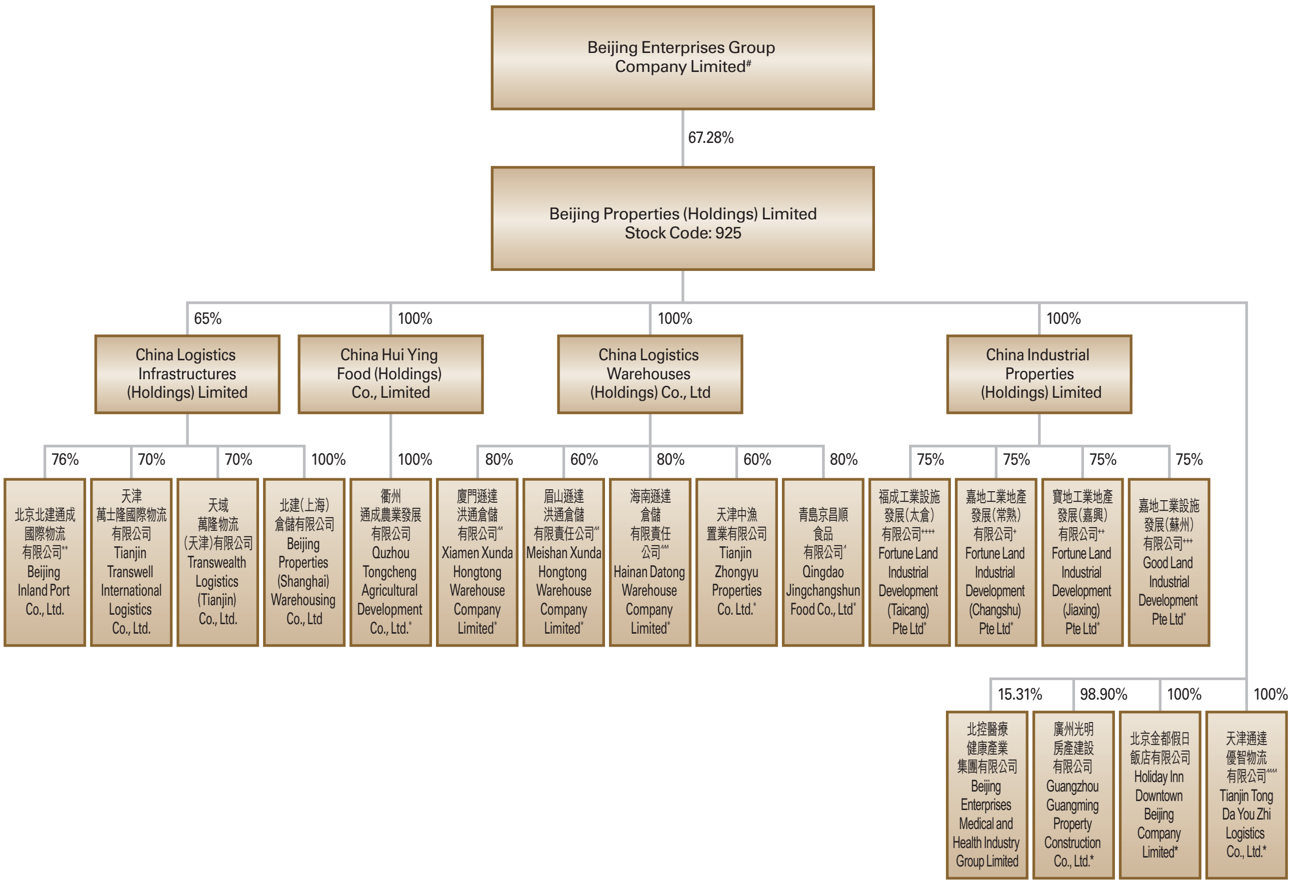
www.bphl.com.hk

PRINCIPAL BANKERS

China CITIC Bank International Ltd
Shanghai Pudong Development Bank Co., Ltd
Bank of China Limited
China CITIC Bank International (China) Limited
Taipei Fubon Commercial Bank Co. Ltd
Industrial and Commercial Bank of China Limited

GROUP STRUCTURE

As at 29 March 2017



#	*Beijing Enterprises Group Company Limited indirect held 67.28% of the issued share capital of Beijing Properties (Holdings) Limited (the "Company") through its wholly-owned subsidiaries*
*	*for identification purpose only*
**	*Joint Venture Company*
^	*The acquisition transaction has been completed on 19 January 2016*
^^	*The acquisition transaction has been completed on 1 April 2016*
^^^	*The acquisition transaction has been completed on 1 December 2016*
^^^^	*The acquisition transaction has been completed on 15 January 2017*
+	*The acquisition transaction has been completed on 20 January 2017*
++	*The acquisition transaction has been completed on 20 December 2016*
+++	*The acquisition transaction has been completed on 9 December 2016*
++++	*The acquisition transaction has been completed on 15 February 2017*

DIRECTORS AND SENIOR MANAGEMENT

Our board (the "Board") of directors (the "Directors") currently consists of fifteen Directors, comprising ten executive Directors and five independent non-executive Directors.

EXECUTIVE DIRECTORS

MR. QIAN XU

Aged 53, chairman and chief executive officer, Mr. Qian is the chairman and an executive director of the Beijing Enterprises Group Real-Estate Co., Ltd ("BE Real Estate"). Mr. Qian graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics and has obtained his EMBA degree from Tsinghua University. Mr. Qian has extensive experience in mergers and acquisitions, corporate restructuring and financial management. Mr. Qian is a director of Brilliant Bright Holdings Limited ("Brilliant Bright"), which is a controlling shareholder of the Company. Mr. Qian serves as the non-executive director of CAQ Holdings Limited ("CAQ"), a company listed on the Australia Stock Exchange with Listing Corporation Code of CAQ since April 2015. Mr. Qian joined the Group in July 2009.

MR. HU YEBI

Aged 53, Mr. Hu received his MBA from Netherlands International Institute for Management in the Netherlands and Postgraduate diploma in Management Engineering from Beijing Institute of Technology in Beijing, the People's Republic of China ("China" or "the PRC"). Mr. Hu has more than 25 years of experience in securities and financial services, merger and acquisition and corporate finance. He is the founder and chairman of Vision Finance Group Limited. Mr. Hu is a licensed person registered under the Securities and Futures Ordinance (the "SFO") to carry on regulated activities on Dealing in Securities and Advising on Corporate Finance. Mr. Hu also holds concurrent executive directorships with Hua Lien International (Holding) Company Limited (SEHK stock code: 969), and Beijing Sports and Entertainment Industry Group Limited (SEHK stock code: 1803). Mr. Hu was appointed as the vice-chairman and executive director of China Healthwise Holdings Limited (SEHK stock code: 348) on 5 October 2016, and Mr. Hu has resigned as the executive director of Tai United Holdings Limited (SEHK stock code: 718) with effect from 28 October 2016. Prior to that, Mr. Hu was the managing director, equity capital markets of DBS Asia Capital Ltd, a subsidiary of DBS Bank Limited (previously known as the Development Bank of Singapore Ltd.) from 1994 to 2002. Between 2002 to 2005, Mr. Hu was the founder and chairman of Partners Capital International Limited. From 2006 to present, Mr. Hu is the founder and chairman of Vision Finance Group Limited, the holding company of Vision Finance International Company Limited. Mr. Hu joined the Group in December 2015.

MR. SIU KIN WAI

Aged 48, president, Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy and is fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in financial management and corporate advisory. Mr. Siu is a director of Brilliant Bright, which is a controlling shareholder of the Company and also serves as the chief financial officer of Beijing Holdings Limited ("BHL"), which is an associate of the Company. Mr. Siu serves as the non-executive director of CAQ since April 2015. Mr. Siu also serves as the independent non-executive director of Agritrade Resources Limited (SEHK stock code: 1131) since August 2010. Mr. Siu joined the Group in July 2009.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHAO JIANSUO

Aged 53, is an executive director, a deputy secretary and the chairman of the labour union of BE Real Estate. Mr. Zhao graduated from the Party School of the Central Committee of C. P. C. majoring in international economics. He served in the People's Liberation Army General Staff Department from 1980 to 1992 and was a captain and assistant engineer when he retired from the army. Mr. Zhao worked at the Cadre Division of the Urban Construction Work Commission of the CPC Beijing Municipal Committee from 1992 to 2003, and joined Beijing Gas Group Co., Ltd. as the deputy director of the general office in 2003. In 2005, Mr. Zhao joined Beijing Enterprises Group Company Limited ("BE Group") as the deputy director of the general office and deputy chairman of the labour union. Mr. Zhao was re-designated by BE Group as the deputy secretary and chairman of the labour union of its subsidiary, BE Real Estate in 2015. Mr. Zhao has extensive experience in corporate management, internal control and government liaison. Mr. Zhao joined the Group in June 2016.

MR. LI SHUPING

Aged 45, is the executive director and general manager of BE Real Estate. Mr. Li is a graduate of Tongji University, majoring in urban gas studies. Mr. Li worked at Beijing Gas Planning Company (北京市燃氣設計公司) from 1994 to 2000. Mr. Li joined an engineering consultant subsidiary of a gas group company in 2000 and served as the division head of the planning division, the deputy manager, the deputy manager and the deputy manager of the engineering and construction department as well as the executive deputy manager. He joined Beijing Gas Group Co., Ltd. as the manager of the engineering and construction department in 2009. In 2010, Mr. Li joined BE Real Estate as the person-in-charge of the engineering management and cost control department. From 2011 to 2016, Mr. Li served as the general manger of Beijing Enterprises Group International Capital Properties Development Co., Ltd. (北京北控國際會都房地產開發有限責任公司), and the assistant general manager, the deputy general manager and the general manager of BE Real Estate. Mr. Li has extensive experience in areas including corporate management, engineering and construction and cost control. Mr. Li joined the Group in December 2016.

MR. WAN LEE CHAM

Aged 56, chief finance officer and treasurer, Mr. Wan graduated from the Hong Kong Baptist College in 1983 with the Honours Diploma in Accounting and received a Master's degree in Information Technology from the UK Coventry Polytechnic in 1988. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to his service with the Company, he was the General Manager in Finance and Administration of the China Digital satNet Limited and the Project Financial Controller of the C.P. Pokphand Co. Ltd. (SEHK stock code: 43). Mr. Wan has extensive and valuable experience in financial management. He was appointed the treasurer of the Company in February 2014 and was appointed as the chief financial officer of Company in June 2016.

MR. DONG QILIN

Aged 52, chief operating officer, Mr. Dong is the manager of the Securities and Capital Market Department of the BE Group. Mr. Dong graduated from the University of Science and Technology Beijing with a Master's degree in Public Administration (MPA) and obtained the professional and technological qualifications of Senior Accountant and Certified Public Accountant of the PRC. Mr. Dong has extensive experience in corporate management and financial operation. He was appointed as the chief operating officer of the Company in June 2016.

DIRECTORS AND SENIOR MANAGEMENT

MR. LI CHANGFENG

Aged 44, executive vice president of the Company and 北京允中投資咨詢有限公司 (Beijing Yun Zhong Investment Consulting Co., Ltd) ("BYZCC"), a wholly owned subsidiary of the Company. Mr. Li is the chairman and an executive director of China Logistics Infrastructures (Holdings) Limited ("China Logistics"), a subsidiary of the Company. Mr. Li graduated from the Northern Jiaotong University with a Master's degree in Transportation Management and obtained the professional and technological qualification of an Engineer of the PRC. Mr. Li has extensive experience in corporate management and logistics property investment and development. He was appointed as an executive vice president of BYZCC in November 2009 and was appointed an executive vice president of the Company in February 2014.

MR. YU LUNING

Aged 55, graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics. Mr. Yu has extensive experience in property development, corporate restructuring and financial management. Mr. Yu joined the Group in January 2011.

MR. ANG RENYI

Aged 31, holds a Bachelor's degree in Environmental Engineering from the Harvard University. Prior to joining our Board, Mr. Ang had been an analyst of energy and natural resources group in J.P. Morgan Asia Pacific. He has extensive experience in the areas of banking and capital markets. Mr. Ang joined the Group in December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. GOH GEN CHEUNG

Aged 70, Mr. Goh has been appointed as an independent non-executive director of the Group since November 1997. Mr. Goh has over 30 years of treasury, finance and banking experience. Mr. Goh is an associate member of the Chartered Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as an independent non-executive director of CEC International Holdings Limited (SEHK stock code: 759). He was also an independent non-executive director of Shinhint Acoustic Link Holdings Limited (SEHK stock code: 2728) until 30 November 2014.

MR. ZHU WUXIANG

Aged 51, Mr. Zhu is currently a professor of the Department of Finance of the School of Economics and Management, Tsinghua University. Mr. Zhu graduated from Tsinghua University in 2002, specialising in Quantitative Economics and has obtained a Doctorate. He has been studying and working at Tsinghua University since 1982. Mr. Zhu also serves as an independent non-executive directors of CFLD Inc., a company listed on the Shanghai Stock Exchange, the PRC (Listing Corporation code: 600340). Mr. Zhu joined the Group in January 2011.

DIRECTORS AND SENIOR MANAGEMENT

MR. JAMES CHAN

Aged 63, Mr. Chan has over 30 years of comprehensive experience in design, planning and land matters, and design development and construction management of investment properties. Mr. Chan holds a Bachelor's degree of Arts in Architectural Studies from the University of Hong Kong, a Bachelor's degree of Architecture from the University of Dundee in Scotland and an EMBA degree from Tsinghua University. Mr. Chan also is an executive director and the project director of the Pacific Century Premium Development Limited (SEHK Stock Code: 432) and an non-executive director of Viva China Holding Limited (SEHK Stock Code: 8032). Mr. Chan joined the Group in June 2011.

MR. SONG LISHUI

Aged 59, Mr. Song is a professor at the Department of Economics of the Faculty of Economics at the Meiji Gakuin University, Japan. Mr. Song obtained a Doctorate in Economics from the Graduate School of the Ritsumeikan University in March 1996, a Master's degree in Economics from the Graduate School of the Kyoto University in March 1991 and a Bachelor's degree in Economics from the Department of Planning and Statistics from a school of the Renmin University of China in July 1986. He has been working for the Meiji Gakuin University, Japan since 1996, and is a deputy representative of the executive council of the Society of Chinese Professors in Japan and a visiting researcher of 日本TORAY經營研究所. Mr. Song was a visiting scholar of the Center for East Asian and Pacific Studies at the University of Illinois, the United States. He also served as a civil servant at the Personnel and Education Department of the National Bureau of Statistics of the People's Republic of China. He has extensive experience in economics. Mr. Song joined the Group in December 2014.

MR. CHAN YUK CHEUNG

Aged 63, Mr. Chan is currently the president of 國際友商會, and the Chairman of 中國一帶一路東盟金融發展工作促進委員會 and Sino-Cambodian Phnom Penh Economic Zone Management Committee（中柬金邊經濟特區管理委員會）. He has extensive experience in management and corporate affairs. Mr. Chan joined the Group in December 2014.

The senior management team of the Group include:

MR. TIAN YUE

Aged 54, executive vice president of the Company and BYZCC. Mr. Tian is the Chairman and an executive director of China Logistics Warehouses (Holdings) Co., Ltd., a subsidiary of the Company. Mr. Tian graduated from Northwestern Polytechnical University with a Bachelor's degree in Industry Electrification. Mr. Tian has extensive experience in corporate management, commercial property operation and property leasing management. He was appointed an executive vice president of the Company and BYZCC in July 2015.

MR. JIANG WEI

Aged 53, executive vice president of the Company and BYZCC. Mr. Jiang graduated from Harbin Railway Technical College majoring in railway engineering. Mr. Jiang has engaged in the fields of railway project construction and automobile trading for an extensive period and has extensive experience in engineering and trading. He was appointed as an executive vice president of the Company and BYZCC in September 2015.

MR. YUE CHEN

Aged 53, executive vice president of the Company and BYZCC. Mr. Yue is the Chairman and executive director of China Industrial Properties (Holdings) Limited, a subsidiary of the Company. Mr. Yue obtained a graduate diploma in foreign trade from the Beijing University of Technology in 1985 and a professional qualification for international business engineer. Mr. Yue has over 30 years of experience in international trade and corporate management. He was appointed an executive vice president of the Company and BYZCC in June 2016.

DIRECTORS AND SENIOR MANAGEMENT

MR. CHENG CHING FU

Aged 43, financial controller and company secretary of the Company, Mr. Cheng graduated from Curtin University, Perth, Western Australia with a Bachelor's degree in Commerce, majoring in Accounting and Finance, and then obtained his MBA degree from University of South Australia and Master of Corporate Governance degree from Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the CPA Australia, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators. He was appointed as the financial controller of the Company in October 2013 and was appointed as the company secretary of the Company in June 2016.

MS. LI XIN

Aged 52, senior vice president of BYZCC. Ms. Li graduated from Renmin University of China with a Bachelor's degree in Industrial Economics and Management, and obtained the professional and technological qualification of Senior Accountant of the PRC. Ms. Li has extensive experience in financial management. She was appointed a senior vice president of BYZCC in February 2014.

MR. XIONG PINGFANG

Aged 48, Mr. Xiong obtained a graduate diploma in trade and economics from the Jiangxi University of Finance and Economics in July 1991. In 1998, he studied securities and finance at the Renmin University of China and obtained the certified public accountant certificate. Mr. Xiong has over 24 years of experience in corporate financial management, securities and finance and corporate management. Mr. Xiong is also a president and executive director of China Logistics. He was also appointed a senior vice president of the Company in July 2015.

MS. LIN WENTING

Aged 45, Ms. Lin obtained a graduate diploma in investment and economics from the Renmin University of China in 1996 and the practicing qualification for registered cost engineer. Ms. Lin has over 22 years of experience in costing and cost management of real estate development projects. Ms. Lin was appointed a senior vice president of the Company in September 2015.

MR. XIONG XIAOSEN

Aged 53, Mr. Xiong obtained an graduate diploma in marine propulsion management from Dalian Maritime University in July 1986 and has obtained a practicing certificate as an engineer. Mr. Xiong has over 30 years of experience in corporate management. Mr. Xiong is also a director of Quzhou Tongcheng Agricultural Development Co., Ltd ("Quzhou Tongcheng"). He was appointed as a senior vice president of the Company in June 2016.

MR. ZHANG XUDONG

Aged 46, Mr. Zhang obtained an graduate diploma in international trade and economics from Beihang University in 2000 and a professional postgraduate diploma in business administration from the business school of Northumbria University, the United Kingdom. Mr. Zhang has over 26 years of experience in international trade and corporate management. Mr. Zhang is also the general manager of China Logistics Warehouses (Holdings) Co., Ltd, the managing director of Tianjin Zhongyu Properties Co. Ltd. ("Tianjin Zhongyu"), a director of Qingdao Jingchangshun Food Co., Ltd ("Qingdao Jingchangshun"), and the executive vice general manager of 北京東城區歷史文化名城保護管理集團. He was appointed as a senior vice president of the Company in June 2016.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board"), I am pleased to report the annual results of Beijing Properties (Holdings) Limited ("BPHL" or the "Group") for 2016.

The world economy in 2016 was complicated. Being one of the leading providers of logistical infrastructure in the PRC with superior strength, the Group has successfully seized the development opportunities, reinforced its business foundation and maintained a stable growth in the logistics industry during the year. It has established five core business segments, namely the e-commerce and bonded logistics warehouse business, the cold chain logistics warehouse business, the specialised wholesale market business, the industrial property business and other value investing businesses, through various mergers and acquisitions. The Group is confident of managing its risks, boosting its long-term profitability and creating ample returns for its shareholders with such a diversified business profile.

Results of the Group continued to surge in 2016 with a revenue of approximately HK$317.97 million and a consolidated profit attributable to shareholders of HK$115.38 million. The performance of each of the five core business segments was as follows:

1. With a steady overall economic growth, demand for logistics services in China has ballooned. As the e-commerce industry proliferates in recent years, the business volume of logistics and courier services associated with e-commerce sales is also escalating. Thanks to the enormous market demand and favourable government support in China, the Group's e-commerce and bonded logistics warehouse business achieved satisfactory results. It currently possesses numerous warehouses in Beijing, Shanghai, Tianjin and other tier 1 cities. These projects include Tianjin Transwell International Logistics Co., Ltd. ("WSL Logistics") and Transwealth Logistics (Tianjin) Co., Ltd. ("Transwealth Logistics") inside the Tianjin Airport, Beijing Properties (Shanghai) Warehousing Co., Ltd. ("Shanghai WGQ") in Pudong New District, Shanghai, and Majuqiao Logistics Park in Beijing. Beijing Inland Port Co., Ltd ("BIPL") has obtained the land for Phases I and II of Majuqiao Logistics Park on 3 November 2015 and commenced the construction works of Phase I on 19 September 2016. The e-commerce and bonded logistics warehouse business presently has an aggregate rentable area of 1,105,873 sq.m., among which 500,513 sq.m. and 605,360 sq.m. are operating and developing rentable area, respectively.

   Thanks to the constant development of the supply chain, modern logistics platform and industrial network in China, there is an excess demand for quality logistics facilities and enormous room for the Group to expand. During the year, the Group continued to gain footholds in the domestic logistics market with a strong presence in Beijing, Tianjin, Shanghai, Xiamen, Chengdu and Hainan. It targets at tapping into the vast demand for logistics services in these regions and fostering its e-commerce and bonded logistics warehouse business with a nation-wide strategic network.

CHAIRMAN'S STATEMENT

2. The Group aims at building up the cold chain logistics and agricultural product business into an integrated frozen food chain that provides services spanning from food sources to food safety. It will offer one-stop services ranging from the procurement, production, processing, packaging, storage and transportation to the sale of safe aquatic, agricultural and meat products in China. As at 31 December 2016, the cold chain logistics and agricultural product business possessed an aggregate carrying storage capacity of 71,600 tonnes, mainly comprising Tianjin Zhongyu Properties Co., Ltd ("Tianjin Zhongyu") in the Tianjin Marine Economic Area. Tianjin Zhongyu was developed as a trading platform for aquatic products. Phase I of this project has an area of 65,525 sq.m. with a carrying storage capacity of approximately 61,600 tonnes. Furthermore, the Group acquired an 80% equity interest in Qingdao Jingchangshun Food Co., Ltd. ("Qingdao Jingchangshun") from Jet Success Investments Limited in January 2016. Qingdao Jingchangshun is principally engaged in the operation of cold logistics storage facilities in Chengyang district of Qingdao, the PRC. It currently owns a parcel of land of approximately 15,351.5 sq.m. with a carrying storage capacity of approximately 10,000 tonnes.

   Although the cold chain logistics sector in China has been blooming in recent years, the overall quality and quantity of related infrastructure remain low. During the year, the central government brought the cold chain logistics sector within the scope of Several Opinions of the CPC Central Committee and the State Council on the Implementation of New Concepts on the Development and the Acceleration of the Agricultural Modernization for the Realization of the Moderate Prosperity in All Respects (《中共中央 國務院關於落實發展新理念加快農業現代化 實現全面小康目標的若干意見》) ("No. 1 Central Document"), making it one of the focal points of national development. At the beginning of the year, the dispersal of unfrozen contaminated vaccines into 18 provinces and the mass decay of fruit and vegetables during the transportation process have raised concerns over the quality of cold chain facilities in China. The demand for cold chain logistics facilities jumped as a result. The Group believes that the cold chain logistics industry in China will be gradually standardised and will devise a more certain development approach under governmental and social pressures.

3. As an e-commerce platform, storage and supporting facility provider for a variety of different sectors, the Group currently operates a specialised wholesale market in Quzhou. In collaboration with the People's Government of Quzhou City, Quzhou Tongcheng Agriculture Development Co., Ltd ("Quzhou Tongcheng") runs this newly-developed complex containing shops and a trading centre for the migration of the old trading centre in the same city. The trading centre is currently granted the status of first class wholesaling centre for agricultural products, covering the surrounding market with an area of approximately 150 square miles and a population of approximately 30 million people. The Group will continue to pour resources into the specialised wholesale market business with the aim of capitalising on the strong market demand.

4. The industrial property industry is uniquely characterised by large capital requirement, quick start-up, need for value-adding services and stable long-term returns. With the edge of being a state-owned enterprise, the Group is collaborating with 新中聯集團, a partner with years of operating experience and strengths, to get an edge in acquiring lands. As such, the Group aggressively diversified into industrial property development in selected locations such as Taicang, Suzhou, Changshu, Jiaxing and Ningbo.

CHAIRMAN'S STATEMENT

Furthermore, the Group is looking for opportunities to enter the Southeast Asian market under the guidance of the "Belt and Road" national initiative. On 4 July 2016, the Group entered into a sale and purchase agreement to acquire Zhong Jian Jin Bian Jing Ji Te Qu Ltd.（中柬金邊經濟特區有限公司）. It intends to use the land of this company with a total area of approximately 11,443,853 sq.m. for first-class development upon the completion of this acquisition.

The Chinese economy is entering a "New Normal" with medium to high growth rate. The structural economic reform and upgrade is driving new growth in China. The new consumption-oriented economic model is stimulating domestic demand and e-commerce development, which is in turn bolstering the status of the logistics industry as one of the pillars of the economy. In recent years, the central government has been giving increasingly favourable direction and strong support for the logistics industry. Since the promulgation of the"Logistics Industry Mid-to-Long term Planning (2014-2020)" （《物流業發展中長期規劃（2014-2020年）》） in 2014, the logistics industry in China has been strategically consolidating resources and building up its core strength by ways of lowering costs and improving efficiency. As such, the Chinese logistics industry is undergoing a new stage of development. Subsequently, the Guiding Opinions of the State Council on Promoting the "Internet Plus" Action Plan（《國務院關於積極推進「互聯網＋」行動的指導意見》）was issued in 2015 to turn "Internet plus efficient logistics" into one of its key policy areas. To speed up industrial upgrade, the National Development and Reform Commission issued the Implementing Opinions on "Internet plus" Efficient Logistics（《「互聯網+」高效物流實施意見》）in July 2016 to set out the goals of establishing logistics data sharing systems, enhancing the intelligence of storage and distribution functions, strengthening smart cold chain logistics services and developing efficient and convenient new logistics method. Stimulated by the Silk Road Economic Belt（絲綢之路經濟帶）and the 21st-century Maritime Silk Road（21世紀海上絲綢之路）under the "Belt and Road" national initiative, the logistics industry in China is prospering.

Being one of the leaders in the logistical infrastructure sector in China, the Group will also establish footholds in countries along the routes of the "Belt and Road" initiative to lay the logistical foundation for further development. To assist PRC enterprises in their overseas expansion, the Group is also striving to build-up auxiliary service network that caters for international trade. It will consolidate its logistics resources and leverage on its strength to provide groundwork for the industrial development and fight for better returns for its shareholders.

Looking forward, the Group will continue to extend its e-commerce and bonded warehouse network, invest in cold chain logistics business and specialised wholesale markets in China. It targets at constructing general warehouses with an aggregate rentable area of 3,000,000 sq.m. and cold chain storage with a total capacity of 1,000,000 tonnes in the next four years. At the same time, the Group will aggressively identify and invest in industrial property projects. On the overseas front, the Group will establish and expand its logistics and commercial property portfolio abroad in order to speed up its globalisation. With its strong background, comprehensive strength, extensive experience and solid customer base, the Group believes that it will be able to stand out from its competitors and rise as the leader in the Chinese logistical infrastructure industry.

Qian Xu
Chairman and Chief Executive Officer

29 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2016 (the "Fiscal Year 2016"), the Group recorded a consolidated profit attributable to the shareholders of the Company of approximately HK$115.38 million, as compared to the consolidated profit attributable to the shareholders of the Company of approximately HK$276.79 million recorded for the year ended 31 December 2015 (the "Fiscal Year 2015").

BUSINESS REVIEW

The Group is principally engaged in logistics infrastructure business in China. Through continuous acquisitions and investments in previous years, the Group has established 5 core business segments namely e-commerce and bonded storage, cold chain logistics, specialised wholesale market, industrial property and other value investing businesses.

1) E-commerce and bonded storage

The Group possesses numerous logistics facilities and warehouses located in Tier 1 and Tier 2 cities including Beijing, Shanghai and Tianjin, with an aggregate rentable area of 1,105,873 sq.m., among which 500,513 sq.m. is operating rentable area. Details are as follow:

Name of Group company	Location of warehouses	Interest (%)	Planned rentable area (m^2)	Completed rentable area (m^2)	Occupancy rate as at 31 December (%) 2016	(%) 2015
BIPL* (Note 1)	Majuqiao district in the North-East region of Beijing, next to the intersection of Jinghu Expressway and South 6th Ring Road of Beijing	76	605,360	–	**–**	–
Shanghai WGQ	Gaoqiao Town of Putong New District, North-East region of Pudong District	100	211,554	211,554	**83.91**	90.03
WSL Logistics	Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone)	70	24,321	24,321	**85.47**	85.44
Transwealth Logistics	Site F, Tianjin Airport International Logistics Zone	70	34,296	34,296	**100**	100
Xiamen Xunda Hongtong Warehouse Company Limited ("Xiamen Xunda")	Land Lots No. 555-563, Ji'an Road, Tong'an District, Xiamen City	80	83,838	83,838	**100**	–
Meishan Xunda Hongtong Warehouse Company Limited ("Meishan Xunda")	New Economic Development Zone, Dongpo District, Meishan City and its neighboring land on the south	60	97,632	97,632	**34.90**	–
Hainan Datong Warehouse Company Limited ("Hainan Datong")	Kinmen and Matsu modern logistics, Kinmen and Matsu Road in Chengmai County, Haikou City of Hainan Province, the PRC	80	48,872	48,872	**81.18**	–
Total			1,105,873	500,513		

* *Joint venture of the Group.*

Note 1: Those tenants of BIPL had signed legally-binding letters of intent.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) E-commerce and bonded storage (Continued)

(a) Majuqiao Logistics Park is the largest investment project to be developed and operated by BIPL and the Group. It will become one of the largest comprehensive logistics parks in northern China upon completion. The whole project comprises three phases with a total rentable area of approximately 605,360 sq.m., which includes a rentable area of approximately 516,460 sq.m. for warehouse and a rentable area of approximately 88,900 sq.m. for commercial uses. On 3 November 2015, the Group obtained the land for Phase I of this project. The construction works commenced on 19 September 2016 with scheduled completion by the end of December 2017. Currently, all proposed rentable area and over 90% of all rentable area of the entire Phase I of the project have been pre-leased to leading e-commerce giants of China or their service providers. The entire Majuqiao Logistics Park is expected to be completed in 2019.

(b) Shanghai WGQ consists of 23 warehouses. The occupancy rate for the rentable area was approximately 83.91% as at 31 December 2016, while the average occupancy rate was approximately 90.17% for the Fiscal Year 2016. However, competition is becoming keen due to the poorer performance of Chinese export and increase in supply of warehouses nearby.

(c) The warehouses of WSL Logistics are still the sole custom bonded warehouses of Tianjin Binhai International Airport. The occupancy rate for the rentable area was 85.47% as at 31 December 2016 while the average occupancy rate was approximately 86.54% in the Fiscal Year 2016. The decrease in occupancy rate was in line with the poorer performance of Chinese export.

(d) Phase I and Phase II of the warehouses of Transwealth Logistics had been fully leased to SF Express. Phase II has been delivered to SF Express in November 2016. This project will contribute full-year revenue in 2017.

(e) The acquisition of Xiamen Xunda was completed on 1 April 2016. Xiamen Xunda possesses 5 warehouses in Xiamen City, Fujian Province with a total rentable area of 83,838 sq.m., which has been leased to three major players in the e-commerce industry of China. The occupancy rate of the rentable area was approximately 100% as at 31 December 2016, while the average occupancy rate was approximately 97.79% in the Fiscal Year 2016.

(f) The acquisition of Meishan Xunda was completed on 1 April 2016. Meishan Xunda possesses 4 warehouses in Meishan City, Sichuan Province with a total rentable area of approximately 97,632 sq.m. The occupancy rate for the rentable area was approximately 34.90% as at 31 December 2016, while the average occupancy rate was approximately 45.83% in the Fiscal Year 2016.

(g) The acquisition of Hainan Datong was completed on 1 December 2016. Hainan Datong possesses 2 warehouses in Chengmai County, Haikou City of Hainan Province with a total rentable area of 48,872 sq.m. Approximately 80% of the total rentable area has been leased to a leading player of e-commerce in China. The occupancy rate was approximately 81.18%.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) E-commerce and bonded storage (Continued)

(h) The Tianjingang Project will occupy a total land area of approximately 394,000 sq.m. and will be developed in two phases. Phase I is located in Tianjin Free Trade Pilot Zone, and will occupy a land area of 175,723 sq.m. The land will be developed into a complex including general warehouse facilities. Phase II is located outside Tianjin Free Trade Zone and is connected to the land of Phase I, and will occupy a land area of approximately 218,000 sq.m. The land of Phase I of the project will be acquired first while the acquisition of the land of Phase II will be decided by the new joint venture company. The land of Phase I was acquired at the end of February 2017.

(i) On 6 November 2015, the Group entered into a framework agreement with parties to acquire 80% equity interests in 和超物流(瀋陽)有限公司 (in English, for identification purpose, He Chao Logistics (Shenyang) Co., Ltd., "He Chao Logistics"), which is the owner and developer of a parcel of land located in Yuhong District, Shenyang City of Liaoning Province (the "Yuhong Land"). Pursuant to the framework agreement, upon satisfaction or waiver of the conditions precedents, the Group will acquire 80% interests of He Chao Logistics through the subscription of new shares of and acquisition of old shares of Advance Eternal Investment Limited, its immediate holding company, at a consideration of not more than RMB151.69 million. He Chao Logistics will develop the Yuhong Land into warehouses (with auxiliary facilities) of approximately 52,422 sq.m. Due to the delay in construction, this project could not be delivered on the scheduled date. However, pre-leasing of this project is impressive. The Group expects to complete the acquisition of this project at around mid-2017.

2) Cold chain logistics

One of the development focuses of the Group is to establish nationwide cold chain logistics facilities.

The Group currently possesses aggregate rentable volume of 71,600 tons, details are as follows:

Name of subsidiaries	Location of warehouses	Interest (%)	Type of facilities	Planned rentable volume (ton)	Completed rentable volume (ton)	Occupancy rate as at 31 December (%) 2016	(%) 2015
Tianjin Zhongyu	Tianjin Marine Economic Area	60	Cold-chain logistics platform for aquatic products including processing, storage and trading	61,600	61,600	**25.94**	–
Qingdao Jingchangshun	Xiazhuang Street, Chengyang District, Qingdao City	80	Cold-chain logistics platform for aquatic products including processing, storage and trading	10,000	10,000	**57.82**	–
Total				71,600	71,600		

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

2) Cold chain logistics (Continued)

(a) Tianjin Zhongyu is a service platform for aquatic products offering both storage and other value-adding services. Phase I has an area of approximately 48,000 sq.m., representing a carrying storage capacity of approximately 61,600 tons. The occupancy rate for the rentable volume was approximately 25.94% as at 31 December 2016, while the average occupancy rate was approximately 10.44% in the Fiscal Year 2016. There is spare land of approximately 53,000 sq.m. available for the development of Phase II in the future, subject to the business development of Phase I and the finalisation of plot ratio with the local government. Since the Tianjin explosion in 2015, many potential customers of aquatic products have changed their unloading locations to Qingdao and Dalian and the original tenant failed to perform their leases. Nevertheless, the Company have signed supplemental agreements on 10 June 2016. The tenancy situation is improving continuously since July 2016.

(b) The acquisition of Qingdao Jingchangshun was completed in January 2016. Qingdao Jingchangshun is principally engaged in the operation of cold logistics storage facilities in Chengyang district of Qingdao, China. It currently owns a parcel of land of approximately 15,351.5 sq.m. with cold warehouse of approximately 6,785.84 sq.m., representing a carrying storage capacity of approximately 10,000 tons. The occupancy rate for the rentable volume was approximately 57.82% as at 31 December 2016, while the average occupancy rate was approximately 33.02% in the Fiscal Year 2016. The unsatisfactory situation has improved significantly in 2017 after new tenants moved in.

The performance of the Group's cold chain logistics facilities are not encouraging at the moment, however, the Group saw continuous improvement on it. The Group will try its best to improve further the tenancy status and may also change its portfolio of assets by disposing of low performance facilities and acquiring good performing assets in future.

3) Specialised wholesale market

(a) Quzhou Tongcheng Agriculture Development Co., Ltd ("Quzhou Tongcheng") runs a project in collaboration with the People's Government of Quzhou City. It is a newly developed complex containing shops and trading centre for the migration of the old trading centre in the same city. The existing trading centre was granted the status of first class wholesaling centre for agricultural products, covering a surrounding market with an area of approximately 150 square miles and a population of approximately 30 million people and generating an annual turnover of approximately RMB5.2 billion. Currently Phase I has a rentable area of 37,642 sq.m., of which 28,468 sq.m. was leased out. Phase I formally commenced operation on 18 August 2015. The construction works of Part I of Phase II were completed in November 2016. Part I of Phase II has a rentable area of approximately 88,955 sq.m., among which, a rentable area of approximately 10,720 sq.m. of fruit market was launched for leasing in 2016 with an occupancy rate of 100 per cent as at 31 December 2016. The construction works of Part II of Phase II are expected to be completed by December 2017 which comprises cold storage warehouse, general warehouse and hotels with a planned rentable area of approximately 41,709 sq.m.. Phase III is under planning stage and has a preliminary design expected to have a planned rentable area of approximately 155,379 sq.m., including a planned warehouse of approximately 15,000 sq.m. and other planned commercial and residential facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

4) Industrial property

As the storage business matures, the Group has attempted diversification in order to further increase its stakeholders' returns. With the edge of being a state-owned enterprise and years of operating experience, the Group aggressively identified high-end plants for development and renting in selected locations such as Taicang, Suzhou, Changshu, Jiaxing and Ningbo during the year.

In November 2016, the Group entered into a strategic co-operation framework agreement with 寧波環球置業有限公司 ("寧波環球置業", a wholly-owned subsidiary of 寧波舟山港集團有限公司), pursuant to which 寧波環球置業 will provide policy support and favourable development environment for the Group's investment projects and businesses, while the Group will use its strengths in capital and business operations to step up its investment and assist the economic and social development of Ningbo. The Group will fully capitalise on the unique advantage of 寧波環球置業 in Ningbo and invest and co-operate with 寧波環球置業 in the construction of logistic infrastructure, logistic properties, storage facilities, supply chain management, import and export trade, cross-border e-commerce, cold chain logistics, operation management and other operations in the modern international logistic park of Ningbo Economic And Technological Development Zone.

5) Other value investments

(a) Guangzhou Guangming Real Estates Co. Ltd. ("Guangzhou Guangming") owns 99% interest in Metro Mall. The mall is situated at the Beijing Road shopping district, Yuexiu District of Guangzhou City of China. Metro Mall has a gross floor area of 61,967.44 sq.m., and is an 11-storey shopping centre providing dining, entertainment, shopping and cultural experience to customers. Since the successful introduction of International All Stars Cinema and Mopark Department Store in 2012, the revenue of the mall has been improving. Currently the occupancy rate is maintained at approximately 86.53%.

(b) Holiday Inn Downtown Beijing Company Limited ("BJ Holiday Inn") is a wholly-owned subsidiary of the Group, and is the owner of a four-star business and leisure hotel providing 333 elegantly decorated rooms to business traveller in Beijing. It is located in the business district of Financial Street, Xicheng District of Beijing and due to its convenience to transportation, the average room occupancy rate was approximately 81.79% for 2016. The hotel is a cash-generating asset which can sustain its own operation and distribute stable dividend to the Company when needed.

(c) Beijing Enterprises Medical and Health Industry Group Limited ("BJ M&H", SEHK stock code: 2389): The Group acquired 20.86% equity interest of BJ M&H in 2014, and became its single largest shareholder. As at 31 December 2016, the Group held 15.31% equity interest of BJ M&H. BJ M&H has completed a number of medically related acquisitions and officially changed its business activities to the development of medical care, health care and geriatric care related infrastructures. The Group believes that medical and health caring industry in China will has rapid development in the foreseeable future and the investment in BJ M&H is expected to bring prosperous return to the Group. The Group's investment in BJ M&H is classified as equity investments at fair value through other comprehensive income.

(d) CAQ Holdings Limited ("CAQ", ASX: CAQ): As at 31 December 2016, the Group held 16.59% equity interest of CAQ. Haikou Peace Base Holdings Limited ("HPB") will operate a complex of exhibition centre, plants and warehouses for jewelry and high end products in China. It will also develop e-commerce jewelry business in China. Given that the sales of jewelry is surging in China, the Group believes HPB will achieve remarkable results in the future, thus will benefit the Group and its shareholders as a whole. The Group's investment in CAQ is classified as equity investments at fair value through other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

5) Other value investments (Continued)

(e) Bellomonte Investments Company Limited ("BICL"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Beijing Enterprises Real Estate (HK) Limited ("BEREHK"), a wholly-owned subsidiary of the controlling shareholder of the Company and an indirectly wholly-owned subsidiary of Beijing Enterprises Group Company Limited, in respect of the acquisition of the entire issued capital of Bellomonte Limited ("BL") and its 49% of equity interest in a joint venture company, Bellomonte S.A., which was established in Cuba and owns a parcel of land with an area of approximately 3,362,200 sq.m., which is 26 kilometres away from the city centre of Havana, the capital of Cuba. This land will be developed into a golf resort centre including hotels and golf resorts for rental purpose and high-end residential and commercial properties for sale purpose. The Group believes that by speeding up the development of this golf resort project in Cuba, the Group will be able to enter the enormous American market and broaden its income stream in the future. BL will finally be injected into MillenMin Ventures Inc., a company listed on the TMX Venture Exchange after the completion of transactions where the Company will finally has 64.76% interests in MillenMin.

(f) On 4 July 2016, the Group entered into a sale and purchase agreement to acquire 60% of the equity interest in Zhong Jian Jin Bian Jing Ji Te Qu Ltd., which owns several plots of land with a total area of approximately 14,456,779 sq.m. in Seb Commune, Ta Ches Commune and Chuuk Sor Commune. One of these land plots in Ta Ches Commune has been designated as a special economic zone of Cambodia and enjoys various incentives offered by the Kingdom of Cambodia, including waiver of profit taxes and import duties on its infrastructures, facilities and construction materials. The special economic zone is currently applying to the Royal Government of Cambodia for an expansion to an area of at least over 20,000,000 sq.m. solely for future development by Chinese enterprises. After acquiring all land plots, the Group intends to carry out primary land development as an expedient and efficient development base for the "Belt and Road" initiative of China.

BUSINESS PROSPECTS

Notwithstanding the recent slowdown in global economic growth, the logistic industry of China sustained a growth in 2016 as a whole with a national shipment value totaling RMB229.7 trillion, representing growth of 6.1% as compared with last year at comparable prices. Gross logistic income for 2016 was RMB7.9 trillion, which was 4.6% higher than last year. 2017 will be a defining year in the Thirteenth Five-Year Plan as it will be turning point in the "Logistics Industry Mid-to-Long term Planning (2014-2020)" (《物流業發展中長期規劃(2014-2020)》). Being one of the strategic supporting industries in an economy, the logistic industry of China is expected to maintain moderate, stable and positive growth. Coupled with the implementation of Made in China 2025 (《中國制造2025》), the logistic industry will be able to leverage on and support the upgrade, reform and transformation the other industries.

As urbanisation speeds up and e-commerce rises in popularity in China, demand for logistic facilities surges and the supply of quality logistic facilities cannot keep up with the rise in demand. To speed up the development of e-commerce logistics, the Ministry of Commerce also joined hands with other 5 departments to announce an e-commerce logistics development plan for 2016-2020 (《全國電子商務物流發展專項規劃(2016-2020年)》), and raised the mid- to long-term development target to form a sound, well-structured, powerful, efficient and high quality e-commerce logistics system by 2020. Following the introduction of the above policy, a number of provinces announced their development plans with clear targets, which fostered the development of overall e-commerce logistics.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECTS (Continued)

In respect of the cold-chain logistics market, despite the rapid development of fresh food e-commerce, the basic supporting facilities, including manufacturing of equipment, provision of technology, warehouses and delivery is still in its infancy that fails to satisfy the demand. Statistics showed there is more than 1 billion tons of perishable food every year in China, 50% of which requires cold-chain transition. However, the current cold-chain coverage is relatively low, leading to a huge amount of wastage. Notwithstanding the significant increase in the total volume of cold warehouses across the nation, there is an obvious shortage under the enormous market demand. Moreover, the market was facing problems including low concentration, uneven distribution, generally low digitalisation and backward management level. Seeing these problems, the State Council is determined to introduce "Internet plus logistics", stating the targets to construct a communal system for logistics information, upgrade the intelligence in warehousing and delivery, strengthen the capability of smart cold-chain logistics, and develop a high efficient and convenient logistics model, to facilitate the transformation and upgrade of the cold chain logistic industry on top of other policies in the past few years.

Driven by the huge market demand and government policies, the Chinese logistics industry is going to develop in a healthier and more comprehensive way. To seize the market opportunities, the Group is strategically well-prepared. Currently, the Group has expanded its nationwide logistics facilities network by entering core logistics cities in Fujian, Sichuan, Hainan, Shandong and Liaoning. In the future, the Group will continue to explore other logistics hubs with development potentials for further expansion. In the meantime, the Group is looking for suitable overseas investment opportunities, and has already invested in projects in Cuba and Cambodia during the year under the guidance of the "Belt and Road" government initiative. Besides business expansion, the Group will also continue to enhance the quality of its logistics facilities as well as upgrading its services quality and profit margin.

On the other hand, the Group will further diversify its property portfolio. The manufacturing industry of China has undergone drastic transformation in tandem with the restructuring of the national economy. Low-end manufacturing has already completed its tasks and is dwindling. High-end manufacturing, by contrast, is growing rapidly with the support and favourable policies of the government. Development of high-end manufacturing in the Yangtze River Delta is particularly fast. The government is now advocating the investment in and development and operation of industry parks through tax reductions, tax concessions and subsidies. Furthermore, land is offered to the developers at relatively low prices, which should make for future income and profitability. As such, the Group started to search for industrial properties during the year and has already identified several projects with great potential in the hope of boosting its future business growth.

Looking forward, the Group has set itself a goal for the long-term future in order to tap into the development of the logistic industry. This goal is to become one of the top three logistic enterprises in China through the construction of general warehouses with an aggregate rentable area of 3,000,000 sq.m. and cold chain storage with a total capacity of 1,000,000 tons in the next four years. Meanwhile, it will also seek closer co-operation with other countries to align itself with the ambitious "Belt and Road" initiative of the Chinese government. The Group will identify suitable investment targets in order to branch out into other regions and transform the Group into a property enterprise with diversified business lines.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit analysis

The revenue (net of business tax) for the Fiscal Year 2016 amounted to approximately HK$317.97 million, representing an increase of approximately HK$21.4 million or 7.22%, from approximately HK$296.57 million for the Fiscal Year 2015. The gross profit for the Fiscal Year 2016 amounted to approximately HK$253.81 million, representing an increase of approximately HK$22.45 million, or 9.7% from approximately HK$231.36 million for the Fiscal Year 2015. The increase was primarily attributable to the revenue contribution from new acquisitions during the Fiscal Year 2016.

The revenue (net of business tax) contributions of the Group's assets included:

	Fiscal Year 2016		Fiscal Year 2015		Change	
	Revenue	**GP Margin**	Revenue	GP Margin	Revenue	GP Margin
Name of assets	**HK$'000**	**%**	HK$'000	%	HK$'000	%
Shanghai WGQ	**111,930**	**96.30%**	116,245	96.48%	–4,315	–0.18%
WSL Logistics	**14,479**	**96.76%**	15,937	93.62%	–1,458	3.14%
Transwealth Logistics	**5,633**	**96.67%**	4,330	98.84%	1,303	–2.17%
Xiamen Xunda	**21,223**	**91.74%**	–	–	21,223	N/A
Meishan Xunda	**9,445**	**92.81%**	–	–	9,445	N/A
Hainan Datong	**1,132**	**84.40%**	–	–	1,132	N/A
Tianjin Zhongyu	**5,086**	**70.38%**	–	–	5,086	N/A
Qingdao Jingchangshun	**2,091**	**79.75%**	–	–	2,091	N/A
Quzhou Tongcheng	**6,296**	**100.00%**	1,905	100.00%	4,391	0.00%
Metro Mall	**49,684**	**83.49%**	58,341	85.16%	–8,657	–1.67%
BJ Holiday Inn	**90,967**	**48.77%**	96,274	47.81%	–5,307	0.96%
Lugang*	**–**	**–**	3,540	67.68%	–3,540	N/A
The Group	**317,966**	**79.82%**	296,572	78.01%	21,394	1.81%

* During the Fiscal Year 2015, the Group disposed its entire interest in Lugang following the disposal of Zhijian Limited, which was an intermediate holding company of Lugang.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

E-commerce and Bonded Logistics Warehouse Business

The Group owned and operated a total rentable area of approximately 500,513 sq.m. during the Fiscal Year 2016.

Shanghai WGQ Project

The revenue (net of business tax) contribution of Shanghai WGQ for the Fiscal Year 2016 amounted to approximately HK$111.93 million, representing a decrease of approximately HK$4.32 million, or 3.72%, from approximately HK$116.25 million for the Fiscal Year 2015. The decrease in revenue was primarily attributable to the Renminbi depreciation against the Group's presentation currency of Hong Kong Dollars. The gross profit margin slightly decreased from approximately 96.48% for the Fiscal Year 2015 to approximately 96.3% for the Fiscal Year 2016.

WSL Logistics Project

The revenue (net of business tax) contribution of WSL Logistics for the Fiscal Year 2016 amounted to approximately HK$14.48 million, representing a decrease of approximately HK$1.46 million, or 9.16%, from approximately HK$15.94 million for the Fiscal Year 2015. The decrease in revenue was primarily attributable to the Renminbi depreciation against the Group's presentation currency of Hong Kong Dollars and a decrease in average occupancy rate. The gross profit margin increased from approximately 93.62% for the Fiscal Year 2015 to approximately 96.76% for the Fiscal Year 2016 due to the decrease in repair and maintenance costs incurred.

Transwealth Logistics Project

The revenue (net of business tax) contribution of Phase I and II of Transwealth Logistics for the Fiscal Year 2016 amounted to approximately HK$5.63 million, representing an increase of approximately HK$1.3 million, or 30.02%, from approximately HK$4.33 million for the Fiscal Year 2015. The increase in revenue was primarily attributable to the revenue of Phase II recognised since November 2016. The gross profit margin slightly decreased from 98.84% for the Fiscal Year 2015 to approximately 96.67% for the Fiscal Year 2016 due to the increase in repair and maintenance costs incurred.

Xiamen Xunda Project

The acquisition of the Xiamen Xunda was completed on 1 April 2016. The revenue (net of business tax) contribution of Xiamen Xunda for the Fiscal Year 2016 amounted to approximately HK$21.22 million. The gross profit margin was 91.74% for the Fiscal Year 2016.

Meishan Xunda Project

The acquisition of the Meishan Xunda was completed on 1 April 2016. The revenue (net of business tax) contribution of Meishan Xunda for the Fiscal Year 2016 amounted to approximately HK$9.45 million. The gross profit margin was 92.81% for the Fiscal Year 2016.

Hainan Datong Project

The acquisition of the Hainan Datong was completed on 1 December 2016. The revenue (net of business tax) contribution of Hainan Datong for the Fiscal Year 2016 amounted to approximately HK$1.13 million. The gross profit margin was 84.4% for the Fiscal Year 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Cold Chain Logistics Warehouse Business

The Group owns and operates a storage capacity in Qingdao Jingchangshun project and Tianjin Zhongyu project of approximately 10,000 tons and 61,600 tons, respectively.

Qingdao Jingchangshun Project

The acquisition of the Qingdao Jingchangshun was completed on 19 January 2016. The revenue (net of business tax) contribution of Qingdao Jingchangshun for the Fiscal Year 2016 amounted to approximately HK$2.09 million. The gross profit margin was 79.75% for the Fiscal Year 2016.

Tianjin Zhongyu Project

The business of Tianjin Zhongyu commenced on 21 January 2016. The revenue (net of business tax) contribution of Tianjin Zhongyu for the Fiscal Year 2016 amounted to approximately HK$5.09 million. The gross profit margin was 70.38% for the Fiscal Year 2016.

Specialised Wholesale Market Business

The Group continues to develop the Quzhou Tongcheng project which operates an aggregate rentable area of approximately 48,362 sq.m.

Quzhou Tongcheng Project

Phase I and Part I of Phase II of Quzhou Tongcheng commenced in August 2015 and November 2016 respectively. The revenue (net of business tax) contribution of Quzhou Tongcheng for the Fiscal Year 2016 amounted to approximately HK$6.3 million, representing an increase of approximately HK$4.39 million, or 229.84%, from approximately HK$1.91 million for the Fiscal Year 2015. The increase in revenue was primarily attributable to full year revenue recognised for the Fiscal Year 2016. The gross profit margin was unchanged.

Commercial Properties Business

The Group has invested in other commercial properties in the PRC such as Metro Mall and Holiday Inn Downtown Beijing Hotel.

Metro Mall

The revenue (net of business tax) contribution of Metro Mall for the Fiscal Year 2016 amounted to approximately HK$49.68 million, representing an decrease of approximately HK$8.66 million, or 14.84%, from approximately HK$58.34 million for the Fiscal Year 2015. The decrease in revenue was primarily attributable to the decrease in occupancy rate and the Renminbi depreciation against the Group's presentation currency of Hong Kong Dollars. The gross profit margin slightly decreased from approximately 85.16% for the Fiscal Year 2015 to approximately 83.49% for the Fiscal Year 2016 due to the decrease in occupancy rate.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Commercial Properties Business (Continued)

Holiday Inn BJ

The revenue (net of business tax) mainly represented accommodation revenue, food and beverage sales and rendering of ancillary services. Accommodation revenue was mainly determined by the number of rooms available, average room occupancy rate and average charging rates of the rooms. The revenue (net of business tax) contribution of hotel operation for the Fiscal Year 2016 amounted to approximately HK$90.97 million, which represented a decrease of approximately HK$5.3 million, or 5.5%, from approximately HK$96.27 million for the Fiscal Year 2015. The gross profit margin slightly increased from approximately 47.81% for the Fiscal Year 2015 to approximately 48.77% for the Fiscal Year 2016. The average room occupancy rate was approximately 81.79%, and the average room charging rate was approximately RMB552.92 per day. The decrease in revenue was primarily attributable to the decrease in the sales revenue of food and beverage and other ancillary services and the Renminbi depreciation against the Group's presentation currency of Hong Kong Dollars.

Fair value gain of investment properties, net

During the Fiscal Year 2016, the fair value gain on investment properties was mainly attributable to the fair value increment in the Quzhou Tongcheng project, WSL Logistics project, Xiamen Xunda project and Metro Mall.

Gain on disposal of subsidiaries

On 17 April 2015, the Group completed a disposal of entire interest in Rayport Limited ("Rayport"), which held 40% equity interests in Haikou Peace Base Industry Development Co., Ltd., to CAQ Holdings Limited ("CAQ"). CAQ issued 83,000,000 new shares as the consideration to acquire the entire interest in Rayport. After the completion, the Group holds 12.67% equity interest in CAQ, and recorded a gain on disposal of entire interest in Rayport of approximately HK$57.61 million. On 29 May 2015, the Group completed the disposal of its entire interests in Zhijian Limited, which held 82.24% equity interest in Lugang, to Beijing Enterprises Medical and Health Industry Group Limited ("BJ M&H"). The cash consideration of HK$408 million was received by the Group during the Fiscal Year 2015 and the Group recorded a gain on disposal of approximately HK$144.63 million.

Gains on bargain purchases of subsidiary

During the Fiscal Year 2016, the Group acquired 80% equity interest in Hainan Datong at a consideration of approximately HK$85.82 million. The aggregate fair value of the net assets acquired at the date of acquisition was approximately HK$98.19 million. Accordingly, gains on bargain purchases of subsidiary of approximately HK$12.37 million were resulted and recognised in the consolidated financial statement of the Group.

Gain on disposal of an associate

The Group recorded a gain on fair value change of approximately HK$174.34 million when BJ M&H was changed from an associate to available-for-sale equity during the Fiscal Year 2015.

Gain on deemed disposal of a partial interest in an associate

The Group recorded a gain on deemed disposal of approximately HK$46.59 million upon the completion of placements of new shares by BJ M&H during the Fiscal Year 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other income and gains, net

During the Fiscal Year 2016, the net other income and gains were approximately HK$67.18 million, which represented an increase of approximately HK$19.09 million, or 39.70%, from approximately HK$48.09 million for the Fiscal Year 2015. The increase was mainly attributable to the increase in interest income as a result of the increase in average cash balances and the fair value gain of a derivative instrument.

Selling and distribution expenses

During the Fiscal Year 2016, the selling and distribution expenses were approximately HK$18.68 million, which represented an increase of approximately HK$1.12 million, or 6.38%, from approximately HK$17.56 million for the Fiscal Year 2015. The selling and distribution expenses mainly arose from the commercial properties business and specialised wholesale market business.

Administrative expenses

During the Fiscal Year 2016, the administrative expenses were approximately HK$162.75 million, which represented a decrease of approximately HK$29 million, or 15.12%, from approximately HK$191.75 million for the Fiscal Year 2015. The decrease in administrative expenses was mainly attributable to the fact that no equity-settled share option expenses were incurred during the Fiscal Year 2016.

Reversal of provision for compensation

Reversal of provision was for the resettlement compensation in relation to the certain indigenous properties owner and tenants (the "Concerned Residents") for the demolished properties at Metro Mall. Further details were set out in note 30 to the financial statements.

Other expenses

For the Fiscal Year 2016, the other expenses were approximately HK18.97 million, which represented a decrease of approximately HK$45.71 million, or 70.67%, from approximately HK$64.68 million for the Fiscal Year 2015. The decrease was attributable to the effect of a decrease in foreign exchange loss and no such provision for the compensation in relation to the Concerned Residents for the demolished properties at Metro Mall for the Fiscal Year 2016.

Finance costs

For the Fiscal Year 2016, the finance costs were approximately HK$304.88 million, representing an increase of approximately HK$126.03 million, or 70.47%, from approximately HK$178.85 million for the Fiscal Year 2015. The increase was mainly attributable to the combined net effect of an increase in interest expenses of approximately HK$133.12 million for the USD guaranteed bonds issuance in November 2015; and a decrease in interest expenses of approximately HK$9.67 million for bank loans.

Share of profits of joint venture

During the Fiscal Year 2016, the share of profits of a joint venture of approximately HK$12.26 million was contributed solely by BIPL, which represented an increase of HK$7.58 million from the share of profits of approximately HK$4.68 million for the Fiscal Year 2015. The increase was primarily due to the interest income received.

Share of profits and losses of associate

For the Fiscal Year 2015, the share of loss of associate was approximately HK$0.38 million and no such share of profits and losses of associates in the Fiscal Year 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Income tax expense

Income tax expense for the Fiscal Year 2016 included current income tax of HK$13.8 million. Deferred tax charge for the Fiscal Year 2016 was HK$33.98 million which arose from the change in the value of investment properties.

Other comprehensive loss for equity investments designated as fair value

During the Fiscal Year 2016, a decrease in fair value was approximately HK$258.09 million, due to the drop in closing market price as at 31 December 2016 of BJ M&H and CAQ comparing to the last year. Further details were set out in note 17 to the financial statements and in the FINANCIAL REVIEW headed "Equity investments at fair value through other comprehensive income" to this Annual Report.

Investment properties

Investment properties increased by approximately HK$1.11 billion, mainly due to the new acquisitions completed during the Fiscal Year 2016.

Goodwill

Goodwill increased by approximately HK$79.84 million, mainly due to the new acquisitions including Xiamen Xunda project, Meishan Xunda project and Qingdao Jingchangshun project in the Fiscal Year 2016.

Investment in a joint venture

Investment in joint venture increased by approximately HK240.57 million, mainly due to the capital injection in a joint venture company during the Fiscal Year 2016.

Equity investments at fair value through other comprehensive income

Equity investments decreased by approximately HK$258.09 million, due to the drop in closing market price as at 31 December 2016 of BJ M&H and CAQ comparing to the last year. As at 31 December 2016, the closing market price of BJ M&H quoted on HKEX was HK$0.42 and the fair value of 945,000,000 shares of BJ M&H held by the Group was HK$396.9 million which was recognised in the financial statements of the Group. As at 31 December 2016, the closing market price of CAQ quoted on Australian Securities Exchange was A$0.14 and the fair value of 108,628,000 shares of CAQ held by the Company was A$15.21 million (equivalent to approximately HK$85.08 million) which was recognised in the consolidated financial statements of the Group.

Deposits paid for the acquisitions of businesses

Deposits paid for the consideration decreased by approximately HK$35.6 million, mainly due to the new acquisitions completed during the Fiscal Year 2016.

Cash and cash equivalents (including restricted cash)

Cash and cash equivalents decreased by HK$688.6 million, mainly due to the net effect of a drawdown of new bank loans, repayment of bank loans and consideration paid for the new acquisitions during the Fiscal Year 2016.

Bank and other borrowing

Bank and other borrowings increased by HK$264.26 million (non-current portion increased by HK$1.84 billion and current portion decreased by HK$1.57 billion), mainly due to the net effect of utilising to finance for the new acquisitions and construction of projects in the PRC, and repayment of matured borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Redeemable and convertible equity instrument

Redeemable and convertible equity instrument decreased by HK$609.73 million, due to the conversion of the subscription shares into ordinary shares of China Logistics by the MJQ Investment Limited in July 2016. Following this, the Company and MJQ Investment Limited held 65% and 35% of the issued share capital of China Logistics respectively.

Convertible bonds

Convertible bonds were issued to PA Broad Opportunity VI Limited pursuant to a subscription agreement dated 24 January 2014. The convertible bonds were reclassified from non-current liabilities to current liabilities since the bondholder will have the right, at its option, to require the Company to redeem all or some of its convertible bonds on 12 February 2017.

Provisions for compensation

Provision for compensation decreased by HK$275.16 million due to the reversal of provision for the resettlement compensation in relation to the Concerned Residents for the demolished properties at Metro Mall. Further details were set out in the note 30 to the financial statements.

Liquidity and financial resources

As at 31 December 2016, for accounting purposes, the Group had total borrowings of approximately HK$5,007.73 million (31 December 2015: approximately HK$5,313.39 million) which included: (i) approximately HK2,296.49 million from bank and other borrowings; (ii) approximately HK429.8 million from PAG Convertible Bonds; and (iii) approximately HK$2,281.44 million from USD guaranteed bonds. The Group's gearing ratio, which was defined as sum of bank and other borrowing, convertible bonds and guaranteed bonds, net of cash and cash equivalents and restricted cash, divided by the total equity, was approximately 46.77% (31 December 2015: approximately 43.89%).

As at 31 December 2016, the Group's bank and other borrowing balance amounted to approximately HK$2,296.49 million, which was denominated in United States dollars ("USD"), Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 14.32%, 42.95% and 42.73%, respectively. Over 10.2% of these bank and other borrowings was repayable less than one year.

As at 31 December 2016, the Group's cash and bank balances amounted to approximately HK$2,666.82 million, which was denominated in USD, HK$, RMB and SGD as to 28.58%, 27.01%, 41.92% and 2.49%, respectively. All of the bank and other borrowings bear interest at floating rates, the PAG Convertible Bonds bears coupon rate of 4% per annum and the USD guaranteed bonds bears coupon rate of 5.5% per annum. The cash and bank balances, together with the unutilised banking facilities, are able to finance the Group's businesses at the moment.

As at 31 December 2016, the Group's current ratio and quick ratio were approximately 206.57% and approximately 206.47% (31 December 2015: approximately 116.92% and approximately 116.89%) respectively. As at 31 December 2016, all the financial covenants stipulated in the loan facility agreements, subscription agreement of the PAG Convertible Bonds and subscription agreement of the USD guaranteed bonds have been complied.

The net total borrowings of the Group as at 31 December 2016 (total borrowings less cash and cash equivalents and restricted cash) was HK$2,340.91 million (31 December 2015: HK$1,957.96 million), representing an increase of HK$382.95 million as compared to the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Contingent liabilities

As at 31 December 2016, the Group had no contingent liabilities (31 December 2015: HK$23 million).

Capital expenditures

During the Fiscal Year 2016, the Group spent approximately HK$1,481.72 million (31 December 2015: approximately HK$432.52 million) as capital expenditures, which consists of property, plant and equipment and investment properties, including assets acquired through acquisitions of subsidiary.

Capital commitments

As at 31 December 2016, the Group had outstanding contracted capital commitments amounted to approximately HK$1,839.44 million in aggregate which comprised commitments for:

– The outstanding consideration of approximately RMB5.43 million (equivalent to approximately HK$6.06 million) payable for the Project of Tianjin Tong Da You Zhi Logistics Co., Ltd., a 100% subsidiary of the Group;

– The outstanding consideration of approximately RMB1,389.82 million (equivalent to approximately HK$1,551.32 million) payable for the Cambodia project;

– The outstanding consideration of approximately RMB71.26 million (equivalent to approximately HK$79.54 million) payable for the Changshu project, a 75% subsidiary of the Group;

– The outstanding consideration of approximately RMB100.84 million (equivalent to approximately HK$112.57 million) payable for the He Chao Logistics project; and

– The outstanding construction costs of approximately RMB80.60 million (equivalent to approximately HK$89.96 million) committed for warehouse facilities of Quzhou Tongcheng, a wholly-owned subsidiary of the Group.

Treasury policies

The Group adopts conservative treasury and risk management policies and controls tightly its cash. The Group's cash and cash equivalents are held mainly in Hong Kong dollars, RMB and USD. Surplus cash is generally placed in short-term deposits denominated in these currencies.

Foreign exchange exposure

The Group mainly operates in the PRC with most of the domestic transactions settled in RMB for its PRC business. Meanwhile, fluctuations of exchanges rates would impact the Group's net assets value due to the currency translation upon consolidation. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in its net assets value, as part of the Group's borrowings and cash balances are denominated in HKD and USD. During the Fiscal Year 2016, the Group did not employ financial instruments for hedging its exposures to foreign currency risk. The Group will closely monitor its exposure to fluctuation in foreign currencies' exchange rates as exchange rate fluctuation of foreign currencies against RMB may have a material financial impact on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investment and acquisitions

(a) Acquisition of 60 per cent. interest in Zhong Jian Jin Bian Jing Ji Te Qu Ltd.（中柬金邊經濟特區有限公司）in Cambodia

On 4 July 2016, 8 July 2016, 29 November 2016 and 29 December 2016, Radiant Sky Investments Co., Ltd. ("Radiant Sky") (as purchaser), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreements and a supplemental deed of the sale and purchase agreement with an independent non-executive director of the Company (as vendor) and Zhong Jian Jin Bian Jing Ji Te Qu Ltd.（中柬金邊經濟特區有限公司）(as target company) (the "Cambodian Company"), pursuant to which Radiant Sky has conditionally agreed to acquire 60 per cent. of the entire issued share capital of the Cambodian Company and the related sale loan at an adjusted consideration of US$201,771,657 (the "Cambodian Acquisition"). The Cambodian Company is the developer and project owner of the SEZ in Sorvong Village, Beung Kok Village and Lor Peang Village, Ta Ches Commune, Kampong Tralach District, Kampong Chhnang Province of the Cambodia and owns certain plots of land in Seb Commune, Ta Ches Commune and Chhuk Sor Commune with a total area of approximately 14,456,779 square metres and will own a total area of approximately 411,917 square metres which is owned legally and beneficially by Mr. Chan Yuk Cheung, which transfer to the Cambodian Company. As at the date of this report, the Cambodian Acquisition has not been completed and is subject to fulfillment of certain conditions precedent. Further details of the Cambodia Acquisition had been set out in the Company's circular dated 9 March 2017.

(b) Acquisition of 49 per cent. interest in Bellomonte S.A.

On 16 August 2016 and 23 August 2016, BICL, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with BEREHK, a wholly-owned subsidiary of the controlling shareholder of the Company and an indirectly wholly-owned subsidiary of BE Group, in respect of the acquisition of the entire issued capital of BL (the "BL Sale Shares"), a Cayman Island company with its sole asset being a 49 per cent. beneficial interest in Bellomonte S.A. (a joint venture company established in Cuba) at a total consideration of US$3,000,000 (the "Bellomonte Acquisition"). Bellomonte S.A. is a joint stock company established in August 2015 and approved by the Executive Committee of the Council of Ministers of Cuba and has a term of fifty years from the date of registration in the Business Registration in Cuba subject to extension. Bellomonte S.A. is 49 per cent. owned by BL and 51 per cent. owned by Cubagolf, S.A. ("Cubagolf"), a Cuban state-owned enterprise. The total registered capital of Bellomonte S.A. amounts to CUC54,861,176 (equivalent to US$54,861,176), of which CUC27,979,200 (equivalent to US$27,979,200) is to be contributed by Cubagolf through the injection of a local site and CUC26,881,976 (equivalent to US$26,881,976) is to be contributed by BL in cash. The local site to be contributed by Cubagolf is situated in Havana, the capital of Cuba. The site occupies an area of approximately 3,362,200 square metres and the parties are targeting to develop and operate a golf resort centre at the site which will include hotels and golf resorts for rental purpose and high-end residential and commercial properties for sale purpose (the "Cuba Project"). Bellomonte S.A. will cooperate with an internationally-experienced hotel group to develop and operate the Cuba Project. As at the date of this report, the transaction has not been completed and is subject to fulfillment of certain conditions precedent. Further details of the Bellomonte Acquisition had been set out in the Company's announcements dated 16 August 2016 and 23 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investment and acquisitions (Continued)

(c) *Establishment of joint venture for industrial property business with SSinolog (China) Holding IPte Ltd*

On 15 November 2016, China Industrial Properties (Holdings) Limited ("CIPL"), an indirect wholly-owned subsidiary of the Company, and the SSinolog (China) Holding IPte Ltd (the "JV Partner") entered into the joint venture agreement for the purpose of investing in and building industrial properties for lease to manufacturers located in the Yangtze River Delta region such as Taicang, Changshu, Suzhou, Jiaxing and Ningbo. Pursuant to the agreement, each of CIPL (or its wholly-owned subsidiary) and the JV Partner has subscribed shares in five joint venture companies, such that CIPL will hold 75 per cent. and JV Partner will hold 25 per cent of each of the joint venture company. As at the date of this report, the five joint ventures companies have been established and the project companies for the Taicang Fortune project, Changshu project, Suzhou project and Jiaxing project have been set up. Further details were set out in the Company's announcement dated 15 November 2016.

Charges on assets

As at 31 December 2016, the Group had bank loans with principal amounts of approximately HK$1,558.38 million being secured by certain investment properties, cash and bank balances, trade receivables, deposits paid for the acquisition of a business and an office premise and equity interests in certain subsidiaries of the Group and all of which were guaranteed by the Company.

Litigations

As at 31 December 2016, the Group had no pending litigation.

Fulfillment of operating income guarantee

Pursuant to the sale and purchase agreement dated 6 March 2013 in relation to the acquisition of entire interest in Hong Kong High Broad International Investment Group Limited, the vendors have guaranteed that the actual operating income of WSL Logistics for 3 years commencing from the date of the completion shall be at least RMB14,000,000 per year (the "Guaranteed Amount") and have undertaken to indemnify and pay to the WSL Logistics any shortfall by cash for each of the said 3 years. On the other hand, if the actual operating income of WSL Logistics for each of the said 3 years exceeds the Guaranteed Amount, the Company has undertaken to pay, or to procure WSL Logistics to pay, the vendors all amount exceeding the Guaranteed Amount. The actual operating income of WSL Logistics for the third year was reported to be approximately RMB13.15 million which was less than the Guaranteed Amount. The vendors need to pay the shortfall to WSL Logistics.

Employees and remuneration policies

As at 31 December 2016, the Group had a total of 553 (2015: 530) employees. Total staff cost incurred during the Fiscal Year 2016 amounted to approximately HK$82.35 million (2015: approximately HK$90.86 million) (including staff cost, directors' remuneration and equity-settled option expenses). The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

CORPORATE GOVERNANCE REPORT

The Company strongly committed to maintain a quality corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhancement of shareholders' value.

In the opinion of the Board, the Company had complied with all code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year, except for certain deviations disclosed herein below.

BOARD OF DIRECTORS

Composition and role

The Board currently consists of fifteen directors: comprising ten executive Directors, namely, Mr. Qian Xu, Mr. Hu Yebi, Mr. Siu Kin Wai, Mr. Zhao Jiansuo, Mr. Li Shuping, Mr. Wan Lee Cham, Mr. Dong Qilin, Mr. Li Changfeng, Mr. Yu Luning and Mr. Ang Renyi; and five independent non-executive Directors ("INEDs"), namely, Mr. Goh Gen Cheung, Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung. The principal function of the Board are to formulate corporate strategy and business development and to ensure a high standard of corporate governance. The Board met regularly during the year to approve acquisitions and connected transactions, and to monitor the financial performance of the Group in pursuit of its strategic goals. Control and day to day operation of the Company is delegated to the chief executive officer, chief financial officer and the management of the Company. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship. Newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Directors' continuous professional development

According to the records maintained by the Company, the current Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code contained in Appendix 14 of the Listing Rules on continuous professional development during the year ended 31 December 2016.

Directors	Read materials	Attending seminars/ briefing
Executive directors		
Mr. Qian Xu	✓	
Mr. Hu Yebi	✓	✓
Mr. Siu Kin Wai	✓	✓
Mr. Zhao Jiansuo	✓	✓
Mr. Li Shuping	✓	✓
Mr. Wan Lee Cham	✓	✓
Mr. Dong Qilin	✓	
Mr. Li Changfeng	✓	
Mr. Yu Luning	✓	
Mr. Ang Renyi	✓	
Mr. Yu Li (resigned on 27 June 2016)	✓	
Mr. Jiang Xinhao (resigned on 13 June 2016)	✓	✓
Independent non-executive directors		
Mr. Goh Gen Cheung	✓	✓
Mr. Zhu Wuxiang	✓	
Mr. James Chan	✓	✓
Mr. Song Lishui	✓	
Mr. Chan Yuk Cheung	✓	

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Meetings

Attendance records of the Board meetings, meetings of all committees and general meetings of the Company for the year ended 31 December 2016 were set out below:

	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Number of meetings held	5	2	4	3	2
Name of director			**Number of meetings attended**		
Executive directors					
Mr. Qian Xu	5/5	N/A	N/A	2/3	0/2
Mr. Hu Yebi	5/5	N/A	N/A	N/A	0/2
Mr. Siu Kin Wai	5/5	N/A	N/A	N/A	2/2
Mr. Zhao Jiansuo	2/2	N/A	N/A	N/A	0/1
Mr. Li Shuping	N/A	N/A	N/A	N/A	N/A
Mr. Wan Lee Cham	2/2	N/A	N/A	N/A	1/1
Mr. Dong Qilin	2/2	N/A	N/A	N/A	0/1
Mr. Li Changfeng	2/2	N/A	N/A	N/A	0/1
Mr. Yu Luning	5/5	N/A	3/4	2/3	0/2
Mr. Ang Renyi	4/5	N/A	N/A	N/A	0/2
Mr. Yu Li (resigned on 27 June 2016)	3/3	N/A	N/A	N/A	0/1
Mr. Jiang Xinhao (resigned on 13 June 2016)	2/2	N/A	N/A	N/A	N/A
Independent non-executive directors					
Mr. Goh Gen Cheung	5/5	2/2	4/4	3/3	2/2
Mr. Zhu Wuxiang	5/5	2/2	N/A	N/A	0/2
Mr. James Chan	3/5	2/2	4/4	3/3	1/2
Mr. Song Lishui	4/5	1/2	4/4	3/3	0/2
Mr. Chan Yuk Cheung	0/5	0/2	0/4	0/3	0/2

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

To improve the performance quality of the Company, the Board approved to adopt the board diversity policy on 30 August 2013. The Board believes that board member diversity can be achieved by considering various factors, including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge, term of services and other talents. All Board appointments are made with reference to the Company's business models and specific needs from time to time, and candidates will be considered with due regard for the benefits of diversity on the Board if allowed by objective business conditions. The nomination committee will be mainly responsible for identifying suitable and competent candidates for board members, and considering such candidates in light of objective conditions. As a part of the review on the annual performance of the Board, considerations made by the nomination committee will balance the skills and experience as required by business targets of the Company with diversity factors. To achieve board diversity, the nomination committee will discuss and develop measurable objectives from time to time, and propose the above to the Board for adoption and implementation. Generally speaking, selection of candidates by the nomination committee shall be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge and term of services. However, the final decision will depend on the strengths of candidates and their prospective contributions to the Board. The Board may improve one or more diversity perspectives from time to time, and implement the upgraded measurements. The nomination committee will review the policy from time to time, including conducting assessments on the effectiveness of the policy. The nomination committee will also discuss any amendment that may be necessary, and submit amendment proposals to the Board for approval.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFY

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against its Directors and officers. During the year, no claim was made against the directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established. Mr. Qian Xu currently assumes the role of both chairman of the Company and chief executive officer of the Company. The Board considers that Mr. Qian has in-depth knowledge and experience in the property investment and development industry and the current structure could enhance efficiency in formulation and implementation of the Company's strategies during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company. The Board will review the need of appointing suitable candidate to assume the role of chief executive officer when necessary.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

All INEDs had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-Laws").

The Company has received written annual confirmations from all INEDs confirming their independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all INEDs are independent.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transaction during the year under review.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2016, except as disclosed below.

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the year, not all independent non-executive directors attended general meetings of the Company due to other business engagements, which deviates from code provision A.6.7.

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Zhou Si resigned as a chairman of the Company from 21 January 2014. Before 27 June 2016, the Board had still not elected and appointed chairman of the Company. All the chairman's duties and responsibilities are temporary performed by the vice-chairman of the Company. However, our vice-chairman was unable to attend the annual general meeting held on 15 June 2016 (the "2016 AGM") due to his other commitments. He appointed Mr. Siu Kin Wai, the executive director and company secretary of the Company, to chair the meeting on his behalf and chairmen of the audit, remuneration and nomination committees also attended the 2016 AGM. The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

Under the code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including INED) without the executive directors present. The meeting was arranged to be held on 29 August 2016. However, more than half of independent non-executive directors were not able to attend due to their respective business engagements. Nevertheless, from time to time, independent non-executive directors of the Company can express their views directly to the chairman of the Board. The Company will ensure that there is sufficient communication between independent non-executive directors and the chairman.

BOARD COMMITTEES

The Board has established four board committees to strengthen its functions and corporate governance practices, namely, Audit Committee, Investment and Risk Management Committee, Remuneration Committee and Nomination Committee. All Committees perform their specific roles and duties in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee was established in 1999 and all members are INEDs. Members of the Audit Committee are Mr. Goh Gen Cheung (Chairman), Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung. The Audit Committee is chaired by Mr. Goh Gen Cheung who is an associate member of the Chartered Institute of Bankers and has over 30 years of treasury, finance and banking experience. All members of this committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters. The Board adopted a set of the revised terms of reference of the Audit Committee effective from 24 March 2016, which had included changes in line with the requirements under the Listing Rules. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and reviewing the Group's internal controls and risk management. In addition, the Audit Committee had been delegated the responsibility to perform the corporate governance functions including:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

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

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

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Every year, the Audit Committee meets with the Group's independent auditors to discuss the annual audit plan. The meetings of the Audit Committee are attended by members of the committee, and where necessary, the independent auditors. Independent auditors made presentations to the Audit Committee on implications of the introduction of new accounting standards in Hong Kong and their audit methodologies. The Audit Committee subsequently reported its recommendations to the Board for further review and approval. The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the independent auditors and the effectiveness of the audit process. All partners of independent auditors are subject to periodic rotations, and where necessary, the ratio of annual fees for non-audit services and for audit service is subject to close scrutiny by the Audit Committee.

A summary of the work performed by the Audit Committee during the Fiscal Year 2016, the Audit Committee reviewed the financial statements for interim and annual results, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company and internal control system and risk management and determined the policy for corporate governance. The Group's annual report for the year ended 31 December 2016 has been reviewed by the Audit Committee.

The terms of reference of the Audit Committee which can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

Investment and Risk Management Committee

The investment and risk management committee was established on 4 May 2011 and is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; and (iii) assessing the operating risks of the Group and recommending solutions to the Board.

For the year ended 31 December 2016, the members of the investment and risk management committee were Mr. Hu Yebi (Chairman), Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Zhu Wuxiang, and Mr. Ang Renyi. All members except Mr. Zhu Wuxiang are executive directors of the Company as the committee will mostly involve in operational matters of the Company. Mr. Zhu Wuxiang is the representative of INED to join the committee to provide independent and professional opinion.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Investment and Risk Management Committee (Continued)

A summary of the work performed by the Investment and Risk Management Committee during the Fiscal Year 2016, the Investment and Risk Management Committee reviewed and assessed all acquisitions and investments proposed by the senior management in terms of their benefits to the Company and the potential risks associated. The terms of reference of the Investment and Risk Management Committee which can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

Remuneration Committee

The Remuneration Committee was established in 2005. The majority of the Remuneration Committee members are INEDs. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. James Chan, Mr. Yu Luning, Mr. Song Lishui and Mr. Chan Yuk Cheung. The Board adopted a set of the revised terms of reference of the Remuneration Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management with the Board retaining the final authority to approve executive Directors' and senior management remuneration. Its principal role is to assist the Board to oversee the policy and structure of the remuneration of the executive Director(s) of the Company and senior officers of the Group. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no Director is involved in decision of his own remuneration.

A summary of the work performed by the Remuneration Committee during the Fiscal Year 2016, the Remuneration Committee have reviewed remuneration policy and oversee the remuneration packages of executive Directors and senior management taking into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

The terms of reference of the Remuneration Committee which can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

Nomination Committee

The Nomination Committee was established in 2005. The majority of the Nomination Committee members are INEDs. Members of the Nomination Committee are Mr. James Chan (Chairman), Mr. Goh Gen Cheung, Mr. Qian Xu, Mr. Yu Luning, Mr. Song Lishui and Mr. Chan Yuk Cheung. The Board adopted a set of the terms of reference of the Nomination Committee effective from 30 August 2013, which had included changes in line with the requirements under the Listing Rules. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The major responsibilities of the Nomination Committee include to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer as well as the senior management.

CORPORATE GOVERNANCE REPORT

A summary of the work performed by the Nomination Committee during the Fiscal Year 2016, the Nomination Committee has reviewed and evaluated the composition of the Board with reference to certain criteria. These criteria included qualifications required under the Listing Rules or any other relevant laws regarding characteristics and skills of the Directors, professional ethics and integrity, appropriate professional knowledge and industry experience, as well as ability to devote sufficient time to the work of the Board and its committees and to participate in all Board meetings and shareholders' meetings; reviewed and recommended the re-appointment of the retiring Directors; assessed independence of the independent non-executive Directors; assessed and recommended the appointment of Mr. Dong Qilin, Mr. Wan Lee Cham, Mr. Zhao Jiansuo, Mr. Li Changfeng and Mr. Li Shuping as an executive Director; and reviewed and recommended the renewal of the director's service contracts of Mr. Goh Gen Cheung and appointment letter of Mr. Dong Qilin, Mr. Wan Lee Cham, Mr. Zhao Jiansuo, Mr. Li Changfeng and Mr. Li Shuping.

The terms of reference of the Nomination Committee which can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for evaluating and determining the nature and extent of the risks that should be taken in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The internal audit department of the Group is responsible for performing independent review of the adequacy and effective of the risk management and internal control systems and plays a major role in monitoring the risk management and internal controls of the Group and reports directly to the Audit Committee. It has full access to review all aspects of the Group's activities, risk management and internal controls. All types of internal audited reports are circulated to the Audit Committee and key management, which will follow up on any actions and measures taken to improve risk management and internal controls on its findings and recommendations by the internal audit department.

During the Fiscal Year 2016, the Board, with the assistance of the Audit Committee conducted a review of the effectiveness and adequacy of the Group's risk management and internal control systems, covering financial, operational, compliance control and risk management functions. The Group's risk management and internal control system includes the setting up of a management structure with limits of authority, and is designed to help the Group achieve its business objectives, protects its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

After the review, the Board together with the Audit Committee considers that there were no significant, important and overall internal control deficiencies and issues were discovered in relation to financial, operational and compliance controls and risk management functions of the Group. The failure to effectively implement internal control measures in some certain areas of the Group's subsidiaries discovered during the internal audit is not considered a deficiency according to the Group's standard for identifying internal control deficiencies. The management of the Group has adopted various rectification measures according to the internal audited report. After a follow-up examination by the internal audit department, all internal control issues were rectified. The Group also understands that risk management and internal control systems are not merely about policies and manuals, but about people and the actions they take at every level of the Group. To support all employees, regular training is provided to strengthen their awareness of risk and capability to manage risks. The Board together with the Audit Committee reviewed that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the Fiscal Year 2016.

CORPORATE GOVERNANCE REPORT

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

AUDITOR'S REMUNERATION

During the year under review, external auditor's remuneration for annual audit services was approximately HK$4.2 million; and external auditor's remuneration for non-audit service assignments was approximately HK$1 million, which represented agreed-upon procedures engagement in connection with the Group's interim report, tax advisory and compliance services and financial and tax due diligence assignments for potential acquisitions. The Audit Committee had concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

COMPANY SECRETARY

Mr. Cheng Ching Fu was appointed as the Company Secretary of the Company on 27 June 2016. The biographical details of Mr. Cheng are set out under the section headed "Directors and Senior Management". In accordance with Rule 3.29 of the Listing Rules, Mr. Cheng has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2016.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on pages 61 to 66 of the "Independent Auditor's Report" in this annual report.

SHAREHOLDERS' RIGHTS

Convening a special general meeting by shareholders ("SGM")

The Board shall be on the written requisition of shareholders of the Company holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid-up capital of the Company carrying the right of voting at the SGM, forthwith proceed duly to convene the SGM ("Requisition"). The Requisition, which may consist of several documents in like form each signed by one or more requisitionists, must state the objects of the SGM and deposited at the Company's head office and principal place of business in Hong Kong.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (Continued)

If the Board does not within twenty-one days from the date of the deposit of the Requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM in the same manner, as nearly as possible, as that in which SGM may be convened by the Board, but any meeting so convened shall not be held after the expiration of three months from the aforesaid date of the deposit of the Requisition.

All reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene such a SGM shall be reimbursed to them by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the secretary of the Company ("Company Secretary") via email (ir@bphl.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at the annual general meeting (the "AGM")/SGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Bye-laws and the Listing Rules.

1. A shareholder shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/SGM.

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. The period for lodgment of the foregoing notices required under the Bye-Laws shall commence on the day after the despatch of the notice of the AGM/SGM and end no later than 7 days prior to the date of the AGM/SGM and such period shall be at least 7 days.

4. If the foregoing notices shall be received less than 10 business days prior to the date of such AGM/SGM, the Company needs to consider the adjournment of such AGM/SGM in order to allow shareholders of the Company 14 days' notice (the notice period must include 10 business days) of the proposal.

5. The foregoing notice of intention to propose a resolution will be verified by the Company's branch share registrar in Hong Kong (the "Branch Share Registrar"). Upon confirmation from the Branch Share Registrar, the Company Secretary will present to the board of Directors for their approval on the inclusion of the proposed resolutions in the AGM/SGM.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

Communication with shareholders

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence.

During the financial year ended 31 December 2016, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and investors through various channels such as meetings, telephone and emails; and

2. updated regularly the Company's news and developments through the "investor relations" section of the Company's website.

The above measures will provide shareholders with the latest development of the Group as well as the residential, commercial and logistics property industry.

Constitutional documents

The special resolution regarding the amendments to the Bye-laws had been passed by the shareholders of the Company at the AGM held on 29 June 2012. There was no change to the Company's Memorandum of Association and Bye-laws during the year ended 31 December 2016. An updated consolidated version of the Memorandum of Association and Bye-Laws is available on both the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Board presents its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 1 to the financial statements. The Group is principally engaged in the investment, development and operation of logistics infrastructure facilities. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 67 to 167. The Board does not recommend the payment of any dividend for the year.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 9 to 11 of this Annual Report. The financial risk management objectives and policies of the Group can be found in the note 48 to the financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2016 are provided in the note 49 to the financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the management discussion and analysis on pages 12 to 28. In addition, discussions on the Group's environmental policies, relationship with its key stakeholders, key risks and uncertainties and compliance with relevant laws and regulations which have a significant impact on the group are contained in the Report of The Directors on pages 40 to 60 of this Annual Report.

ENVIRONMENTAL POLICY

The Group believes that sustainable development is an integral part of our business. We aim at creating long-term values for our stakeholders and contributing to the society by carrying out our business in a socially responsible way. The Group is committed to support the environmental sustainability and comply with PRC national, provincial and municipal governments' environmental protection laws and regulations. These include regulations on air pollution and discharge of waste and water into the environment. The Company is also dedicated to promote energy conservation and responding proactively to climatic changes, so as to facilitate efficient use of energy by taking several measures including constantly carries out internal recycling measures in terms of its consumables (e.g. Toner cartridge and paper) and implementing energy-saving policies to reduce electricity consumption, in order to lessen the impact on environment from operating activities to achieve the target of sustainable development.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulation by our Group that has a significant impact on the business and operations of our Group.

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognizes that our employees, customers, suppliers and business partners are keys to its sustainable development. The Group is committed to establish a close and caring relationship with its employees, provides competitive remuneration package to attract and motive the employees, and regularly reviews the remuneration package in order to make necessary adjustments to conform to the market standard. The selection of major suppliers or contractors is conducted through procurement assessment or tendering process and regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner. The Group is committed to provide quality of service to satisfy needs and requirements of our customers and enhance cooperation with its business partners by ongoing communication in a proactive and effective manner.

KEY RISKS AND UNCERTAINTIES

The Group primarily leases the warehouse facilities to customers including both logistics companies and companies with significant storage requirements such as e-commerce business operators and freight forwarders. The business and prospects depend heavily on the storage requirements of its customers, which are in turn affected by the activity levels of domestic consumption and cross border trading. The global economic condition was complicated. The economic growth in China has comparatively slowed down under downward pressure, it could have a significant impact on the customers' businesses and affect the demand for warehouse facilities in China. Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy level, or difficulties in securing lease renewals or obtaining new tenants. The Group cannot be assured that existing tenants will renew their lease upon expiration or that the Group will be able to find replacement tenants, or even replacement tenants are found, they will accept rental rates equal to or above the current rental rates for tenancies.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the year ended 31 December 2016 are set out on page 170. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 12 and 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 168.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 35, 36 and 29 to the financial statements.

DEBENTURE ISSUED

As at 31 December 2016, the outstanding principle amounts of bonds guaranteed by the Company and issued by a wholly-owned subsidiary of the Company was US$300,000,000, with maturity date on 18 November 2018 and fixed interest rate at 5.5% per annum. The reason for issuance of the bond is used for the Group's general corporate purposes. Further details of the bond is included in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 51 and 37 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserves (including contributed surplus, financial assets revaluation reserve and retained profits) available for distribution to shareholders amounted to HK$282,567,000.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus account in the amount of HK$423,880,000 as at 31 December 2016, is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of this reserve if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In addition, the Company's share premium account, in the amount of HK$1,705,102,000, as at 31 December 2016 can be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 21.45% of the Group's revenue for the year and revenue from the largest customer accounted for 5.79% of the Group's revenue for the year. Purchase from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:

Mr. Qian Xu *(Chairman and Chief Executive Officer)*
Mr. Hu Yebi *(Vice-chairman)*
Mr. Siu Kin Wai *(President)*
Mr. Zhao Jiansuo
Mr. Li Shuping
Mr. Wan Lee Cham *(Chief Financial Officer)*
Mr. Dong Qilin *(Chief Operating Officer)*
Mr. Li Changfeng
Mr. Yu Luning
Mr. Ang Renyi
Mr. Yu Li (resigned on 27 June 2016)
Mr. Jiang Xinhao (resigned on 13 June 2016)

Independent non-executive directors ("INEDs"):

Mr. Goh Gen Cheung
Mr. Zhu Wuxiang
Mr. James Chan
Mr. Song Lishui
Mr. Chan Yuk Cheung

In accordance with bye-law 111(A) and 114 of the Company's bye-laws, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Song Lishui, Mr. Chan Yuk Cheung, Mr. Dong Qilin, Mr. Wan Lee Cham, Mr. Zhao Jiansuo, Mr. Li Changfeng and Mr. Li Shuping shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from all INEDs and as at the date of this report all of them are still considered to be independent.

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

Information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out as follows:

REPORT OF THE DIRECTORS

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION (Continued)

Mr. Jiang Xinhao resigned as an executive director of the Company, the member of investment and risk management committee, and re-designated as the Company's consultant with effect from 13 June 2016.

Mr. Yu Li resigned as the vice-chairman and an executive director of the Company, and re-designated as the Company's consultant with effect from 27 June 2016.

Mr. Qian Xu was appointed as the chairman of the Company with effect from 27 June 2016.

Mr. Hu Yebi was appointed as the vice-chairman of the Company with effect from 27 June 2016.

Mr. Siu Kin Wai resigned as chief financial officer and company secretary of the Company, and was appointed as the president of the Company with effect form 27 June 2016.

Mr. Wan Lee Cham was appointed as an executive director and chief financial officer of the Company with effect from 27 June 2016.

Mr. Dong Qilin was appointed as an executive director and chief operating officer of the Company with effect from 27 June 2016.

Mr. Zhao Jiansuo and Mr. Li Changfeng were appointed as the executive directors of the Company with effect from 27 June 2016.

Mr. Li Shuping was appointed as an executive director of the Company with effect from 5 December 2016.

CHANGES IN DIRECTORS' INFORMATION

Mr. Hu Yebi was appointed as the vice-chairman and executive director of China Healthwise Holdings Limited (SEHK stock code: 348) with effect from 5 October 2016 and Mr. Hu has resigned as the executive director of Tai United Holdings Limited (SEHK stock code: 718) with effect from 28 October 2016.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on pages 4 to 8 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Mr. Goh Gen Cheung, Mr. Zhu Wuxiang, Mr. James Chan, Mr. Song Lishui and Mr. Chan Yuk Cheung, INEDs of the Company, had entered into service agreements with the Company for a term of three years commencing on 1 May 2016, 1 January 2017, 3 June 2014, 3 December 2014 and 3 December 2014, respectively, until terminated by either party thereto giving to the other not less than three months' notice in writing.

Except for the above, no Director 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' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings, other emoluments of the Directors are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's directors' remuneration are set out on pages 111 to 113 of this annual report.

Further details of the Company's remuneration committee are set out in the corporate governance report on page 35 of this annual report.

EMOLUMENT POLICY

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

The Company has adopted a share option scheme as incentives to Directors and eligible persons, details of the scheme is set out in note 36 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions as disclosed in the sections headed "Related Party Transactions" and "Connected Transactions and Continuing Connected Transactions" below, there were no other transactions, arrangements or contracts of significance to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, Messrs. Qian Xu, Zhao Jiansuo and Li Shuping, being the Directors, were also directors of BE Real Estate, which engages in business of property investment and development, and they were considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group.

As the Board is independent of the board of the aforesaid company and maintains five independent non-executive Directors, the Group operates its businesses independently of, and at arm's length from, the business of the aforesaid company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2016, the interests and short positions of the Directors and the chief executive 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 SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in the ordinary shares of the Company:

Name of Director	Nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital (%)
Mr. Yu Luning	Beneficial owner	9,690,000	0.143
Mr. Hu Yebi	Controlled corporation	7,000,000	0.103
		16,690,000	0.246

Long position in underlying shares of the Company:

The interests of the Directors and chief executives in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executives had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and Directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The Directors of the Company may, at their discretion, invite employees (including executive Directors) and non-executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The exercise price of the share options is subject to adjustment in case of right or bonus issues, or other similar changes in the Company's share capital. Further details of the Scheme are disclosed in note 36 to the financial statements.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options outstanding during the year ended 31 December 2016 as follows:

Name or category of participant	Number of share options: At 1 January 2016	Granted during the year (Note 2)	Exercised during the year (Note 2)	Cancelled during the year	At 31 December 2016	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share (Note 1)
Directors:								
Mr. Qian Xu	6,000,000	–	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	6,000,000	–	–	–	6,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	10,000,000	–	–	–	10,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	9,000,000	–	–	–	9,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	4,000,000	–	–	–	4,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	5,000,000	–	–	–	5,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	40,000,000	–	–	–	40,000,000			
Mr. Siu Kin Wai	5,000,000	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	5,000,000	–	–	–	5,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	3,000,000	–	–	–	3,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	4,000,000	–	–	–	4,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	28,000,000	–	–	–	28,000,000			
Mr. Zhao Jiansuo	1,500,000	–	–	–	1,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	3,200,000	–	–	–	3,200,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	4,700,000	–	–	–	4,700,000			
Mr. Li Shuping	1,500,000	–	–	–	1,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,500,000	–	–	–	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	4,000,000	–	–	–	4,000,000			
Mr. Wan Lee Cham	2,500,000	–	–	–	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,000,000	–	–	–	2,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	5,500,000	–	–	–	5,500,000			
Mr. Dong Qilin	3,000,000	–	–	–	3,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	3,300,000	–	–	–	3,300,000	24-May-13	24-May-13 to 23-May-23	0.574
	3,500,000	–	–	–	3,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	2,000,000	–	–	–	2,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,500,000	–	–	–	2,500,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	19,300,000	–	–	–	19,300,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options: At 1 January 2016	Granted during the year (Note 2)	Exercised during the year (Note 2)	Cancelled during the year	At 31 December 2016	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share (Note 1)
Mr. Li Changfeng	2,500,000	–	–	–	2,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	3,300,000	–	–	–	3,300,000	24-May-13	24-May-13 to 23-May-23	0.574
	3,500,000	–	–	–	3,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	2,000,000	–	–	–	2,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,500,000	–	–	–	2,500,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	18,800,000	–	–	–	18,800,000			
Mr. Yu Luning	5,000,000	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	4,000,000	–	–	–	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	4,000,000	–	–	–	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	3,000,000	–	–	–	3,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	22,000,000	–	–	–	22,000,000			
Mr. Ang Renyi	4,000,000	–	–	–	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	3,000,000	–	–	–	3,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	8,000,000	–	–	–	8,000,000			
Mr. Goh Gen Cheung	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	1,837,700	–	–	–	1,837,700	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	8,337,700	–	–	–	8,337,700			
Mr. Zhu Wuxiang	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	6,500,000	–	–	–	6,500,000			
Mr. James Chan	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	6,500,000	–	–	–	6,500,000			
Mr. Song Lishui	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
Mr. Chan Yuk Cheung	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options: At 1 January 2016	Granted during the year (Note 2)	Exercised during the year (Note 2)	Cancelled during the year	At 31 December 2016	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share (Note 1)
Mr. Yu Li*	6,000,000	–	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	4,250,000	–	–	–	4,250,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	11,000,000	–	–	–	11,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	9,000,000	–	–	–	9,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	4,000,000	–	–	–	4,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	5,000,000	–	–	–	5,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	39,250,000	–	–	–	39,250,000			
Mr. Jiang Xinhao**	5,000,000	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	3,300,000	–	–	–	3,300,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	4,000,000	–	–	–	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	2,000,000	–	–	–	2,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	3,000,000	–	–	–	3,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	23,300,000	–	–	–	23,300,000			
Other employees and consultants in aggregate:	147,500,000	–	–	–	147,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	250,725,400	–	–	–	250,725,400	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	120,400,000	–	–	–	120,400,000	24-May-13	24-May-13 to 23-May-23	0.574
	138,500,000	–	–	–	138,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	20,000,000	–	–	–	20,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	49,000,000	–	–	–	49,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	726,125,400	–	–	–	726,125,400			
	962,313,100	–	–	–	962,313,100			

Notes:

* Mr. Yu Li has been re-designated as the Company's consultant upon his resignation form executive director on 27 June 2016.

** Mr. Jiang Xinhao has been re-designated as the Company's consultant upon his resignation form executive director on 13 June 2016.

Notes:

1. The share options have no vesting period and the exercise price is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

2. Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the scheme during the year ended 31 December 2016.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executives' interests and short positions in shares and underlying shares" and "Share option scheme", at no time during the year ended 31 December 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

At 31 December 2016, so far as was known to the Directors or chief executive of the following persons (not being Directors or chief executive of the Company) had, an 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:

Long positions in shares and underlying shares of the Company:

		Number of shares held, capacity and nature of interest		Number of underlying shares held, capacity and nature of interest			
Name	Notes	Directly beneficially owned	Through a controlled corporation	Directly beneficially owned	Through a controlled corporation	Total	Approximate percentage of the Company's issued share capital (%)
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	23.02%
Beijing Enterprises Real Estate (HK) Limited	(b)	2,420,462,407	1,557,792,500	–	–	3,978,254,907	58.79%
北京北控置業有限責任公司 (Beijing Enterprises Group Real-Estate Co., Ltd.)	(c)	–	3,978,254,907	–	–	3,978,254,907	58.79%
Illumination Holdings Limited	(d)	87,451,458	–	–	–	87,451,458	1.29%
Beijing Holdings Limited	(e)	487,166,195	87,451,458	–	–	574,617,653	8.49%
Beijing Enterprises Group Company Limited	(f)	–	4,552,872,600	–	–	4,552,872,600	67.28%
Thular Limited	(g)	354,400,000	–	–	–	354,400,000	5.24%
Kerry Holdings Limited	(g)	–	354,400,000	–	–	354,400,000	5.24%
Kerry Group Limited	(g)	–	354,400,000	–	–	354,400,000	5.24%
PA Broad Opportunity VI Limited	(h)	–	–	838,573,244	–	838,573,244	12.39%
Pacific Alliance Asia Opportunity Fund L.P.	(h)	–	–	–	838,573,244	838,573,244	12.39%
Pacific Alliance Group Asset Management Limited	(h)	–	–	–	838,573,244	838,573,244	12.39%
Pacific Alliance Group Limited	(h)	–	–	–	838,573,244	838,573,244	12.39%
Pacific Alliance Investment Management Limited	(h)	–	–	–	838,573,244	838,573,244	12.39%
PAG Holdings Limited	(h)	–	–	–	838,573,244	838,573,244	12.39%

REPORT OF THE DIRECTORS

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

Notes:

(a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 Shares.

(b) Beijing Enterprises Real Estate (HK) Limited ("BEREHK") (i) holds 2,420,462,407 Shares; and (ii) is deemed to be interested in the 1,557,792,500 Shares of Brilliant Bright by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.

(c) BEREHK is a wholly-owned subsidiary of BE Real Estate. BE Real Estate is deemed to be interested in the Shares which BEREHK is interested in.

(d) Illumination Holdings Limited ("Illumination") holds 87,451,458 Shares.

(e) Beijing Holdings Limited ("BHL") (i) holds 487,166,195 shares; and (ii) is deemed to be interested in the 87,451,458 Shares of Illumination by virtue of its controlling interests in its wholly-owned subsidiary, Illumination. BHL is deemed to be interested in the Shares which Illumination is interested in.

(f) BE Real Estate and BHL are wholly-owned subsidiaries of BE Group. BE Group is deemed to be interested in the Shares which BE Real Estate and BHL are interested in.

(g) Thular Limited ("Thular") (formerly known as Timekey Limited) is the beneficial owner of 354,400,000 Shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the Shares held by Thular.

(h) PA Broad Opportunity VI Limited holds 838,573,244 underlying shares through its ownerships in the convertible bonds with principal amount of RMB490,510,000 (equivalent to approximately US$80,000,000) of the Company which are convertible at HK$0.74 per Share.

Save as disclosed above, as at 31 December 2016, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and at arm's length basis. Certain transactions set out in note 45 to the financial statements are connected transactions as defined under the Listing Rules and were complied and exempt with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.45 of the Listing Rules are provided in the paragraph headed "Connected Transactions" as identified below.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

a) On 23 May 2016, China Hui Ying Food (Holdings) Co. Ltd. ("Hui Ying Food") (a wholly-owned subsidiary of the Company), Maple Garden Group Limited ("Maple Garden") and China Hui Ying Cold Chain (Holdings) Co., Limited ("Hui Ying Cold Chain") entered into the share transfer and termination agreement. Hui Ying Food agrees to purchase, and the Maple Garden agrees to sell, the sale shares, representing 49% of the issued share capital of Hui Ying Cold Chain at a consideration of US$14,948,076.63. In addition, Hui Ying Food, Maple Garden and Hui Ying Cold Chain also agreed to terminate the shareholders and subscription agreement in its entirety, effective as upon completion. It becomes a connected transaction due to Mr. Ang Renyi is an executive Director, while Maple Garden is 50% indirectly owned by Mr. Ang Renyi and is a substantial shareholder of Hui Ying Cold Chain (a non-wholly-owned subsidiary of the Company as at the date of the transaction). Therefore, Maple Garden is an associate of Mr. Ang Renyi and a connected person of the Company. The acquisition constitutes a connected transaction of the Company which are subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules. Further details of the acquisition were set out in the Company's announcements dated 23 May 2016.

b) On 23 May 2016, Transwealth Logistics (a 70% owned subsidiary of the Company) entered into the agreement with Tianjin Wanshilong Group Co.,Ltd. ("Tianjin WSL") for the successful introduction of tenant to the Group in relation to the logistics project. Under the agreement, Transwealth Logistics has agreed to pay Tianjin WSL a total fee of RMB896,442 for successfully procuring a tenant to enter into tenancy agreements with Transwealth Logistics. It becomes a connected transaction due to Tianjin WSL is a substantial shareholder of Transwealth Logistics and Transwealth Logistics is a subsidiary of the Company. Therefore, Tianjin WSL and its associates, are connected persons of the Company (at the subsidiary level). The agreement constitute connected transaction of the Company which are subject to reporting and announcement requirements, but is exempt from circular, independent financial advice and shareholders' approval under Chapter 14A of the Listing Rules. Further details of the acquisition were set out in the Company's announcements dated 23 May 2016.

c) On 10 June 2016, On Mega Limited ("On Mega") (an indirect wholly-owned subsidiary of the Company), Tianjin Zhongyu and the two original shareholders of Tianjin Zhongyu entered into the agreement on profit sharing of Tianjin Zhongyu. It becomes a connected transaction due to Tianjin Zhongyu is a subsidiary of the Company and the two original shareholders of Tianjin Zhongyu are substantial shareholders of it. Therefore, the original shareholders are connected person of the Company (at the subsidiary level). The agreement constitute connected transaction of the Company which are subject to reporting and announcement requirements, but is exempt from circular, independent financial advice and shareholder's approval requirements under Chapter 14A of the Listing Rules. Further details of the acquisition were set out in the Company's announcements dated 10 June 2016.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Connected transactions (Continued)

d) On 4 July 2016, Radiant Sky Investments Co., Ltd. ("Radiant Sky") (an indirect wholly-owned subsidiary of the Company), entered into the sale and purchase agreement with Mr. Chan Yuk Cheung and Zhong Jian Jin Bian Jing Ji Te Qu Ltd. ("Zhong Jian Jin Bian Jing Ji Te Qu"). Radiant Sky has conditionally agreed to acquire and accept the assignment of, and Mr. Chan Yuk Cheung has conditionally agreed to sell and assign, the sale shares and the sale loan, respectively, at the consideration of US$178,581,495. On 29 November 2016, Radiant Sky entered into a supplemental deed to the sale and purchase agreement with Mr. Chan Yuk Cheung and Zhong Jian Jin Bian Jing Ji Te Qu to supplement and amend the terms of the sale and purchase agreement, in which the consideration for the sale shares and the sale loan was adjusted to US$201,711,657, having accounted for the additional land purchase price. It becomes a connected transaction due to Mr. Chan Yuk Cheung is an independent non-executive director of the Company and is therefore a connected person of the Company. The agreement constitute connected transaction of the Company which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details of the transaction were set out in the Company's circular dated 9 March 2017.

e) On 16 August 2016, Bellomonte Investments Company Limited ("BICL") (a wholly owned subsidiary of the Company), entered into the acquisition agreement with BEREHK. BICL has agreed to purchase the entire issued capital of Bellomonte Limited ("Bellomonte") for a total consideration of US$3,000,000 upon Completion. It becomes a connected transaction due to BE Group is the controlling shareholder of the Company and BEREHK is a wholly-owned subsidiary of BE Group. Therefore, BEREHK is a connected person of the Company. The acquisition constitutes a connected transaction of the Company which is subject to the reporting, announcement, circular and independent shareholder's approval requirement under Chapter 14A and 14 of the Listing Rules. Further details of the acquisition were set out in the Company's announcements dated 16 August 2016, 23 August 2016 and 30 December 2016.

   As at the date of this annual report, the above transactions as mentioned in (d) and (e) has not been completed.

Continuing connected transactions

The Group had the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year:

a) On 29 June 2015, the Company entered into the deposit services master agreement (the "Deposit Services Master Agreement") with Beijing Enterprises Group Finance Co., Ltd. ("BG Finance"), pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. The Deposit Services Master Agreement is therefore expected not only to provide the Group with a new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. The Group also expects to be in a better position to manage the security of its funds since BG Finance is not considered to be exposed to any significant capital risk. The annual cap for each of the three years ending 31 December 2015, 2016 and 2017 is HK$250 million.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

a) (Continued)

The rate at which interest will accrue on any deposit placed by the Group with BG Finance under the Deposit Services Master Agreement will not be lower than the following:

i. the minimum interest rate prescribed by the People's Bank of China for the same type of deposits at the same period;

ii. the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits at the same period; and

iii. the interest rates offered by BG Finance to other members of Beijing Enterprises Group Company Limited for the same type of deposits.

Each of BE Group and Beijing Enterprises Holdings Limited ("BEHL") is a connected person of the Company under the Listing Rules by virtue of each being a substantial shareholder of the Company. As each of BE Group and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance is an associate of each of BE Group and BEHL.

The Company's ultimate controlling shareholder BE Group owns not less than 30% equity interest in BG Finance, BG Finance is an associate of BE Group and is therefore a connected person of the Company. The entering into of the Deposit Services Master Agreement constitute continuing connected transactions of the Company which is subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the annual cap. Further details of the transaction were set out in the Company's announcement dated 29 June 2015.

b) On 18 November 2015, Tianjin Zhongyu entered into the entrusted operation management agreement with 天津中盈冷鏈物流有限公司 ("Tianjin Zhongying"), pursuant to which the provision of operation management services by Tianjin Zhongying to Tianjin Zhongyu in respect of the property, including two cold warehouses with mechanical facilities compartment, one office building and car park, of a total land area of 66,000 m^2. The annual cap for the continuing connected transactions contemplated under the entrusted operational management agreement is RMB4,200,000 which is the annual management fee payable. Tianjin Zhongyu is held as to 60% indirectly by the Company, 20% by Zhang Junqing and 20% by Zhang Guoqing. Tianjin Zhongying is owned by two shareholders, namely, Zhang Junqing (55% equity interest) and Zhang Guoqing (45% equity interest). Therefore, Tianjin Zhongying is an associate of Zhang Junqing and Zhang Guoqing and is a connected person of the Company. Accordingly, the transactions contemplated under the entrusted operation management agreement constitute continuing connected transactions of the Company which is subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the annual cap. Further details of the transaction were set out in the Company's announcement dated 18 November 2015.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

c) On 1 August 2016, WSL Logistics, a non-wholly owned subsidiary of the Company, entered into tenancy agreements with 天津萬士隆集團有限公司 ("Tianjin WSL"), 天津萬士隆物業管理有限公司 ("Tianjin WSL Estate Management"), 天津萬士隆文檔管理服務有限公司 ("Tianjin WSL File Management"), 天津君融實業有限公司 ("Tianjin Junrong") and 天津萬士隆貨運有限公司 ("Tianjin WSL Huoyun"). WSL Logistics is held as to 70% indirectly by the Company and 30% by Tianjin WSL. Each Tianjin Junrong, Tianjin WSL File Management and Tianjin WSL Estate Management is a wholly owned subsidiary of Tianjin WSL. Tianjin WSL Huoyun is held as to 30% by Tianjin WSL. Therefore, each Tianjin Junrong, Tianjin WSL File Management, Tianjin WSL Estate Management and Tianjin WSL Huoyun is an associate of Tianjin WSL, which in turn is a connected person of the Company.

Details of the tenancy agreements are as follows:

Tenant	Premises	Approximate area	Rental income for the year ended 31 December 2016	Annual Cap
1. Tianjin WSL	Office at Zone E1-101 of the Customs Warehouse, Tianjin, PRC	339.29 square metres	RMB92,880	RMB222,914
2. Tianjin Junrong	Office at Zone E2-102 of the Customs Warehouse, Tianjin, PRC	156.84 square metres	RMB42,935	RMB103,044
	Office at Zone E2-101-1 and E2-101-2 of the Customs Warehouse, Tianjin, PRC	96.86 square metres	RMB26,515	RMB63,637
3. Tianjin WSL Huoyun	Office at Zone C 2/F-C100 of the Customs Warehouse, Tianjin, PRC	221.82 square metres	RMB60,723	RMB160,674
	Warehouse at Zone B6 of the Customs Warehouse, Tianjin, PRC	587.22 square metres	RMB142,980	RMB378,088
4. Tianjin WSL File Management	Warehouse at Zone A16 of the Customs Warehouse, Tianjin, PRC	601.5 square metres	RMB91,478	RMB242,051
	Office at Zone E2-101 of the Customs Warehouse, Tianjin, PRC	85.59 square metres	RMB23,431	RMB61,996

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

c) (Continued)

On 1 August 2016, pursuant to a management service agreement entered into between WSL Logistics and Tianjin WSL Estate Management, WSL Logistics acquired estate management services from Tianjin WSL Estate Management. During the year ended 31 December 2016, the management fee expense was RMB117,924.

On 20 November 2014, Transwealth Logistics and Tianjin WSL Estate Management entered into the Phase I property management services agreement in respect of the property comprising warehouses and office located at No. 1 Road, Second Avenue, Tianjin Airport International Logistics Zone, the PRC. During the year ended 31 December 2016, the management fee expense was RMB178,616.

On 30 November 2016, Transwealth Logistics and Tianjin WSL Estate Management entered into the phase II property management services agreement in respect of the property comprising warehouses and offices located at No. 1 Road, Second Avenue, Tianjin Airport International Logistics Zone, the PRC. During the year ended 31 December 2016, the management fee expense was RMB39,308.

The conclusion of the above tenancy agreements and property management services agreements constitute continuing connected transactions of the Company which is subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the annual cap.

Further details of the tenancy agreements and property management services agreements were set out in the Company's announcements dated 15 January 2015, 1 August 2016 and 30 November 2016.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

The Directors of the Company confirmed that the Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The INEDs of the Company had reviewed these continuing connected transactions and confirmed that these continuing connected transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of these continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

PERMITTED INDEMNITY PROVISION

The bye-laws provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

DONATIONS

The Group's charitable donations during the year amounted to HK$10,000.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme as disclosed above, the convertible bonds as disclosed in note 29 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2016 or subsisted at the end of the year.

REPORT OF THE DIRECTORS

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount	Final Maturity	Specific performance obligations
24 January 2014	Subscription agreement for issuance of convertible bonds	RMB490.51 million	February 2019	Note 2
12 November 2015	Subscription agreement for issuance of bonds	USD300 million	November 2018	Note 1
25 August 2016	Team loan facility with a bank	HKD750 million	August 2018	Note 1
2 March 2017	Subscription agreement for issuance of bonds	USD300 million	March 2020	Note 1

Notes:

1. The Company undertakes to the bank(s) that the borrower (which is a subsidiary of the Company) will procure BE Group to continue to beneficially own (directly or indirectly) at least 40% of the entire issued share capital of the Company. If the borrower fails to perform or comply with this, the bank is entitled to require, by written notice to the Company, to cure such default within the time specified by the banks. If the Company does not remedy such failure to the bank's satisfaction, the bank is entitled to (a) declare the loan under the Agreement(s), accrued interest and all other sums payable under the Agreement(s) immediately due and payable; and (b) declare the loan facility terminated whereupon the obligation of the bank to make any advance under the loan facility shall immediately cease.

2. The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality does not, directly or indirectly, through BE Group or other companies under its supervision and control, holds at least 40% of the Company's issued and outstanding capital stock or does not control the Company. If the Company fails to perform or comply with this, the holder(s) of the convertible bonds will have the right at such holder's option, to require the Company to redeem all or some only of such holder's convertible bonds of their early redemption amount together with any interest accrued but unpaid to such date.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period of the Group are set out in note 49 to the financial statements.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the Board of the Company, the Company had complied with all code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules during the financial year ended 31 December 2016 and up to the date of publication of this annual report, except as disclosed in the Corporate Governance Report.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of securities transactions of the directors. Having made specific enquiry of all directors, the Company has confirmed that all directors have complied with the required standards set out in the Model Code and its code of conduct regarding director's securities transaction during the year ended 31 December 2016.

AUDITOR

Ernst & Young retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2016 were approved by the Board on 29 March 2017.

ON BEHALF OF THE BOARD
Qian Xu
Chairman

Hong Kong
29 March 2017

INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Beijing Properties (Holdings) Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 167, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties At 31 December 2016, the Group had investment properties with a total carrying amount of HK$6,126,836,000, which represented 52.3% of the total assets of the Group as at that date. These properties were mainly located in the People's Republic of China ("PRC") and are either leased to third parties or under construction. The Group adopts the fair value model to measure its investment properties in accordance with Hong Kong Accounting Standard ("HKAS") 40 *Investment Property* and engaged an independent professional valuer to perform fair value valuations of all its investment properties. The fair value valuations of the investment properties involve significant judgments and estimation. The significant accounting judgements and estimates and disclosures for fair value measurement of investment properties are included in notes 3 and 13 to the financial statements, respectively.	We evaluated the objectivity, independence and competence of the external valuer. We reviewed the data used as inputs for the valuations and also involved our internal valuation experts to assist us in evaluating the valuation methodology adopted and performing market value benchmarking against comparable properties on a sample basis. Finally, we assessed the adequacy of the related disclosures in the notes to the financial statements.
Purchase price allocation of business combinations During the year, the Group completed the acquisition of 80%, 80%, 60% and 80% equity interests in 廈門遜達洪通倉儲有限公司, 青島京昌順食品有限公司, 眉山遜達洪通倉儲有限責任公司 and 海南遜達倉儲有限責任公司 (collectively, the "Acquisitions"), respectively, which all engage in warehouse operations in the PRC. The management performed purchase price allocations in respect of the Acquisitions with the assistance of an external valuer in determining the fair value of the assets acquired and liabilities assumed at the respective dates of acquisition. Significant judgements were required to determine the fair values of the assets acquired and liabilities assumed which would have an impact on the purchase price allocations. The significant accounting judgements and estimates and disclosures for the business combinations are included in notes 3 and 39 to the financial statements, respectively.	We evaluated the objectivity, independence and competence of the external valuer. In evaluating the Group's purchase price allocations for the Acquisitions, we involved our internal valuation experts to assist us in the identification and valuation of the assets acquired and liabilities assumed against available market data, in particular, the acquired buildings and investment properties. Finally, we assessed the adequacy of the related disclosures in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter (Continued)

Impairment testing of goodwill

Goodwill carried in the Group's consolidation statement of financial position as at 31 December 2016 amounted to HK$142,609,000. In accordance with HKAS 36 *Impairment of Assets*, the Group is required to test goodwill for impairment at least on an annual basis.

In this regard, the Group performed an impairment test on its goodwill by estimating the fair value less costs of disposal of the relevant cash-generating units to which the goodwill has been allocated, using the direct comparison method or discounted cash flow method, and compared with the respective carrying values of the relevant cash-generating units. This test is largely based on management expectations, assumptions and estimates of future results and cash flows of the relevant cash-generating units. The assumptions are affected by expectations of future market or economic conditions.

The significant accounting judgements and estimates and disclosures for the goodwill impairment testing are included in notes 3 and 15 to the financial statements, respectively.

How our audit addressed the key audit matter (Continued)

We reviewed management's assessment of the recoverable amounts. Our procedures included examining and recalculating management's discounted cash flow projections and other bases for the determination of the fair value less costs of disposal; we involved our internal valuation experts to assist us in evaluating the methodology adopted for the impairment test and the discount rate used in the fair value less costs of disposal calculation prepared by the management and reviewing key assumptions by checking to the accuracy of previous forecasts and comparing them with current performance and obtaining corroborative evidence to support the assumptions. Finally, we assessed the adequacy of the related disclosures in notes to the financial statements.

Provision for compensation

The Group recorded a provision for resettlement compensations of RMB199,045,000 (equivalent to approximately HK$222,174,000) payable to certain indigenous properties owners and tenants affected by the construction works of a shopping mall of the Group in Guangzhou undertaken by a subsidiary in prior years. Estimating the compensation payable is complex and judgemental and the amount involved is material to the financial statements.

The significant accounting judgements and estimates and disclosures for the provision for compensation are included in notes 3 and 31 to the financial statements, respectively.

We assessed the methodology and assumptions adopted by the management and data used as inputs for the estimation of the probable compensation liabilities by checking to the results of historical lawsuits, latest negotiations between local government authorities and certain indigenous properties owners and tenants and relevant rules and law. We also made reference to a legal letter from an independent professional legal counsel and any additional court verdicts of litigations against the Group in connection with the resettlement in assessing the adequacy of the provision made by the Group. Finally, we assessed the adequacy of the related disclosures in notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is CHENG, Man.

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000 (Restated)
REVENUE	*5*	**317,966**	296,572
Cost of sales and services		**(64,156)**	(65,211)
Gross profit		**253,810**	231,361
Fair value gain of investment properties, net	*13*	**80,819**	99,344
Gain on bargain purchase of a subsidiary	*39*	**12,372**	–
Gain on disposal of subsidiaries	*40*	**–**	202,241
Gain on disposal of an associate		**–**	174,335
Gain on deemed disposal of a partial interest in an associate		**–**	46,593
Other income and gains	*5*	**67,183**	48,091
Selling and distribution expenses		**(18,679)**	(17,555)
Administrative expenses		**(162,751)**	(191,747)
Reversal of provision/(provision) for compensation, net	*31*	**250,720**	(12,394)
Other expenses		**(18,969)**	(64,681)
Finance costs	*6*	**(304,879)**	(178,850)
Share of profits and losses of:			
A joint venture	*16(b)*	**12,255**	4,676
An associate		**–**	(381)
PROFIT BEFORE TAX	*7*	**171,881**	341,033
Income tax	*10*	**(47,783)**	(67,118)
PROFIT FOR THE YEAR		**124,098**	273,915
Attributable to:			
Shareholders of the Company		**115,375**	276,786
Non-controlling interests		**8,723**	(2,871)
		124,098	273,915
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*11*		
Basic		**HK1.71 cents**	HK4.09 cents
Diluted		**HK1.71 cents**	HK4.07 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000 (Restated)
PROFIT FOR THE YEAR		**124,098**	273,915
OTHER COMPREHENSIVE LOSS			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Exchange differences:			
Translation of foreign operations		**(381,862)**	(184,101)
Reclassification adjustments upon			
– disposal of subsidiaries	40	**–**	2,343
– disposal of an associate		**–**	19,348
– Share of other comprehensive loss of:			
A joint venture		**(46,562)**	(20,021)
An associate		**–**	(20,512)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(428,424)**	(202,943)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
– Equity investments designated as fair value through other comprehensive income:			
Changes in fair value, net of income tax of nil	17	**(258,087)**	(46,682)
– Actuarial gains/(losses) of defined benefit plans	33(b)	**659**	(1,909)
– Share of other comprehensive income of a joint venture		**88,386**	–
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(169,042)**	(48,591)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX OF NIL		**(597,466)**	(251,534)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(473,368)**	22,381
Attributable to:			
Shareholders of the Company		**(446,684)**	30,523
Non-controlling interests		**(26,684)**	(8,142)
		(473,368)	22,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**873,838**	946,002
Investment properties	13	**6,126,836**	5,016,741
Prepaid land lease payments	14	**23,976**	19,763
Goodwill	15	**142,609**	62,769
Investment in a joint venture	16	**766,995**	526,430
Equity investments at fair value through other comprehensive income	17	**481,982**	740,069
Deposits paid for acquisitions of businesses	18	**150,887**	186,482
Deposits paid for acquisitions of investment properties		**17,267**	11,932
Prepayments, deposits and other receivables	22	**2,434**	5,860
Total non-current assets		**8,586,824**	7,516,048
CURRENT ASSETS			
Properties held for sale	19	**90,618**	96,932
Inventories	20	**1,462**	1,015
Trade receivables	21	**26,455**	14,979
Prepayments, deposits and other receivables	22	**106,569**	228,447
Due from a joint venture	16	**239,295**	252,962
Due from related companies	23	**417**	736
Restricted cash	24	**23,269**	277,682
Cash and cash equivalents	24	**2,643,555**	3,077,743
Total current assets		**3,131,640**	3,950,496
CURRENT LIABILITIES			
Trade payables	25	**213,543**	141,150
Other payables and accruals	26	**344,199**	294,268
Due to related companies	23	**32,339**	634
Bank borrowings	27	**234,223**	1,807,907
Redeemable and convertible equity instruments	28	**–**	609,725
Convertible bonds	29	**429,803**	–
Income tax payables		**39,739**	27,755
Provision for compensation	31	**222,174**	497,329
Total current liabilities		**1,516,020**	3,378,768
NET CURRENT ASSETS		**1,615,620**	571,728
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,202,444**	8,087,776

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Due to related companies	23	**31,486**	32,160
Bank borrowings	27	**2,062,263**	224,322
Convertible bonds	29	**–**	413,074
Guaranteed bonds	30	**2,281,437**	2,258,365
Derivative financial instrument	32	**54,120**	–
Defined benefit plans	33(b)	**15,535**	16,609
Deferred tax liabilities	34	**752,760**	682,562
Total non-current liabilities		**5,197,601**	3,627,092
Net assets		**5,004,843**	4,460,684
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	35	**676,659**	676,659
Reserves	37(a)	**2,983,931**	3,543,761
		3,660,590	4,220,420
Non-controlling interests		**1,344,253**	240,264
Total equity		**5,004,843**	4,460,684

Qian Xu
Director

Siu Kin Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

		Attributable to shareholders of the Company													
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000 (note 37(b))	Capital and other reserves HK$'000	Convertible bond equity reserve HK$'000	Financial asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserves HK$'000 (note 37(c))	Defined benefit plan reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling Interests HK$'000	Total equity HK$'000
At 1 January 2015		675,059	1,694,873	367,278	178,184	5,336	247,321	–	33,342	3,004	(1,737)	959,177	4,161,837	150,131	4,311,968
Profit for the year, as restated	2.2(a)(ii)	–	–	–	–	–	–	–	–	–	–	276,786	276,786	(2,871)	273,915
Other comprehensive income/(loss) for the year:															
– Equity investments at fair value through other comprehensive income:															
Changes in fair value, net of income tax of nil		–	–	–	–	–	–	(46,682)	–	–	–	–	(46,682)	–	(46,682)
– Exchange differences:															
Translation of foreign operations		–	–	–	–	–	–	–	(178,830)	–	–	–	(178,830)	(5,271)	(184,101)
Reclassification adjustments upon															
– disposal of subsidiaries		–	–	–	–	–	–	–	2,343	–	–	–	2,343	–	2,343
– disposal of an associate		–	–	–	–	–	–	–	19,348	–	–	–	19,348	–	19,348
– Share of other comprehensive loss of:															
A joint venture		–	–	–	–	–	–	–	(20,021)	–	–	–	(20,021)	–	(20,021)
An associate		–	–	–	–	–	–	–	(20,512)	–	–	–	(20,512)	–	(20,512)
– Actuarial losses of defined benefit plans		–	–	–	–	–	–	–	–	–	(1,909)	–	(1,909)	–	(1,909)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(46,682)	(197,672)	–	(1,909)	276,786	30,523	(8,142)	22,381
Issue of shares upon conversion of shares options	35	1,600	10,229	–	(4,011)	–	–	–	–	–	–	–	7,818	–	7,818
Disposal of subsidiaries	40	–	–	–	–	–	–	–	–	–	–	–	–	(18,320)	(18,320)
Contribution from a non-controlling equity holder of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	116,595	116,595
Equity-settled share option arrangements	36(a)	–	–	–	20,242	–	–	–	–	–	–	–	20,242	–	20,242
At 31 December 2015, as restated		676,659	1,705,102*	367,278*	194,415*	5,336*	247,321*	(46,682)*	(164,330)*	3,004*	(3,646)*	1,235,963*	4,220,420	240,264	4,460,684
At 1 January 2016:															
As previously reported		676,659	1,705,102	367,278	194,415	5,336	247,321	(28,350)	(164,330)	3,004	(3,646)	1,217,631	4,220,420	240,264	4,460,684
Prior year adjustment upon adoption of HKFRS 9	2.2(a)(ii)	–	–	–	–	–	–	(18,332)	–	–	–	18,332	–	–	–
As restated		676,659	1,705,102	367,278	194,415	5,336	247,321	(46,682)	(164,330)	3,004	(3,646)	1,235,963	4,220,420	240,264	4,460,684
Profit for the year		–	–	–	–	–	–	–	–	–	–	115,375	115,375	8,723	124,098
Other comprehensive income/ (loss) for the year:															
– Equity investments at fair value through other comprehensive income:															
Changes in fair value, net of income tax of nil		–	–	–	–	–	–	(258,087)	–	–	–	–	(258,087)	–	(258,087)
– Exchange differences:															
Translation of foreign operations		–	–	–	–	–	–	–	(328,131)	–	–	–	(328,131)	(53,731)	(381,862)
– Share of other comprehensive income/(loss) of a joint venture		–	–	–	–	57,451	–	–	(33,951)	–	–	–	23,500	18,324	41,824
– Actuarial gains of defined benefit plans		–	–	–	–	–	–	–	–	–	659	–	659	–	659
Total comprehensive income/(loss) for the year		–	–	–	–	57,451	–	(258,087)	(362,082)	–	659	115,375	(446,684)	(26,684)	(473,368)
Deemed disposal of a subsidiary without loss of control	28	–	–	–	–	(113,146)	–	–	–	–	–	–	(113,146)	1,081,616	968,470
Acquisition of the non-controlling interest of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(116,600)	(116,600)
Acquisition of subsidiaries	39	–	–	–	–	–	–	–	–	–	–	–	–	165,657	165,657
At 31 December 2016		676,659	1,705,102*	367,278*	194,415*	(50,359)*	247,321*	(304,769)*	(526,412)*	3,004*	(2,987)*	1,351,338*	3,660,590	1,344,253	5,004,843

* These reserve accounts comprise the consolidated reserves of HK$2,983,931,000 (2015: HK$3,543,761,000) in the consolidated statement of financial position as at 31 December 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**171,881**	341,033
Adjustments for:			
Gains on bargain purchases of a subsidiary	39	**(12,372)**	–
Bank interest income	5	**(32,686)**	(27,228)
Other interest income	5	**(10,741)**	(14,075)
Government grant	5	**(658)**	(1,397)
Fair value gain of investment properties, net	13	**(80,819)**	(99,344)
Fair value gain of a derivative financial instrument	5	**(13,468)**	–
Gain on disposal of subsidiaries	40	**–**	(202,241)
Gain on disposal of an associate		**–**	(174,335)
Gain on deemed disposal of a partial interest in an associate		**–**	(46,593)
Gain on disposal of a land use right	5	**(386)**	–
Loss on disposal of items of property, plant and equipment	7	**159**	41
Depreciation	12	**35,506**	37,175
Amortisation of prepaid land lease payments	14	**303**	3,095
Provision/(reversal of provision) for compensation, net	31	**(250,720)**	12,394
Equity-settled share option expense	36(a)	**–**	20,242
Cost of defined benefit plans	33(a)	**1,028**	814
Finance costs	6	**304,879**	178,850
Share of profit of a joint venture	16(b)	**(12,255)**	(4,676)
Share of loss of an associate		**–**	381
Operating profit before working capital changes		**99,651**	24,136
Decrease/(increase) in inventories		**(447)**	183
Increase in trade receivables		**(4,544)**	(2,064)
Decrease/(increase) in prepayments, deposits and other receivables		**2,705**	(21,319)
Increase in amounts due from related parties		**(674)**	–
Increase in trade payables		**15,444**	68,366
Increase/(decrease) in other payables and accruals		**(55,216)**	11,304
Decrease in defined benefit plans		**(421)**	(419)
Cash generated from operations		**56,498**	80,187
Mainland China income tax paid		**(12,610)**	(15,250)
Settlement for compensation	31	**(5,518)**	(4,955)
Net cash flows from operating activities		**38,370**	59,982

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	12	**(8,277)**	(16,219)
Acquisition of investment properties		**(392,948)**	(279,529)
Acquisition of a land use right		**(6,247)**	–
Acquisition of subsidiaries	39	**(287,017)**	–
Investment in a joint venture		**(186,486)**	(90,683)
Acquisition of an equity investment at fair value through other comprehensive income		**–**	(29,523)
Deposits paid for acquisitions of businesses		**(106,580)**	(186,482)
Deposit paid for acquisition of a land use right		**–**	(11,932)
Proceeds from disposal of items of property, plant and equipment		**428**	86
Proceeds from disposal of land use rights		**14,862**	–
Proceeds from disposal of subsidiaries		**–**	376,475
Proceeds from disposal of an associate		**–**	24,982
Refund of deposit paid for acquisition of a joint venture		**138,601**	–
Net repayment from a joint venture		**–**	10,871
Net repayment of loan advanced to third parties		**30,443**	380,737
Advance to a third party		**–**	(7,248)
Interest received		**35,420**	69,210
Decrease/(increase) in time deposits with maturity of more than three months when acquired		**(5,484)**	17,338
Net cash flows from/(used in) investing activities		**(773,285)**	258,083
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling equity holders of subsidiaries		**426,332**	116,595
New loans		**1,517,197**	644,502
Repayment of loans		**(1,540,967)**	(1,123,646)
Issue of guaranteed bonds		**–**	2,256,760
Net advance from/(to) related companies		**36**	(1,795)
Acquisition of the non-controlling interest of a subsidiary		**(116,600)**	–
Interest paid		**(245,703)**	(131,070)
Exercise of share options	35	**–**	7,818
Government grant received		**–**	21,320
Net cash flows from financing activities		**40,295**	1,790,484

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(694,620)**	2,108,549
Cash and cash equivalents at beginning of year		**3,345,282**	1,214,276
Effect of foreign exchange rate changes, net		**535**	22,457
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,651,197**	3,345,282
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	24	**824,364**	1,047,123
Time deposits	24	**1,842,460**	2,308,302
Less: Restricted cash	24	**(23,269)**	(277,682)
Cash and cash equivalents as stated in the consolidated statement of financial position	24	**2,643,555**	3,077,743
Add: Restricted cash		**23,269**	277,682
Less: Non-pledged time deposits with maturity of more than three months when acquired		**(15,627)**	(10,143)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**2,651,197**	3,345,282

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION

Beijing Properties (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

- leasing of commercial properties in the mainland ("Mainland China") of the People's Republic of China (the "PRC") and provision of related management services, and operating a hotel in Beijing, the PRC; and
- provision of logistics services, including leasing of warehouse facilities and provision of related management services.

In the opinion of the directors, the immediate holding company of the Company is Beijing Enterprises Real Estate (HK) Limited ("BEREHK"), which is a limited liability company incorporated in the British Virgin Islands, and the ultimate holding company of the Company is 北京控股集團有限公司 ("Beijing Enterprises Group"), which is a state-owned enterprise established in the PRC and wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing SASAC").

Information about principal subsidiaries

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

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by the Company	Percentage of attributable equity interest held by the Group	Principal activities
China Logistics Infrastructures (Holdings) Limited ("China Logistics")	British Virgin Islands/ Hong Kong	US$100	65	65	Investment holding
廣州光明房產建設有限公司 ("Guangzhou Guangming")^^#	PRC/Mainland China	US$28,080,000	–	98.90	Shopping mall holding and leasing
北京金都假日飯店有限公司 ("Holiday Inn BJ")^^^#	PRC/Mainland China	US$11,520,000	–	100	Hotel operation
天津萬士隆國際物流有限公司^^#	PRC/Mainland China	US$6,660,000	–	45.50*	Provision of logistics services
北建(上海)倉儲有限公司 ("Phoenix Shanghai")^	PRC/Mainland China	US$98,500,000	–	65	Provision of logistics services
廈門遜達洪通倉儲物流有限責任公司 ("Xiamen Xunda")^^#	PRC/Mainland China	RMB135,000,000	–	80	Provision of logistics services

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by the Company	Percentage of attributable equity interest held by the Group	Principal activities
眉山遜達洪通倉儲有限責任公司 ("Meishan Xunda")^^#	PRC/Mainland China	RMB100,000,000	–	60	Provision of logistics services
衢州通成農業發展有限公司 ("Quzhou Tongcheng")^#	PRC/Mainland China	RMB249,800,000	–	100	Logistics facilities development
天域萬隆物流(天津)有限公司^#	PRC/Mainland China	US$9,800,000	–	45.50*	Logistics facilities development
天津中漁置業有限公司^^#	PRC/Mainland China	RMB112,500,000	–	60	Logistics facilities development
北京允中投資咨詢有限公司^#	PRC/Mainland China	US$10,000,000	–	100	Office management
北京北建昱達投資諮詢有限公司^#	PRC/Mainland China	RMB2,000,000	–	100	Office management

^ Registered as wholly-foreign-owned enterprises under PRC law.

^^ Registered as Sino-foreign joint ventures under PRC law.

^^^ Registered as a foreign joint venture under PRC law.

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

* These entities are accounted for as subsidiaries by virtue of the Company's control over them through non-wholly owned subsidiaries.

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

At 31 December 2016, certain equity interests of subsidiaries with an aggregate carrying amount of HK$3,068,373,000 (2015: HK$3,434,098,000) were pledged to secure certain bank loans granted to the Group (note 27(a)(iii)).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, a derivative financial instrument, defined benefit plans and equity investments at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 9 (2014)	*Financial Instruments*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) The Group has elected to early adopt HKFRS 9 (2014) and initially applied it on 1 January 2016 in accordance with the transitional provisions of HKFRS 9 (2014).

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The impacts arising from the adoption of HKFRS 9 are summarised as follows:

(i) Classification and measurement

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial assets. The Group continued to measure at fair value all financial assets which were previously held at fair value. An equity investment is recognised as "a financial asset at fair value through profit or loss" at initial recognition unless an irrevocable election of recognising it as "a financial asset at fair value through other comprehensive income" is made if it is neither held for trading nor a contingent consideration is recognised by an acquirer in a business combination. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

The Group's equity investments currently consist of shares listed in Hong Kong and Australia (collectively, the "Listed Equity Investments"). The Listed Equity Investments were classified as available-for-sale investments under HKAS 39 *Financial Instruments: Recognition and Measurement* and were measured at fair value. Upon the early adoption of HKFRS 9 (2014), the Group has made an irrevocable election of recognising the Listed Equity Investments as financial assets at fair value through other comprehensive income, on the basis that such investments are not held for trading.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

(i) Classification and measurement (Continued)

The classification and measurement category for each class of financial assets at the date of initial application were as follows:

	Measurement category		Carrying amount		
Financial asset	**Original (HKAS 39)**	**New (HKFRS 9)**	**Original (HKAS 39)** HK$'000	**New (HKFRS 9)** HK$'000	**Difference** HK$'000
Listed equity investments	Available-for-sale investments at fair value	Equity investments at fair value through other comprehensive income	740,069	740,069	–
Financial assets included in prepayments, deposits and other receivables	Loans and receivables	Financial assets at amortised cost	227,946	227,946	–
Trade receivables	Loans and receivables	Financial assets at amortised cost	14,979	14,979	–
Due from a joint venture	Loans and receivables	Financial assets at amortised cost	252,962	252,962	–
Due from related companies	Loans and receivables	Financial assets at amortised cost	736	736	–
Restricted cash	Loans and receivables	Financial assets at amortised cost	277,682	277,682	–
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	3,077,743	3,077,743	–

The adoption of HKFRS 9 (2014) has had no impact on the carrying amounts of the Group's financial assets as at 1 January 2016, i.e., the initial application date.

The adoption of HKFRS 9 (2014) on 1 January 2016 also has had no impact on the Group's classification and measurement of financial liabilities given that the Group did not have any financial liabilities designated at fair value through profit or loss before 1 January 2016.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

(ii) Impairment

Under HKAS 39, if an equity investment classified as an available-for-sale is impaired, an amount comprising the difference between the acquisition cost and the current fair value, less any impairment losses on that investment previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Upon the early adoption of HKFRS 9 (2014), the Group has made an irrevocable election of recognising the Listed Equity Investments as financial assets at fair value through other comprehensive income. On this classification, no impairment loss against the Listed Equity Investments will be recognised in profit or loss and all fair value changes shall be retained in other comprehensive income until the investments are disposed of, at which time any cumulative fair value changes of these investments will be transferred from financial asset revaluation reserve to retained profits.

Accordingly, the adoption of HKFRS 9 (2014) had an impact on the accounting treatment of an impairment loss recognised in profit or loss against an equity investment of the Group classified as available for sale during the year ended 31 December 2015. A prior year adjustment was made in respect of this and the effect of which is summarised as follows:

- other expense and profit for the year for the year ended 31 December 2015 have been decreased and increased by HK$18,332,000, respectively;
- net other comprehensive loss to be reclassified to profit or loss in subsequent periods and net other comprehensive loss not to be reclassified to profit or loss in subsequent periods for the year ended 31 December 2015 have been decreased and increased by HK$28,350,000 and HK$46,682,000, respectively;
- retained profits and available-for-sale investment revaluation reserve as at 31 December 2015 have been increased and decreased by HK$18,332,000, respectively;
- available-for-sale investment revaluation reserve has been renamed as financial asset revaluation reserve; and
- each of the basic and diluted earnings per share amounts for the year ended 31 December 2015 has been increased by HK0.27 cents.

Except for HKFRS 9 (2014), the Group has not early adopted any new standard, interpretations or amendments that have been issued but not yet effective.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(i) the materiality requirements in HKAS 1;

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual improvements 2014-2016 cycle	Amendments to a number of HKFRSs[5]

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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

(d) (Continued)

Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

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

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

(g) *Annual Improvements to HKFRSs 2014-2016 Cycle* issued in March 2017 sets out amendments to a number of HKFRSs. Details of the applicable amendments are as follows:

- HKFRS 12 *Disclosure of Interest in Other entities*: Clarified the scope of the standard by specifying that certain disclosure requirements is not required for a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

- HKAS 28 *Investments in Associates and Joint Ventures*: Clarified that, when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with HKFRS 9 *Financial Instruments*. An entity, shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

Fair value measurement

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

Impairment of non-financial assets

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Hotel property	40 years
Buildings	Over the shorter of the lease terms and 40 years
Leasehold improvements	Over the shorter of the lease terms and 4 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	3-5 years
Motor vehicles	5 years

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

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

Construction in progress represents a building under construction, which is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

Investment properties include both completed investment properties and investment properties under construction.

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

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and, subsequent to initial recognition, stated at fair value at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of a completed investment properties or an investment properties under construction are recognised in profit or loss in the period of the retirement or disposal.

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

The Group initially recognises financial assets at which the Group becomes a party to the contractual provisions of the instruments.

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are classified, at initial recognition, as debt instruments at amortised cost and equity instruments designated as measured at fair value through other comprehensive income (with gains and losses remaining in other comprehensive income, without recycling).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

This classification depends on whether the financial asset is a debt or equity investment.

A financial asset is classified as debt instruments at amortised cost, if:

(a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

All other financial assets are measured at fair value through profit or loss, except for investments in equity instruments that are not held for trading where, the Group may elect at initial recognition to present gains and losses in other comprehensive income.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

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

(i) Debt instruments at amortised cost

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

(ii) Equity instruments at fair value through other comprehensive income

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

Reclassification

The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Derecognition

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

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

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

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

Impairment

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables, amounts due to related parties, bank borrowings, redeemable and convertible equity instruments and guaranteed bonds.

Subsequent measurement

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

(i) Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKFRS 9 are satisfied. No financial liabilities have been designated as fair value through profit or loss by the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

(ii) Loans and borrowings

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

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

(iii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible bonds

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

Upon the exercise of the conversion options, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the ordinary shares issued is recorded in the share premium account. When the convertible bonds are redeemed, the carrying amount of equity component is transferred to retained profits/accumulated losses as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits/accumulated losses as a movement in reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Offsetting of financial instruments

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

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale of the properties

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis includes all cost of purchase, cost of conversion and other costs incurred in bring the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

Government grants

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

Revenue recognition

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

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

(b) management and service income, when the related services have been provided; and

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

Other employee benefits (Pension schemes)

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

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employee's salaries and are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. The employer contributions vest fully once made.

The Group also provided supplementary pension subsidies to retired employees. Such supplementary pension subsidies are considered to be defined benefit plans as they oblige the Group to provide post-employment benefits to employees. The benefits are unfunded. The liability recognised in the consolidated statements of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in other comprehensive income as they occur.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in profit or loss in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

The functional currencies of the Company, certain subsidiaries, joint ventures and associates established in Mainland China are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of the Company, certain subsidiaries established in Mainland China are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

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

Estimation of fair value of investment properties

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

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

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

(c) annual rental income supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition.

Further details of the fair value estimation of investment properties, including the key assumptions used for fair value measurement and sensitivity analysis, are set out in note 13 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Control over the hotel operation

The hotel operated by the Group is managed by a hotel manager. The hotel manager manages the day-to-day operations of the hotel and will charge a management fee and a marketing fee to the Group with reference to certain percentage of the total gross revenue of the hotel operation. In addition, the hotel manager will charge an incentive management fee based on a certain percentage of the hotel's net operating profit.

The directors of the Company assessed whether or not the hotel manager is a principal or agent to the Group. In making their judgement, the directors considered the mode of operation of the hotel manager. After assessment, the directors considered that the hotel manager's scope of decision-making authority is limited and the Group has the power to direct the relevant activities of the hotel operations such as the right to appoint the general manager of the hotel, review and approve the yearly financial budget and decide the hotel's operation plan. In addition, the Group has the right to remove the hotel manager in the situation when the hotel's performance cannot meet certain operating criteria as stated in the management agreement signed with the hotel manager. Accordingly, the directors considered that the Group holds substantive removal rights of the hotel manager and the hotel manager is compensated as stated above for managing the daily operation of the hotel. The directors considered that the remuneration paid to the hotel manager commensurate with the services provided and on an arm's length basis. Therefore, the directors considered that the hotel manager is an agent of the Group and the Group has control over the hotel operation.

Classification of entities as equity investments at fair value through other comprehensive income in which the Group is a substantial shareholder

During the year ended 31 December 2016, the Group was a substantial shareholder of Beijing Enterprise Medical and Health Industry Group Limited ("BE M&H") with 15.31% equity interest. In the opinion of the directors, because the voting power of the Group in the board of BE M&H was below 20%, the Group has no significant influence over BE M&H and the investment in BE M&H is classified as an equity investment at fair value through other comprehensive income.

On 17 April 2015, the Company disposed of its entire equity interest in Rayport Limited ("Rayport") and its subsidiaries to a company listed on the Australian Securities Exchange (the "Haikou Buyer") in exchange for 83,000,000 new shares of the Haikou Buyer as consideration. The transaction increased the Company's shareholding in Haikou Buyer to 108,628,000 shares, representing 16.59% of the issued share capital of Haikou Buyer, and the Group became a then substantial shareholder of Haikou Buyer. In the opinion of the directors, since the voting power of the Group in the board of Haikou Buyer was below 20%, the Group has no significant influence over Haikou Buyer and the investment in the Haikou Buyer is classified as an equity investment at fair value through other comprehensive income.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the respective business segment cash-generating units to which the goodwill is allocated, which is the higher of the fair value less costs of disposal and value in use. The assessment of the recoverable amount requires the use of estimates and assumptions such as identifying comparable market transactions for completed investment properties and certain investment properties under construction; and long-term rental rates (considering current and historical rents, price trends and related factors), discount rates, operating costs, future capital requirements and operating performance (which includes occupancy rate) for certain investment properties under construction. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections and impact the recoverable amount of the cash-generating unit, thus the goodwill impairment assessment. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2016 was HK$142,609,000 (2015: HK$62,769,000), details of which are set out in note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment of trade receivables and other receivables

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of the collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amounts of trade receivables and other receivables carried as assets in the consolidated statement of financial position as at 31 December 2016 were HK$26,455,000 (2015: HK$14,979,000) and HK$101,668,000 (2015: HK$227,946,000), respectively, details of which are set out in notes 21 and 22 to the financial statements.

Provision for compensation

As further disclosed in note 31 to the financial statements, Guangzhou Guangming, a subsidiary of the Group, involved in certain legal proceedings, arising from its failure to fulfill the compensation obligation liable to certain indigenous properties owners and tenants in accordance with the resettlement schedule agreed in prior years. Management determines the provision for compensation based on their best estimate, after considering all the available information such as the results of historical lawsuits, latest negotiations between local government authorities and certain indigenous properties owners and tenants, relevant rules and law and legal advice. If the final outcome of the claims and negotiations is different from the estimation made by management, such difference will impact the provision for compensation in the year in which the liabilities of the compensation are concluded.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2016 was HK$39,739,000 (2015: HK$27,755,000).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group did not recognise any deferred tax assets as at 31 December 2016 (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Purchase price allocation

During the year ended 31 December 2016, the Group entered into equity transfer agreements with certain third parties for the acquisitions of 80%, 80%, 60% and 80% equity interests in Xiamen Xunda, 青島京昌順食品有限公司 ("Jingchangshun"), Meishan Xunda and 海南遜達倉儲有限責任公司 ("Hainan Datong") (collectively, the "Acquisitions"), respectively. The allocation of the purchase prices to items with material fair value adjustments, such as properties, involved significant management judgement and estimation base on key assumptions such as current prices in an active market for properties, estimated annual rental income and the recoverability of receivables. A gain on bargain purchase of HK$12,372,000 was recognised in profit or loss and goodwill of HK$79,840,000 was recognised in the consolidated statement of financial position in respect of the Acquisitions during the year ended 31 December 2016. Further details of the Acquisitions are given in note 39 to the financial statements.

Fair value of a put option

Put option is classified as a derivative financial instrument and stated at fair value. The Group estimates the fair value of the put option with reference to estimated price-earnings ratio, discount rate and probability of each possible outcome. The use of methodology and assumptions in pricing and valuing the put option is subjective and requires varying degrees of judgement, which may result in significantly different fair values and results.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on usages of properties held and has two reportable operating segments as follows:

(a) the properties business segment engages in the leasing of commercial properties in Mainland China and provision of related management services, and a hotel operation in Beijing, the PRC; and

(b) the logistics business segment engages in the provision of logistics services, including leasing of warehouse facilities and provision of related services.

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

Segment assets exclude amounts due from a joint venture and related companies, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amounts due to related companies, bank and other borrowings, redeemable and convertible equity instruments, convertible bonds, guaranteed bonds, income tax payables, deferred tax liabilities, a derivative financial instrument and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

4. OPERATING SEGMENT INFORMATION (Continued)

	Properties business		Logistics business		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000 (Restated)
Segment revenue:						
Sales to external customers	**140,652**	154,615	**177,314**	141,957	**317,966**	296,572
Fair value gain of investment properties, net	**19,929**	32,344	**60,890**	67,000	**80,819**	99,344
	160,581	186,959	**238,204**	208,957	**398,785**	395,916
Reconciliation:						
Gain on bargain purchase of a subsidiary					**12,372**	–
Gain on disposal of subsidiaries					**–**	202,241
Gain on disposal of an associate					**–**	174,335
Gain on deemed disposal of a partial interest of an associate					**–**	46,593
Gain on disposal of a land use right					**386**	–
Fair value gain of a derivative instrument					**13,468**	–
Bank interest income					**32,686**	27,228
Other interest income					**10,741**	14,075
Other unallocated gains					**9,902**	6,788
Revenue, other income and gains, net					**478,340**	867,176
Segment results:						
The Group	**275,249**	22,788	**153,998**	118,920	**429,247**	141,708
Share of profits/(losses) of:						
A joint venture	**–**	–	**12,255**	4,676	**12,255**	4,676
An associate	**–**	(381)	**–**	–	**–**	(381)
	275,249	22,407	**166,253**	123,596	**441,502**	146,003
Reconciliation:						
Gain on bargain purchase of a subsidiary					**12,372**	–
Gains on disposal of subsidiaries					**–**	202,241
Gain on disposal of an associate					**–**	174,335
Gain on deemed disposal of a partial interest of an associate					**–**	46,593
Gain on disposal of a land use right					**386**	–
Fair value gain of a derivative instrument					**13,468**	–
Bank interest income					**32,686**	27,228
Other interest income					**10,741**	14,075
Other unallocated gains					**9,902**	6,788
Foreign exchange losses, net					**(15,082)**	(56,964)
Corporate and other unallocated expenses					**(29,215)**	(40,416)
Finance costs					**(304,879)**	(178,850)
Profit before tax					**171,881**	341,033

NOTES TO FINANCIAL STATEMENTS

31 December 2016

4. OPERATING SEGMENT INFORMATION (Continued)

	Properties business		Logistics business		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000 (Restated)
Segment assets	**2,922,603**	3,324,477	**5,729,423**	4,099,739	**8,652,026**	7,424,216
Reconciliation:						
Corporate and other unallocated assets					**3,066,438**	4,042,328
Total assets					**11,718,464**	11,466,544
Segment liabilities	**(402,415)**	(726,923)	**(323,860)**	(162,404)	**(726,275)**	(889,327)
Reconciliation:						
Corporate and other unallocated liabilities					**(5,987,346)**	(6,116,533)
Total liabilities					**(6,713,621)**	(7,005,860)
Other segment information						
Depreciation:						
Segment assets	**33,307**	35,098	**2,150**	2,035	**35,457**	37,133
Corporate and other unallocated assets					**49**	42
					35,506	37,175
Amortisation	**–**	–	**303**	3,095	**303**	3,095
Investment in a joint venture	**–**	–	**766,995**	526,430	**766,995**	526,430
(Reversal of provision)/provision for compensation, net	**(250,720)**	12,394	**–**	–	**(250,720)**	12,394
Other unallocated non-cash expenses					**67,479**	40,696
Capital expenditure*:						
Segment assets	**2,049**	148,139	**1,465,036**	284,322	**1,467,085**	432,461
Corporate and other unallocated assets					**–**	56
					1,467,085	432,517

* Capital expenditure consists of additions of property, plant and equipment, investment properties and prepaid land lease payments, including assets from the acquisition of subsidiaries.

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets of the Group (other than financial instruments) are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

Information about major customers

During the years ended 31 December 2016 and 2015, the Group had no single external customer which contributed over 10% of the Group's total revenue for each of these years.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents (1) the gross rental income received and receivable from investment properties, net of value-added tax, business tax and government surcharges; (2) the service income from a hotel operation, net of value-added tax, business tax and government surcharges; and (3) the management fee income from the services rendered, net of valued-added tax, business tax and government surcharges.

An analysis of the Group's revenue, other income and gains is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Gross rental income	**217,087**	194,384
Hotel operation	**90,967**	96,274
Management fee	**9,912**	5,914
	317,966	296,572
Other income		
Bank interest income	**32,686**	27,228
Other interest income	**10,741**	14,075
Government grant	**658**	1,397
Others	**9,244**	5,391
	53,329	48,091
Gains		
Gain on disposal of a land use right	**386**	–
Fair value gain of a derivative financial instrument (note 32)	**13,468**	–
	13,854	–
Other income and gains	**67,183**	48,091

NOTES TO FINANCIAL STATEMENTS

31 December 2016

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest on bank loans	**86,954**	96,621
Interest on convertible bonds	**22,465**	24,609
Imputed interest on convertible bonds (note 29)	**45,418**	40,696
Interest on guaranteed bonds	**150,042**	16,924
Total	**304,879**	178,850

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Direct cost of rental income		**32,534**	29,500
Cost of hotel operation		**30,300**	32,985
Cost of services provided		**1,322**	2,726
Depreciation*	12	**35,506**	37,175
Amortisation of prepaid land lease payments	14	**303**	3,095
Minimum lease payments under operating leases in respect of land and buildings		**6,004**	4,869
Loss on disposal of items of property, plant and equipment***		**159**	41
Employee benefit expense (including directors' remuneration) (note 8):*			
Salaries, allowances and benefits in kind		**68,766**	59,480
Equity-settled share option expense**	36(a)	**–**	20,242
Defined contribution scheme contributions		**12,560**	10,327
Cost of defined benefit plans	33(a)	**1,028**	814
		82,354	90,863
Foreign exchange differences, net***		**15,082**	56,964

NOTES TO FINANCIAL STATEMENTS

31 December 2016

7. PROFIT BEFORE TAX (Continued)

* Depreciation and employee benefit expense disclosed above included amounts of HK$17,037,000 (2015: HK$17,417,000) and HK$16,298,000 (2015: HK$13,907,000), respectively, which are included in "Cost of sales and services" in the consolidated statement of profit or loss.

** This item is included in "Administrative expenses" in the consolidated statement of profit or loss.

*** These items are included in "Other expenses" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

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

	Notes	**2016** **HK$'000**	2015 HK$'000
Fees		**1,915**	1,707
Other emoluments:			
Salaries, allowances and benefits in kind		**2,236**	1,821
Performance-related bonus	(a)	**1,046**	1,241
Equity-settled share option expense	(b)	**–**	8,002
Pension scheme contributions		**103**	–
		3,385	11,064
		5,300	12,771

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8. DIRECTORS' REMUNERATION (Continued)

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonus HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2016						
Executive directors:						
Mr. Qian Xu	180	1,354	561	–	–	2,095
Mr. Siu Kin Wai	162	–	50	–	–	212
Mr. Ang Renyi	138	–	–	–	–	138
Mr. Yu Luning	138	–	–	–	–	138
Mr. Hu Yebi	138	–	–	–	–	138
Mr. Wan Lee Cham (appointed on 27 June 2016)	74	537	70	–	9	690
Mr. Li Chang Feng (appointed on 27 June 2016)	74	345	365	–	94	878
Mr. Dong Qilin (appointed on 27 June 2016)	74	–	–	–	–	74
Mr. Zhao Jiansuo (appointed on 27 June 2016)	74	–	–	–	–	74
Mr. Li Shuping (appointed on 5 December 2016)	11	–	–	–	–	11
Mr. Jiang Xinhao (resigned on 13 June 2016)	72	–	–	–	–	72
Mr. Yu Li (resigned on 27 June 2016)	90	–	–	–	–	90
	1,225	2,236	1,046	–	103	4,610
Independent non-executive directors:						
Mr. Goh Gen Cheung	138	–	–	–	–	138
Mr. James Chan	138	–	–	–	–	138
Mr. Zhu Wuxiang	138	–	–	–	–	138
Mr. Chan Yuk Cheung	138	–	–	–	–	138
Mr. Song Lishui	138	–	–	–	–	138
	690	–	–	–	–	690
Total	1,915	2,236	1,046	–	103	5,300

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8. DIRECTORS' REMUNERATION (Continued)

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonus HK$'000	Pension scheme contribution HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
Year ended 31 December 2015						
Executive directors:						
Mr. Yu Li	180	–	569	–	1,291	2,040
Mr. Qian Xu	180	1,821	571	–	1,291	3,863
Mr. Siu Kin Wai	144	–	101	–	1,034	1,279
Mr. Jiang Xinhao	144	–	–	–	774	918
Mr. Ang Renyi	132	–	–	–	774	906
Mr. Yu Luning	132	–	–	–	774	906
Mr. Hu Yebi (appointed on 23 December 2015)	3	–	–	–	–	3
Mr. Liu Xueheng (resigned on 23 December 2015)	132	–	–	–	774	906
	1,047	1,821	1,241	–	6,712	10,821
Independent non-executive directors:						
Mr. Goh Gen Cheung	132	–	–	–	258	390
Mr. James Chan	132	–	–	–	258	390
Mr. Zhu Wuxiang	132	–	–	–	258	390
Mr. Chan Yuk Cheung	132	–	–	–	258	390
Mr. Song Lishui	132	–	–	–	258	390
	660	–	–	–	1,290	1,950
Total	1,707	1,821	1,241	–	8,002	12,771

Notes:

(a) Certain executive directors of the Company are entitled to bonus payments which are determined by reference to the performance of the Group and individual's performance.

(b) Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company during the year ended 31 December 2015. The fair values of these options were determined and recognised in profit or loss at the date of grant and the amounts included in the financial statements for the prior year are included in the above directors' remuneration disclosures.

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

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2016 included one (2015: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2015: four) non-director, highest paid employees for the year are as follows:

	Group	
	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,947**	4,098
Equity-settled share option expense	**–**	2,194
Pension scheme contributions	**332**	394
	4,279	6,686

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

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**3**	–
HK$1,500,001 to HK$2,000,000	**–**	4
	4	4

During the prior year, share options were granted to the non-director highest paid employees in respect of their services to the Group. The fair values of these options were determined and recognised in profit or loss at the date of grant and the amounts included in the financial statements for the prior year are included in the above non-director highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX

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

	2016 HK$'000	2015 HK$'000
Current – Mainland China		
Charge for the year	**14,717**	35,739
Overprovision in prior years	**(915)**	(301)
Deferred (note 34)	**33,981**	31,680
Total tax expense for the year	**47,783**	67,118

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2015: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on the prevailing legislation, interpretations and practices in respect thereof.

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX (Continued)

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

Year ended 31 December 2016

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(141,016)		312,897		171,881	
Tax expense at the statutory tax rate	(23,315)	16.5	78,226	25.0	54,911	31.9
Profit attributable to a joint venture	–	–	(3,064)	(1.0)	(3,064)	(1.8)
Effect of withholding tax on interest income from an intercompany loan to a subsidiary established in the PRC	7,559	(5.4)	–	–	7,559	4.4
Effect of withholding tax on rental income from a subsidiary established in the PRC	348	(0.2)	–	–	348	0.2
Income not subject to tax	(10,173)	7.2	(1,223)	(0.4)	(11,396)	(6.6)
Expenses not deductible for tax	33,488	(23.7)	(55,131)	(17.6)	(21,643)	(12.6)
Tax losses not recognised as deferred tax assets	–	–	22,343	7.1	22,343	13.0
Tax losses utilised from previous periods	–	–	(360)	(0.1)	(360)	(0.2)
Adjustment in respect of current tax of previous periods	–	–	(915)	(0.3)	(915)	(0.5)
Tax expense at the Group's effective tax rate	7,907	(5.6)	39,876	12.7	47,783	27.8

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX (Continued)

Year ended 31 December 2015 (Restated)

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	300,293		40,740		341,033	
Tax expense at the statutory tax rate	49,548	16.5	10,185	25.0	59,733	17.5
Losses/(profits) attributable to a joint venture and an associate	(741)	(0.2)	36	0.1	(705)	(0.2)
Effect of withholding tax on disposal of subsidiaries established in the PRC	27,549	9.2	–	0.0	27,549	8.1
Effect of withholding tax on interest income from an intercompany loan to a subsidiary established in the PRC	7,651	2.5	–	0.0	7,651	2.2
Effect of withholding tax on dividend distributed by a subsidiary established in the PRC	1,478	0.5	–	0.0	1,478	0.4
Income not subject to tax	(77,807)	(25.9)	(2,550)	(6.3)	(80,357)	(23.6)
Expenses not deductible for tax	29,030	9.6	5,763	14.1	34,793	10.2
Tax losses not recognised as deferred tax assets	–	0.0	17,277	42.4	17,277	5.1
Adjustment in respect of current tax of previous periods	–	0.0	(301)	(0.7)	(301)	(0.1)
Tax expense at the Group's effective tax rate	36,708	12.2	30,410	74.6	67,118	19.7

The share of income tax attributable to a joint venture amounting HK$4,900,000 (2015: HK$1,800,000) are included in "Share of profits and losses of a joint venture" in the consolidated statement of profit or loss.

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of 6,766,587,849 (2015: 6,761,162,775) ordinary shares in issue during the year.

In respect of the diluted earnings per share amount for the year ended 31 December 2016, no adjustment has been made to the basic earnings per share amount presented as the impact of the share options and convertible bonds outstanding during the year had either no diluting effect or an anti-dilutive effect on the basic earnings per share amount presented.

NOTES TO FINANCIAL STATEMENTS

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11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Continued)

The calculation of the diluted earnings per share amount for the year ended 31 December 2015 is based on (i) the profit for the year attributable to shareholders of the Company; and (ii) the weighted average number of ordinary shares, after adjustment for the effect of the exercise of all dilutive share options at the beginning of the year or at the date of grant, whichever is the later. No adjustment has been made on the deemed conversion of the convertible bonds of the Company and the redeemable and convertible equity instruments of a subsidiary as the impact of these instruments outstanding during the prior year had an anti-dilutive effect on the basic earnings per share amount presented.

The calculation of basic and diluted earnings per share amounts is based on the following data:

	2016 **HK$'000**	2015 HK$'000 (Restated)
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	**115,375**	276,786

	2016	2015
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**6,766,587,849**	6,761,162,775
Effect of dilution of share options – weighted average number of ordinary shares	**–**	36,865,438
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**6,766,587,849**	6,798,028,213

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12. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Buildings HK$'000 (note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2016							
At 1 January 2016:							
Cost	665,806	237,212	10,111	63,215	11,286	5,473	993,103
Accumulated depreciation	(23,581)	(6,099)	(3,839)	(11,013)	(2,569)	–	(47,101)
Net carrying amount	642,225	231,113	6,272	52,202	8,717	5,473	946,002
Net carrying amount:							
At 1 January 2016	642,225	231,113	6,272	52,202	8,717	5,473	946,002
Additions	–	–	1,339	84	6,854	–	8,277
Acquisition of subsidiaries (note 39)	–	5,079	1	9,029	920	1,383	16,412
Transfer	–	1,115	751	–	(522)	(1,344)	–
Depreciation provided during the year	(16,301)	(5,743)	(1,359)	(9,722)	(2,381)	–	(35,506)
Disposals	–	–	–	(145)	(303)	–	(448)
Exchange realignment	(40,713)	(15,253)	(420)	(3,583)	(684)	(246)	(60,899)
At 31 December 2016	585,211	216,311	6,584	47,865	12,601	5,266	873,838
At 31 December 2016:							
Cost	622,840	226,193	11,536	62,852	15,432	5,266	944,119
Accumulated depreciation	(37,629)	(9,882)	(4,952)	(14,987)	(2,831)	–	(70,281)
Net carrying amount	585,211	216,311	6,584	47,865	12,601	5,266	873,838

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31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel property HK$'000	Buildings HK$'000 (note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2015							
At 1 January 2015:							
Cost	696,997	118,365	3,442	70,555	9,545	7,948	906,852
Accumulated depreciation	(7,260)	(2,667)	(2,240)	(5,356)	(2,148)	–	(19,671)
Net carrying amount	689,737	115,698	1,202	65,199	7,397	7,948	887,181
Net carrying amount:							
At 1 January 2015	689,737	115,698	1,202	65,199	7,397	7,948	887,181
Additions	–	138,121	7,217	1,793	4,181	549	151,861
Depreciation provided during the year	(17,210)	(5,677)	(1,914)	(10,200)	(2,174)	–	(37,175)
Disposals	–	–	–	(31)	(112)	–	(143)
Disposal of subsidiaries (note 40)	–	(7,946)	(17)	(1,665)	(344)	(3,830)	(13,802)
Exchange realignment	(30,302)	(9,083)	(216)	(2,894)	(231)	806	(41,920)
At 31 December 2015	642,225	231,113	6,272	52,202	8,717	5,473	946,002
At 31 December 2015:							
Cost	665,806	237,212	10,111	63,215	11,286	5,473	993,103
Accumulated depreciation	(23,581)	(6,099)	(3,839)	(11,013)	(2,569)	–	(47,101)
Net carrying amount	642,225	231,113	6,272	52,202	8,717	5,473	946,002

Note: At 31 December 2016, certain buildings of the Group with an aggregate net carrying amount of HK$52,990,000 (2015: HK$58,530,000) were pledged to secure certain bank loans granted to the Group (note 27(a)(i)).

NOTES TO FINANCIAL STATEMENTS

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13. INVESTMENT PROPERTIES

	Notes	Completed HK$'000	Under construction HK$'000	Total HK$'000
Carrying amount as at 1 January 2015		**4,596,734**	**613,183**	**5,209,917**
Additions		**66**	**279,463**	**279,529**
Capitalised amortisation of prepaid land lease payments	14	**–**	**1,127**	**1,127**
Transfer		**62,919**	**(62,919)**	**–**
Net gain on fair value adjustments		**50,256**	**49,088**	**99,344**
Disposal of subsidiaries	40	**(345,760)**	**–**	**(345,760)**
Exchange realignment		**(189,873)**	**(37,543)**	**(227,416)**
Carrying amount as at 31 December 2015 and 1 January 2016		**4,174,342**	**842,399**	**5,016,741**
Acquisition of subsidiaries	39	**1,004,719**	**38,482**	**1,043,201**
Additions		**–**	**392,948**	**392,948**
Transfer		**519,137**	**(519,137)**	**–**
Net gain on fair value adjustments		**38,044**	**42,775**	**80,819**
Exchange realignment		**(353,481)**	**(53,392)**	**(406,873)**
Carrying amount as at 31 December 2016		**5,382,761**	**744,075**	**6,126,836**

Notes:

(a) At 31 December 2016, the Group's investment properties consisted of nine (2015: five) completed properties and three (2015: three) properties under construction.

The completed investment properties are leased to third parties and related companies under operating leases, further summary details of which are included in note 43(a) to the financial statements.

At 31 December 2016, certain investment properties of the Group with an aggregate carrying amount of HK$5,601,560,000 (2015: HK$4,636,816,000) were pledged to secure certain bank loans granted to the Group (note 27(a)(ii)).

(b) The Group's investment properties were revalued on 31 December 2016 based on valuations performed by Crowe Horwath (HK) Consulting & Valuation Limited (2015: Crowe Horwath (HK) Consulting & Valuation Limited), independent professionally qualified valuers, at HK$6,126,836,000 (2015: HK$5,016,741,000). Each year, the Group's senior management decides which external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has on-going discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed.

NOTES TO FINANCIAL STATEMENTS

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13. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) (Continued)

Fair value hierarchy disclosure

At 31 December 2016, fair value measurements of all of the Group's investment properties are using significant unobservable inputs (Level 3) as defined in HKFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

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

Valuation techniques	Significant unobservable inputs	Input/range of input 2016	2015
Completed investment properties			
Direct comparison method and income capitalisation method	(i) Capitalisation rate (%)	**5.75-10.75%**	5.8-10%
	(ii) Annual rental income	**RMB3,657,000–RMB106,815,000 per annum**	RMB3,657,000–RMB118,174,000 per annum
	(iii) Price per square metre (s.q.m)	**RMB3,000–RMB85,000 per s.q.m**	RMB3,000–RMB85,000 per s.q.m
Investment properties under construction			
Direct comparison method	(i) Price per square metre	**RMB3,500–RMB19,600 per s.q.m**	RMB3,700–RMB19,600 per s.q.m

Under the direct comparison method, comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

The income capitalisation method was used to cross-check the valuation results from the direct comparison method as the properties are held for earning rental income. The income capitalisation method is applied based on net rental income that can be generated from the properties under the master lease to be executed for the properties with the allowance on the reversionary interest upon expiry of the master lease.

The aforementioned valuations have been made on the assumption that the Group sells the properties in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

An increase (decrease) in the capitalisation rate in isolation would result in a decrease (increase) in the fair value of the investment properties, while an increase (decrease) in the annual rental income and price per square meter, in isolation would each result in an increase (decrease) in the fair value of the investment properties.

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14. PREPAID LAND LEASE PAYMENTS

	Notes	2016 HK$'000	2015 HK$'000
Carrying amount as at 1 January		**20,073**	257,109
Additions		**6,247**	–
Amortisation provided during the year:			
Charged to profit or loss	7	**(303)**	(3,095)
Capitalised to investment properties under construction	13	**–**	(1,127)
Disposal of subsidiaries	40	**–**	(236,320)
Exchange realignment		**(1,632)**	3,506
Carrying amount as at 31 December		**24,385**	20,073
Current portion included in prepayments, deposits and other receivables	22	**(409)**	(310)
Non-current portion		**23,976**	19,763

Note: At 31 December 2016, certain of the Group's prepaid land lease payments with a carrying amount of HK$18,488,000 (2015: HK$20,073,000) were sub-leased from certain grantees of the land use rights and therefore, the relevant land use rights were not registered under the name of the Group.

15. GOODWILL

	2016			2015		
	Properties business HK$'000	Logistics business HK$'000	Total HK$'000	Properties business HK$'000	Logistics business HK$'000	Total HK$'000
Cost and net carrying amount as at 1 January	**44,031**	**18,738**	**62,769**	44,031	168,619	212,650
Acquisition of subsidiaries (note 39)	**–**	**79,840**	**79,840**	–	–	–
Disposal of subsidiaries (note 40)	**–**	**–**	**–**	–	(149,881)	(149,881)
Cost and net carrying amount as at 31 December	**44,031**	**98,578**	**142,609**	44,031	18,738	62,769

NOTES TO FINANCIAL STATEMENTS

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15. GOODWILL (Continued)

Impairment testing of goodwill

At 31 December 2016, goodwill acquired through business combinations is allocated to the following operating segments for impairment testing:

- Properties business
- Logistics business

(i) *Properties business*

The recoverable amount of the properties business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made to the valuation of the investment properties, properties held for sale, buildings and/or hotel property held and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end or close to year end using direct comparison method, which has used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13).

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the properties business segment as at 31 December 2016.

(ii) *Logistics business*

The recoverable amount of the logistics business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made to the valuation of the investment properties and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end using direct comparison method or discounted cash flow method, where appropriate, which have used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13). For investment properties under construction which were valued using discounted cash flow method, management used a discount rate of 11.5% and has projected cash flows for a period of 12-20 years based on lease agreements signed with tenants and no cash flows beyond the lease periods was projected by the management for the purpose of the valuation.

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the logistics business segment as at 31 December 2016.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

15. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Key assumption used in assessing the fair value less costs of disposal

The following describes each key assumption adopted by management for the purpose of impairment testing of goodwill:

- Fair value change
  There is no major material adverse change in the fair value of the property held by each cash-generating unit from the date of valuation.

- Realisation of assets and liabilities
  The identifiable assets and liabilities, excluding deferred tax liabilities recognised arising from the acquisition, can be realised at their book values.

- Business environment
  There have been no major changes in the existing political, legal and economic conditions in Mainland China.

16. INTERESTS IN A JOINT VENTURE

	Notes	**2016 HK$'000**	2015 HK$'000
Investment in a joint venture, included in non-current assets:			
Share of net assets		**758,400**	517,835
Goodwill on acquisition		**8,595**	8,595
	(a), (b)	**766,995**	526,430
Due from a joint venture, included in current assets	(c)	**239,295**	252,962
Total interests in a joint venture		**1,006,290**	779,392

Notes:

(a) Particulars of the Group's sole joint venture, which is indirectly held by the Company, are as follows:

			Percentage of			
Company name	**Place of registration and business**	**Registered capital**	**Ownership interest attributable to the Group**	**Voting power**	**Profit sharing**	**Principal activities**
北京北建通成國際物流有限公司 ("BIPL")	PRC/Mainland China	RMB810,000,000	76	76	76	Logistics facilities development

In the opinion of the directors, notwithstanding that the Group has over 50% voting power in BIPL, the Group only has joint control over it because unanimous approval from all directors of BIPL is required for any resolution to pass at its directors' meeting.

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16. INTERESTS IN A JOINT VENTURE (Continued)

Notes: (Continued)

(b) Material joint venture disclosure

At 31 December 2016 and 2015, BIPL is the sole joint venture of the Group and was accounted for using the equity method in the consolidated financial statements.

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

	BIPL	
	2016	2015
	HK$'000	HK$'000
Summarised statement of financial position of the material joint venture		
Current assets	**823,770**	494,666
Non-current assets	**750,874**	492,648
Current liabilities	**(495,071)**	(305,952)
Non-current liabilities	**(81,678)**	–
Net assets	**997,895**	681,362
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**384,592**	47,264
Current financial liabilities (excluding trade and other payables and provisions)	**(146,941)**	(304,832)
Reconciliation to the Group's investment in a joint venture:		
Proportion of the Group's ownership	**76%**	76%
Group's share of net assets of the joint venture, excluding goodwill	**758,400**	517,835
Goodwill on acquisition	**8,595**	8,595
Carrying amount of the investment	**766,995**	526,430

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16. INTERESTS IN A JOINT VENTURE (Continued)

Notes: (Continued)

(b) Material joint venture disclosure (Continued)

	BIPL	
	2016	2015
	HK$'000	HK$'000
Summarised statement of profit or loss and other comprehensive income of the material joint venture		
Revenue	**–**	–
Interest income	**3,538**	2,031
Interest expenses	**(2,836)**	(11,263)
Depreciation and amortisation	**(958)**	(3,258)
Other income and expenses, net	**22,834**	21,011
Income tax	**(6,453)**	(2,368)
Profit for the year	**16,125**	6,153
Other comprehensive income/(loss) for the year	**55,032**	(26,344)
Total comprehensive income/(loss) for the year	**71,157**	(20,191)
Share of the joint venture' profit for the year	**12,255**	4,676

(c) The Group's amount due from a joint venture as at 31 December 2016 included entrusted bank loans with an aggregate amount of RMB206,400,000 (equivalent to HK$239,034,000) (2015: RMB206,400,000 (equivalent to HK$250,074,000)) provided by the Group to finance the business development of BIPL. The entrusted bank loans bear interest at the rate of 4.35% (2015: 4.35%) per annum and are fully repayable in November 2017 (2015: repayable in 2016).

Except for the above, all other balances with the joint venture included in current assets of the Group as at 31 December 2016 and 2015 are unsecured, interest-free and have no fixed terms of repayment.

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17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2016 HK$'000	2015 HK$'000
Listed equity investments, at fair value	481,982	740,069

Notes:

(a) The above investments in equity securities were designated as fair value through other comprehensive income upon initial application of HKFRS 9 (2014) on 1 January 2016, as management considered them as strategic investments for the purpose of future business development in the long run. The fair values of the listed equity investments are determined by reference to their published quotations. A decrease in fair value for the year ended 31 December 2016 and an accumulated decrease in fair value since acquisition of these investments as of 31 December 2016 amounting to HK$258,087,000 (2015: HK$46,682,000) and HK$304,769,000 (2015: HK$46,682,000), respectively, have been recognised as other comprehensive income in the financial asset revaluation reserve.

(b) The market value of the Group's listed equity investments as at the date of approval of these financial statements was HK$619,346,000.

18. DEPOSITS PAID FOR ACQUISITIONS OF BUSINESSES

The deposits as at 31 December 2016 represented deposits amounting to HK$136,958,000 (2015: HK$186,462,000) and HK$13,929,000 (2015: Nil) paid for the acquisitions of various equity interests in logistics businesses in Mainland China from independent third parties and an equity interest in a land development business in Cambodia, respectively.

19. PROPERTIES HELD FOR SALE

Properties held for sale of the Group as at 31 December 2016 and 2015 represented certain portion of the Group's shopping mall, which is located in Guangzhou, the PRC, which are held by the Group for future disposal and are pledged to secure certain bank loans granted to the Group (note 27(a)(iv)).

20. INVENTORIES

Inventories of the Group are raw materials, merchandised goods and consumable stocks held for use by the Group's hotel operation.

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21. TRADE RECEIVABLES

Trade receivables of the Group included rental income receivable from tenants of the Group's investment properties and room charges and service fees arising from the Group's hotel operation. Overdue trade receivables were not impaired as they were fully collateralised by the security deposits paid by the relevant tenants.

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

	2016	2015
	HK$'000	HK$'000
Within one month	**24,682**	14,252
One to three months	**1,734**	364
Four to six months	**39**	363
	26,455	14,979

All the trade receivables are neither past due nor impaired, and they are related to customers for whom there was no recent history of default.

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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Prepayments		**6,926**	6,051
Prepaid land lease payments – current portion	14	**409**	310
Deposits and other receivables		**70,896**	58,902
Deposit paid for acquisition of a business	(a)	**30,772**	–
Deposit paid for acquisition of an interest in a joint venture	(b)	**–**	138,601
Entrusted loans granted to a third party	(c)	**–**	30,443
		109,003	234,307
Portion classified as current assets		**(106,569)**	(228,447)
Non-current portion		**2,434**	5,860

Notes:

(a) The deposit as at 31 December 2016 represented a deposit of RMB27,568,000 (equivalent to HK$30,772,000) paid for the acquisition of a 60% equity interest in Meishan Xunda from an independent third party. The acquisition transaction was completed during the year. In the opinion of the directors, the deposit paid will be refunded within one year and hence it was classified in current assets.

(b) The deposit as at 31 December 2015 represented a deposit of RMB109,891,000 (equivalent to HK$138,601,000) paid for the acquisition of a 50% equity interest in 北京北糧國際經貿有限公司 from an independent third party. During the year ended 31 December 2015, the acquisition transaction was terminated as mutually agreed by the Group and the third party. The balance was refunded in 2016.

(c) The entrusted loans granted to a third party were unsecured, bore interest at rates ranging from 4.85% to 6%, and were fully repaid in 2016.

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23. BALANCES WITH RELATED COMPANIES

	2016 HK$'000	2015 HK$'000
Due from related companies:		
Fellow subsidiaries	**417**	76
Other related parties	**–**	660
	417	736
Due to related companies:		
The immediate holding company	**300**	34
Fellow subsidiaries	**225**	–
Non-controlling equity holders of subsidiaries	**63,300**	32,760
	63,825	32,794
Portion classified as current liabilities	**(32,339)**	(634)
Non-current portion	**31,486**	32,160

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

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24. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	Notes	**2016 HK$'000**	2015 HK$'000
Cash and bank balances other than time deposits		**824,364**	1,047,123
Time deposits		**1,842,460**	2,308,302
	(a)	**2,666,824**	3,355,425
Less: Restricted cash	(b)	**(23,269)**	(277,682)
Cash and cash equivalents		**2,643,555**	3,077,743

Notes:

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

At 31 December 2016, the cash and bank balances of the Group denominated in RMB amounted to HK$1,164,056,000 (2015: HK$956,669,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) At 31 December 2016, the usage of the Group's bank balances amounting to HK$23,269,000 (2015: HK$80,682,000) were restricted as to their use in accordance with the bank loan agreements of certain bank loans granted to the Group (note 27(a)(iv)). In addition, as at 31 December 2015, the usage of the Group's bank balances amounting to HK$197,000,000 were restricted as to their use in accordance with a subscription agreement entered into with an independent third party for a capital injection into a subsidiary of the Group (note 28).

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25. TRADE PAYABLES

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

	2016	2015
	HK$'000	HK$'000
Within one month	**178,437**	100,756
One to two months	**–**	1,147
Two to three months	**29**	403
Over one year	**35,077**	38,844
	213,543	141,150

The trade payables aged over one year represented construction fees payable to certain construction contractors. The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

26. OTHER PAYABLES AND ACCRUALS

		2016	2015
	Notes	**HK$'000**	HK$'000
Interest payable of convertible bonds		**19,387**	20,717
Interest payable of guaranteed bonds		**14,722**	14,674
Accruals		**10,363**	13,406
Receipts in advance and rental deposits received from tenants		**80,054**	54,314
Other payables		**172,788**	190,656
Consideration payables for business acquisitions	39	**46,472**	–
Defined benefit plans	33(b)	**413**	501
		344,199	294,268

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

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27. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank loans:		
Secured (note (a))	**1,552,752**	1,738,466
Unsecured	**743,734**	293,763
Total bank borrowings	**2,296,486**	2,032,229
Analysed into amounts repayable:		
Within one year or on demand	**234,223**	1,807,907
In the second year	**804,067**	21,837
In the third to fifth years, inclusive	**1,112,243**	103,557
Beyond five years	**145,953**	98,928
Total bank borrowings	**2,296,486**	2,032,229
Portion classified as current liabilities	**(234,223)**	(1,807,907)
Non-current portion	**2,062,263**	224,322

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27. BANK BORROWINGS (Continued)

Notes:

(a) Except for bank loans of HK$332,220,000 (2015: HK$238,640,000) in total which bear interest at fixed rates of 5.34% to 6.80% (2015: 5.39% to 7.86%), all other bank loans of the Group as at 31 December 2016 are floating rate loans with interests at specified periods' LIBOR or HIBOR plus a margin.

The secured bank loans of the Group are secured by:

(i) certain buildings with an aggregate carrying amount of HK$52,990,000 (2015: HK$58,530,000) (note 12);

(ii) certain investment properties with an aggregate carrying amount of HK$5,601,560,000 (2015: HK$4,636,816,000) (note 13(a));

(iii) certain equity interests of subsidiaries with an aggregate carrying amount of HK$3,068,373,000 (2015: HK$3,434,098,000) (note 1);

(iv) properties held for sale with a carrying amount of HK$90,618,000 (2015: HK$96,932,000) (note 19); and

(v) certain bank balances of HK$23,269,000 (2015: HK$80,682,000) (note 24(b)).

In addition, the Group's bank loans are guaranteed by the Company and certain non-controlling equity holders of certain subsidiaries (2015: the Company).

(b) The bank borrowings were denominated in the following currencies:

	2016 **HK$'000**	2015 HK$'000
HK$	**986,233**	750,934
RMB	**981,275**	238,640
US$	**328,978**	1,042,655
	2,296,486	2,032,229

(c) The loan agreement of a bank loan of the Group with a carrying amount of HK$624,838,000 as at 31 December 2015 includes a covenant imposing specific performance obligation on Beijing Enterprises Group, the ultimate holding company of the Company, under which it would constitute an event of default in the loan facility if the Company is less than 40% directly or indirectly ultimately owned by Beijing Enterprise Group. The loan was fully repaid in 2016.

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28. REDEEMABLE AND CONVERTIBLE EQUITY INSTRUMENTS

On 11 July 2014, the Group entered into a subscription agreement with an independent third party ("MJQ"), pursuant to which MJQ conditionally agreed to subscribe for and China Logistics, a wholly-owned subsidiary of the Company, conditionally agreed to issue 35 redeemable and convertible shares (the "Redeemable and Convertible Shares") to MJQ at a total consideration of RMB888,000,000. If converted, the Redeemable and Convertible Shares represent 35% of the enlarged share capital of China Logistics.

The Redeemable and Convertible Shares were issued on 15 October 2014 and the first instalment of the subscription monies of RMB511,000,000 (equivalent to HK$638,287,000, at the then exchange rate) was received by the Group during the year ended 31 December 2014.

The redemption rights attached to the Redeemable and Convertible Shares allows MJQ to request repayment of the subscription proceeds paid to the Group if BIPL, the joint venture of the Group, was unable to obtain the land use rights of a parcel of land located in Beijing on or before 30 September 2016 (the "Revised Land Acquisition Deadline") (as agreed by the parties pursuant to a supplementary agreement dated 30 September 2015). Since the Redeemable and Convertible Shares issued are redeemable at the option of MJQ within fifteen business days after the Revised Land Acquisition Deadline (or such other date as agreed by the parties) and the Group has no unavoidable obligation to repay when MJQ exercises its option, for accounting purpose, the subscription proceeds received by the Group were classified as financial liabilities until the Redeemable and Convertible Shares are converted into ordinary shares of China Logistics or the redemption period expires on 30 September 2016.

On 24 June 2016, MJQ issued a conversion notice to convert the Redeemable and Convertible Shares held into 35 ordinary shares of China Logistics on the conversion date of 11 July 2016 (the "Conversion Date"). Following the payment of the final installment of the subscription monies of the Redeemable and Convertible Shares of RMB377,000,000 and the conversion of the Redeemable and Convertible Shares, the Group's ownership interest in China Logistics was diluted from 100% to 65%. In the opinion of the directors, since the Group retained its control over China Logistics, China Logistics continues to be accounted for as a subsidiary of the Group. On the Conversion Date, a put option was also issued to MJQ in accordance with the subscription agreement, pursuant to which MJQ has the option to require the Company to purchase all the 35 ordinary shares of China Logistics held by MJQ at a predetermined price when certain conditions are met. The put option shall immediately lapse upon consummation of qualified Initial Public Offering of China Logistics.

For accounting purposes, since the deemed disposal transaction does not result in a loss of control over China Logistics, it was accounted for as an equity transaction. Accordingly, the difference amounting to HK$113,146,000 between i) the consideration of RMB888,000,000 (approximately HK$1,036,058,000) received from the issuance of the Redeemable and Convertible Shares; and (ii) the total of the enlarged net asset value of China Logistics acquired by MJQ as at the Conversion Date of HK$1,081,616,000 and the initial fair value of the put option amounting to HK$67,588,000 granted to MJQ, was deducted directly from the consolidated capital reserve of the Group.

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29. CONVERTIBLE BONDS

The Company had convertible bonds outstanding during the years ended 31 December 2016 and 2015, the summary information of which is set out as follows:

	PAG Convertible Bonds*
Issuance date	12 February 2014
Maturity date	11 February 2019
Redemption option of the convertible bond holders	Any day after the third anniversary of the issuance date
Original principal amount	RMB490,510,000
Coupon rate	4%
Conversion price per ordinary share of the Company (HK$)	0.74

* As defined in the announcement of the Company in connection with the issuance of the convertible bonds.

Note: The PAG Convertible Bonds were issued to PA Broad Opportunity VI Limited pursuant to a subscription agreement dated 24 January 2014 for the purpose of providing working capital and strengthening capital base and financial position of the Group.

Details of the PAG Convertible Bonds are set out in the Company's announcements dated 26 January 2014 and 12 February 2014. The PAG Convertible Bonds are classified as current liabilities as at 31 December 2016 because they have become redeemable at the option of the bond holders since 13 February 2017.

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29. CONVERTIBLE BONDS (Continued)

The convertible bonds were bifurcated into a liability component and an equity component for accounting purposes. The following tables summarise the movements in the principal amount, the liability and equity components of the Company's convertible bonds during the years ended 31 December 2016 and 2015:

	Note	**PAG Convertible Bonds** HK$'000
Principal amount outstanding		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016		628,196
Liability component		
At 1 January 2015		391,219
Imputed interest expense	6	40,696
Exchange realignment		(18,841)
At 31 December 2015 and 1 January 2016		413,074
Imputed interest expense	6	45,418
Exchange realignment		(28,689)
At 31 December 2016		429,803
Equity component (included in the convertible bond equity reserve)		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016		247,321

30. GUARANTEED BONDS

On 12 November 2015, Profit Fast Limited ("Profit Fast"), a wholly-owned subsidiary of the Company, issued 5.5% guaranteed bonds due 2018 (the "2018 Notes") in an aggregate principal amount of US$300,000,000 to independent third parties. The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Profit Fast under the subscription agreement for the issue of 2018 Notes.

The 2018 Notes bear interest at a rate of 5.5% per annum, payable semi-annually in arrear on 19 May and 19 November in each year, commencing on 19 May 2016.

The 2018 Notes are subject to redemption by the Group, in whole but not in part, at a redemption amount equal to the Make-Whole Price (as defined in the terms and conditions of the 2018 Notes). The 2018 Notes also contain a provision for redemption at the option of the holders of the 2018 Notes at 101% of the principal amount, together with interest accrued to the date of redemption, upon a change of control (as defined in terms and conditions of the 2018 Notes) with respect to the Company. Within the best knowledge of the directors, the above event did not take place during the year and as at the date of approval of these financial statements. Further details of the 2018 Notes are set out in the Company's announcement dated 13 November 2015.

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31. PROVISION FOR COMPENSATION

	2016 HK$'000	2015 HK$'000
At 1 January	**497,329**	513,096
Additional/(reversal of) provision	**(250,720)**	12,394
Settlement during the year	**(5,518)**	(4,955)
Exchange realignment	**(18,917)**	(23,206)
At 31 December	**222,174**	497,329

Note:

The provision for compensation was a provision for resettlement compensations payable to certain indigenous properties owners and tenants (the "Concerned Residents") affected by the construction works of a residential and commercial complex (the "Metro Mall") undertaken by Guangzhou Guangming, a subsidiary of the Company, in prior years.

During the construction of the Metro Mall by Guangzhou Guangming in the 1990s, properties owned/rented by the Concerned Residents were demolished and it was agreed between the Concerned Residents and Guangzhou Guangming that new residential flats to be built by Guangzhou Guangming will be used as compensation to the Concerned Residents for the demolished properties. However, due to changes in the development plan, no residential flats can be built and Guangzhou Guangming was unable to resettle those Concerned Residents in the agreed manner. In prior years, some of the Concerned Residents had lodged litigations against Guangzhou Guangming for its breach of agreements and requested monetary compensations. Guangzhou Guangming lost some of those lawsuits and was required to pay compensations together with overdue penalties.

During the year ended 31 December 2016, Guangzhou Guangming is negotiating an arrangement (the "Compensation Arrangement") with certain local government authorities regarding construction of resettlement buildings for the Concerned Residents. Under the Compensation Arrangement, resettlement buildings will be constructed and allocated to each Concerned Resident based on their respective areas of the demolished properties they previously owned. Guangzhou Guangming shall then be discharged from its legal obligation for the replacement flats to the Concerned Residents. The Compensation Arrangement has not been finalised as at the date of approval of these financial statements and is still subject to further negotiation with the local government authorities.

In arriving at the best estimate of the amount of the provisions for the resettlement compensation, management of the Group had made reference to the latest plan of the Compensation Arrangement, judgements of the lawsuits and all other available information. As a result of the new development on the latest plan of the Compensation Arrangement, in the opinion of the directors, the amounts of compensation cost that the Group may incur would be less than the provision amount made as at 31 December 2015 and hence, a reversal of provision for compensation of HK$250,720,000 is recognised in profit or loss during the year ended 31 December 2016.

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32. DERIVATIVE FINANCIAL INSTRUMENT

Pursuant to the shareholders' agreement (the "Agreement") of China Logistics, MJQ was granted a put option by the Company over the 35 ordinary shares of China Logistics it held with an effective date on the Conversion Date (defined in note 28) of the Redeemable and Convertible Shares. According to the terms of the put option, MJQ may require the Company to purchase all the 35 ordinary shares of China Logistics it held at a predetermined price (RMB888,000,000 plus interest at 7% per annum) when certain conditions are met. The put option was classified as a derivative financial instrument with its initial fair value of HK$67,588,000 being included as part of the consideration given in exchange for the conversion of the Redeemable and Convertible Shares by MJQ. Subsequent change in fair value of the option is recognised in profit or loss until the option is exercised by MJQ or expires in accordance with the terms of the Agreement.

Fair value hierarchy disclosure

At 31 December 2016, fair value measurement of the Group's derivative financial instrument at fair value through profit or loss is using significant unobservable inputs (Level 3) as defined in HKFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

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

	Notes	HK$'000
Carrying amount as at 1 January 2016		–
Initial recognition	28	67,588
Gain from a fair value adjustment recognised in profit or loss	5	(13,468)
Carrying amount as at 31 December 2016		54,120

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

Valuation technique	Significant unobservable inputs		Input/range of input 2016
Binomial Tree Pricing Method	(i)	Volatility	44.62%-49.06%
	(ii)	Risk-free rate	3.79%-4.07%
	(iii)	Price to book value ratio	1.12

The binomial tree pricing model uses an iterative procedure, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the instrument's expiration date. The model reduces possibilities of price changes, removes the possibility for arbitrage, assumes a perfectly efficient market, and shortens the duration of the instruments. Under these simplifications, it is able to provide a mathematical valuation of the instrument at each point in time specified. The binomial model takes a risk-neutral approach to valuation. It assumes that underlying security prices can only either increase or decrease with time until the instrument expires.

An increase (decrease) in the volatility in isolation would result in an increase (decrease) in the fair value of the put option. An increase (decrease) in the risk-free rate in isolation would result in a decrease (increase) in the fair value of the put option, while an increase (decrease) in the price to book value ratio in isolation would result in a decrease (increase) in the fair value of the put option.

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33. DEFINED BENEFIT PLANS

Certain employees of Holiday Inn BJ, an indirectly-held wholly-owned subsidiary of the Company, can enjoy retirement benefits after retirement pursuant to certain of its defined benefit plans. The plans are exposed to interest rate risk and the risk of changes in the life expectancy of the employees.

(a) Net benefit expense (recognised in administrative expenses)

	Supplemental post-retirement benefits	
	2016	2015
	HK$'000	HK$'000
Current service cost	**491**	419
Past service cost – plan amendments	**–**	(210)
Interest cost	**537**	605
Net benefit expenses	**1,028**	814

(b) Present value of the defined benefit obligations

	Supplemental post-retirement benefits	
	2016	2015
	HK$'000	HK$'000
At 1 January	**17,110**	15,514
Net benefit expenses recognised in profit or loss	**1,028**	814
Benefit paid	**(421)**	(419)
Actuarial losses/(gains) on obligations recognised in other comprehensive income	**(659)**	1,909
Exchange realignment	**(1,110)**	(708)
At 31 December	**15,948**	17,110
Portion classified as current liabilities, included in other payables and accruals (note 26)	**(413)**	(501)
Non-current portion	**15,535**	16,609

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33. DEFINED BENEFIT PLANS (Continued)

(c) Principal assumptions

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out at 31 December 2016 by Towers Watson & Co., an independent professionally actuarial consulting firm, using the projected unit credit actuarial cost method. The material actuarial assumptions used in determining the defined benefit obligations for the Group's plans are as follows:

	2016	2015
Discount rate	**3.50%**	3.25%

A quantitative sensitivity analysis for discount rate as at 31 December 2016 and 2015 is shown below:

	Increase in rate %	**Decrease in net defined benefits obligations** HK$'000	**Decrease in rate** %	**Increase in net defined benefits obligations** HK$'000
2016				
Current service cost	0.25	(569)	(0.25)	603
2015				
Current service cost	0.25	(644)	(0.25)	680

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

At 31 December 2016, the expected cash contribution to be made within the next 12 months out of the defined benefit obligations was HK$413,000 (2015: HK$501,000).

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34. DEFERRED TAX LIABILITIES

The components of net deferred tax liabilities and their movements during the year are as follows:

		Attributable to			
	Notes	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of investment properties HK$'000	Loss available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2015		227,530	561,682	–	789,212
Net deferred tax charged/(credited) to profit or loss during the year	10	–	34,305	(2,625)	31,680
Disposal of subsidiaries	40	(39,408)	(69,033)	–	(108,441)
Exchange realignment		–	(29,889)	–	(29,889)
At 31 December 2015 and 1 January 2016		188,122	497,065	(2,625)	682,562
Net deferred tax charged/(credited) to profit or loss during the year	10	–	34,209	(228)	33,981
Acquisition of subsidiaries	39	86,918	–	–	86,918
Exchange realignment		–	(50,701)	–	(50,701)
At 31 December 2016		275,040	480,573	(2,853)	752,760

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34. DEFERRED TAX LIABILITIES (Continued)

Notes:

(a) At 31 December 2016, deferred tax assets have not been recognised in respect of unused tax losses of HK$246,425,000 (2015: HK$144,726,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, unrecognised tax losses of HK$214,791,000 (2015: HK$130,596,000) will expire in one to five years.

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

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2015: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately HK$8,825,000 (2015: HK$9,337,000) in aggregate as at 31 December 2016.

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders (2015: Nil).

35. SHARE CAPITAL

	2016 **HK$'000**	2015 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
6,766,587,849 ordinary shares of HK$0.10 each	**676,659**	676,659

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35. SHARE CAPITAL (Continued)

A summary of a movement of the Company's issued capital and share premium account during the years ended 31 December 2016 and 2015 is as follows:

	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2015	6,750,587,849	675,059	1,694,873	2,369,932
Share options exercised (note)	16,000,000	1,600	10,229	11,829
At 31 December 2015, 1 January 2016, and 31 December 2016	6,766,587,849	676,659	1,705,102	2,381,761

Note: During the year ended 31 December 2015, subscription rights attaching to 5,000,000, 6,000,000 and 5,000,000 share options were exercised at the subscription prices of HK$0.465, HK$0.41 and HK$0.574 per share, respectively, for a total cash consideration, before expenses, of HK$7,818,000. The issued capital and share premium account were increased by HK$1,600,000 and HK$6,218,000, respectively. Also, an amount of HK$4,011,000 was transferred from the share option reserve to the share premium account upon exercise of the share options.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

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36. SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the "Scheme") and, unless otherwise cancelled or amended, the Scheme will remain in force for ten years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the board of directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

		2016		2015	
	Notes	**Weighted average exercise price (HK$ per share)**	**Number of options '000**	Weighted average exercise price (HK$ per share)	Number of options '000
At 1 January		**0.596**	**962,313**	0.582	894,313
Granted during the year	(a)	**–**	**–**	0.720	84,000
Exercised during the year	35	**–**	**–**	0.489	(16,000)
At 31 December		**0.596**	**962,313**	0.596	962,313

NOTES TO FINANCIAL STATEMENTS

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36. SHARE OPTION SCHEME (Continued)

Notes:

(a) The share options were granted on 8 April 2015 and were all vested immediately on the date of grant. The fair values of the options were determined at the date of grant using a binomial model and ranged from HK$0.2309 to HK$0.2581 per option. The following table lists the inputs to the model used:

	Date of grant of 8 April 2015
Grant date share price	HK$0.72
Exercise price	HK$0.72
Option life	10 years
Expected volatility	50.125%
Dividend yield	0%
Risk-free interest rate	1.414%

The fair values of the options have been arrived at on the basis of a valuation carried out by Assets Appraisal Limited, independent qualified professional valuers, on the grant date. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business of logistics and property development as of the valuation dates and reflected the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The Group recognised an aggregate equity-settled share option expense of HK$20,242,000 in profit or loss during the year ended 31 December 2015.

(b) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options outstanding			
2016 **'000**	2015 '000	Exercise price* (HK$ per share)	Exercise period**
189,000	189,000	0.465	28-10-2011 to 27-10-2021
289,313	289,313	0.410	1-6-2012 to 31-5-2022
170,000	170,000	0.574	24-5-2013 to 23-5-2023
190,000	190,000	0.940	31-3-2014 to 30-3-2024
40,000	40,000	0.750	28-8-2014 to 27-8-2024
84,000	84,000	0.720	8-4-2015 to 7-4-2025
962,313	962,313		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The share options have no vesting period.

NOTES TO FINANCIAL STATEMENTS

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36. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

(c) At 31 December 2016, the Company had 962,313,000 (2015: 962,313,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 962,313,000 (2015: 962,313,000) additional ordinary shares of the Company and additional share capital of HK$96,231,000 (2015: HK$96,231,000) and share premium of HK$476,932,000 (2015: HK$476,932,000) (before issue expenses and without taking into account any transfer of share option reserve to the share premium account).

37. RESERVES

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

(b) The share option reserve of the Group comprises the fair value of share options granted which are yet to exercise, as further explained in the accounting policy for the "Share-based payments" in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits/accumulated losses should the related options expire or be forfeited.

(c) The PRC statutory reserves are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, joint ventures and associates established in Mainland China. None of the Group's PRC statutory reserve as at 31 December 2016 were distributable in the form of cash dividends.

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

During the year, China Logistics was considered a subsidiary that has material non-controlling interests, which are summarised below:

	2016
Percentage of equity interest held by non-controlling interests	35%

	2016 HK$'000
Consolidated profit for the year allocated to non-controlling interests	2,892
Dividends paid	–
Accumulated balances of non-controlling interests at the reporting date	1,071,633

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38. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised consolidated financial information of China Logistics:

	2016 HK$'000
Revenue	132,041
Total expenses	(64,294)
Profit for the year	62,619
Total comprehensive income for the year	(36,668)
Current assets	740,451
Non-current assets	3,439,448
Current liabilities	(94,170)
Non-current liabilities	(961,733)
Net cash flows from operating activities	60,214
Net cash flows used in investing activities	(281,636)
Net cash flows from financing activities	270,808
Net increase in cash and cash equivalents	49,386

* Comparative amounts were not disclosed as China Logistics was a wholly-owned subsidiary as at 31 December 2015 and during the year then ended.

The amounts disclosed above are before any inter-company eliminations.

In the opinion of the directors, there is no subsidiary having material non-controlling interest as at 31 December 2015 that requires disclosure under HKFRS 12 *Disclose of Interest in Other Entities* issued by the HKICPA.

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39. BUSINESS COMBINATIONS

The aggregate provisional fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2016 as at their respective dates of acquisition are set out as follows:

	Xiamen Xunda HK$'000 (note (a))	Meishan Xunda HK$'000 (note (b))	Hainan Datong HK$'000 (note (c))	Jingchang-shun HK$'000 (note (d))	Total HK$'000
Net assets acquired:					
Property, plant and equipment	3,877	3,406	5,381	3,748	16,412
Investment properties	383,015	395,306	199,254	65,626	1,043,201
Trade receivables	2,510	–	4,002	420	6,932
Prepayments, deposits and other receivables	276	5,734	2,313	250	8,573
Due from related companies	12,026	–	–	–	12,026
Cash and cash equivalents	49,882	27,227	384	364	77,857
Non-current assets classified as held for sale	5,847	8,786	–	–	14,633
Trade payables	(54,753)	(566)	(1,630)	–	(56,949)
Other payables and accruals	(14,146)	(27,710)	(18,570)	(94)	(60,520)
Due to related companies	–	(31,988)	–	–	(31,988)
Income tax payables	(11,532)	(415)	–	–	(11,947)
Deferred tax liabilities	(23,800)	(36,932)	(14,364)	(11,822)	(86,918)
Bank borrowings	(120,066)	(135,889)	(54,035)	–	(309,990)
Non-controlling interests	(46,627)	(82,783)	(24,547)	(11,700)	(165,657)
	186,509	124,176	98,188	46,792	455,665
Goodwill on acquisition	61,640	17,264	–	936	79,840
Gain on bargain purchase of a subsidiary recognised in profit or loss (note (c))	–	–	(12,372)	–	(12,372)
	248,149	141,440	85,816	47,728	523,133
Satisfied by cash	248,149	141,440	85,816	47,728	523,133
Net cash outflows:					
Cash acquired	49,882	27,227	384	364	77,857
Cash consideration	(248,149)	(141,440)	(85,816)	(47,728)	(523,133)
Cash paid in excess of the consideration which is recoverable from the vendors	–	(30,772)	–	–	(30,772)
Cash considerations payable to the vendors as at 31 December 2016	23,889	–	22,583	–	46,472
Deposits paid for acquisitions in prior year	29,830	29,830	63,233	19,666	142,559
	(144,548)	(115,155)	384	(27,698)	(287,017)

NOTES TO FINANCIAL STATEMENTS

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39. BUSINESS COMBINATIONS (Continued)

	Xiamen Xunda HK$'000 (note (a))	Meishan Xunda HK$'000 (note (b))	Hainan Datong HK$'000 (note (c))	Jingchang-shun HK$'000 (note (d))	Total HK$'000
Contribution since acquisition:					
Revenue	21,223	9,445	1,132	2,091	33,891
Profit/(loss)	16,206	1,504	274	(482)	17,502
Contribution if acquired on 1 January 2016:					
Revenue	28,334	14,776	9,443	2,091	54,644
Profit/(loss)	9,202	1,878	3,433	(482)	14,031

Notes:

(a) On 1 April 2016, the Group completed the acquisition of 80% equity interest in Xiamen Xunda, which is engaged in operation of five warehouses in Xiamen City, Fujian Province, the PRC.

(b) On 1 April 2016, the Group completed the acquisition of 60% equity interest in Meishan Xunda, which is engaged in operation of four warehouses in Meishan City, Sichuan Province, the PRC.

(c) On 1 December 2016, the Group completed the acquisition of 80% equity interest in Hainan Datong, which is engaged in operation of two warehouses and a staff quarter in Chengmai County, Hainan Province, the PRC.

In the opinion of the directors, the gain on bargain purchase of Hainan Datong was resulted from the appreciation of the fair values of the underlying properties held by Hainan Datong between the date when the consideration was determined and the date of completion of the acquisition transaction.

(d) On 19 January 2016, the Group completed the acquisition of 80% equity interest in Jingchangshun, which is engaged in operation of cold logistics storage facilities in Chengyang district of Qingdao, Shandong Province, the PRC.

(e) The Group has elected to measure the non-controlling interests in the subsidiaries acquired at the non-controlling interests' proportionate share of the identifiable net assets of the subsidiaries acquired during the year ended 31 December 2016.

(f) The aggregate fair values (and their respective gross contractual amounts) of the trade receivables and deposits and other receivables and amounts due from related companies as at their respective dates of acquisition amounted to HK$6,932,000, HK$8,573,000 and HK$12,026,000, respectively. None of these receivables have been impaired and it is expected that the full contractual amounts can be recovered.

NOTES TO FINANCIAL STATEMENTS

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40. DISPOSAL OF SUBSIDIARIES

The Group disposed of the entire equity interests it held in Zhijian Limited ("Zhijian") and Rayport (defined in note 3) during the year ended 31 December 2015, details of which are summarised as follows:

		2015		
	Notes	Zhijian HK$'000 (note (a))	Rayport HK$'000 (note (b))	Total HK$'000
Net assets disposed of:				
Property, plant and equipment	12	13,802	–	13,802
Investment properties	13	345,760	–	345,760
Prepaid land lease payments	14	236,320	–	236,320
Goodwill	15	149,881	–	149,881
Available-for-sale equity investment		3,591	–	3,591
Trade receivables		170	–	170
Prepayments, deposits and other receivables		24,329	47,900	72,229
Due from related companies		3,801	–	3,801
Due from an associate		–	23,400	23,400
Cash and cash equivalents		31,502	23	31,525
Trade payables		(331)	–	(331)
Other payables and accruals		(8,747)	(7)	(8,754)
Due to an intermediate holding company		(62,768)	(23,400)	(86,168)
Due to a fellow subsidiary		(360,672)	–	(360,672)
Due to related companies		(9,001)	–	(9,001)
Other loans		(7,257)	–	(7,257)
Deferred tax liabilities	34	(108,441)	–	(108,441)
Non-controlling interests		(18,320)	–	(18,320)
		233,619	47,916	281,535
Exchange fluctuation reserve realised		2,693	(350)	2,343
Gain on disposal of subsidiaries:				
Realised portion recognised in profit or loss		144,630	57,611	202,241
Unrealised portion eliminated against the carrying amount of the investment in an associate		27,058	–	27,058
		408,000	105,177	513,177

NOTES TO FINANCIAL STATEMENTS

31 December 2016

40. DISPOSAL OF SUBSIDIARIES (Continued)

	2015		
	Zhijian HK$'000 (note (a))	Rayport HK$'000 (note (b))	Total HK$'000
Satisfied by:			
Cash	408,000	–	408,000
Available-for-sale equity investment	–	105,177	105,177
	408,000	105,177	513,177

Notes:

(a) On 28 May 2015, pursuant to a sales and purchase agreement entered into with BE M&H (defined in note 3) on 30 January 2015, a then associate of the Group, the Group disposed of the entire issued capital of Zhijian to BE M&H at a cash consideration of HK$408,000,000. Zhijian and its subsidiaries are principally engaged in investment in and development of logistics properties and provision for logistics services for the Chaoyang Island Port of Beijing, including leasing of warehouse facilities and provision of related management services.

(b) On 18 December 2014, the equity interest of Rayport, a then wholly-owned subsidiary of the Company which held the Group's 40% equity interest in Haikou Peace Base Holdings Limited ("Haikou Peace Base"), was transferred to the Haikou Buyer (defined in note 3) pursuant to a sale and purchase agreement dated 9 June 2014 and an amending and restatement deed dated 7 October 2014 entered into between the two parties, for a consideration of 83,000,000 new ordinary shares (as adjusted after a share consolidation) to be issued by the Haikou Buyer to the Group. At 31 December 2014, the transaction had not yet been completed as the Haikou Buyer had not yet issued the consideration shares to the Group. However, as the equity interest of Rayport had been transferred to the Haikou Buyer before 31 December 2014, in the opinion of the directors, all the risks and rewards of ownership in Haikou Peace Base has been passed to the Haikou Buyer and hence, the Group discontinued to account for Haikou Peace Base as an associate and reclassified the then carrying amount of the investment in Haikou Peace Base to another receivable, with any gain on disposal to be recognised when the transaction is completed.

During the year ended 31 December 2015, the transaction for the disposal of Rayport was completed upon receipt of the consideration shares issued by the Haikou Buyer on 17 April 2015. The consideration shares had a fair value of AUD18,260,000 (equivalent to approximately HK$105,177,000) at the date of the completion of the transaction.

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41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Apart from the conversion of the Redeemable and Convertible Shares in 2016 as disclosed in note 28 to the financial statements and the disposal of Rayport and its subsidiaries in exchange for the shares of the Haikou Buyer in 2015 as disclosed in note 40(b) to the financial statements, the Group had no other major non-cash transactions of investing and financing activities during the years ended 31 December 2016 and 2015.

42. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2016	2015
	HK$'000	HK$'000
Guarantee given to banks in connection with mortgage facilities granted to certain purchasers of properties developed by the Group	**–**	22,793

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its completed investment properties (note 13) under operating lease arrangements, with the leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**161,756**	178,428
In the second to fifth years, inclusive	**218,868**	272,050
After five years	**46,802**	131,923
	427,426	582,401

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43. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**2,426**	1,192
In the second to fifth years, inclusive	**1,079**	–
	3,505	1,192

44. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Acquisition of businesses	**1,749,473**	616,265
Construction of logistic facilities	**89,963**	499,227
Total capital commitments	**1,839,436**	1,115,492

In addition, the Group's share of a joint venture's own capital commitments, which are contracted but not provided for and not included in the above disclosure, amounted to HK$422,816,000 (2015: HK$26,106,000) as at 31 December 2016.

NOTES TO FINANCIAL STATEMENTS

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45. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2016 HK$'000**	2015 HK$'000
Rental income received from:	(i)		
– an associate of the ultimate holding company#		**–**	1,397
– a non-controlling equity holder of a subsidiary and its subsidiaries#		**1,115**	1,161
Interest income, net of business tax and value-added tax received or receivable from a joint venture	(ii)	**10,741**	10,927
Rental expense paid or payable to a fellow subsidiary	(iii)	**1,366**	–
Management fee paid or payable to a subsidiary of a non-controlling equity holder of a subsidiary#	(iv)	**2,165**	1,285
Key management personnel service fees paid to a company	(v)	**7,413**	8,560
Proceeds received from an associate for disposal of a subsidiary	(vi)	**–**	408,000

These transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

(i) The rental income related to the leases of a warehouse, a platform office and an office by the Group to an associate of the ultimate holding company of the Company for its business activities. The rental income was determined by reference to the prevailing market rentals at the time when the rental agreements were entered into. Further details of those transactions are set out in the Company's announcement dated 31 December 2012.

(ii) The interest income was charged on bank entrusted loans advanced to a joint venture at mutually-agreed rates.

(iii) The rental expense related to the lease of an office located in Beijing from a fellow subsidiary. The rental expense was determined by reference to the prevailing market rentals at the time when the rental agreement was entered into.

(iv) The management fee was determined by reference to the property management market rate for properties of comparable size, location and facilities at the time when the property management agreements were entered into.

NOTES TO FINANCIAL STATEMENTS

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45. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Notes: (continued)

(v) The management fee was paid for the management and administrative services provided by a hotel management company in respect of the Group's hotel operation. The management fee was charged pursuant to the terms in the agreements signed between a wholly-owned subsidiary of the Group and the hotel management company on 14 June 1988, 31 May 1991, 21 July 2003 and 18 August 2005.

(vi) The transaction is related to the disposal of a subsidiary, Zhijian, to BE M&H on 29 May 2015 for a cash consideration of HK$408,000,000.

(vii) Pursuant to a deposit services master agreement (the "Deposit Agreement") entered into between the Company and Beijing Enterprises Group Finance Co., Ltd. ("BG Finance") on 29 June 2015, the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. BG Finance is a non-wholly-owned subsidiary of Beijing Enterprises Group and acts as a platform for members of Beijing Enterprises Group for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

The term of the Deposit Agreement shall commence on the date of the Deposit Agreement and continue up to and including 31 December 2017. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the term of the Deposit Agreement will not exceed HK$250,000,000. Further details of the Deposit Agreement are set out in the Company's announcement dated 29 June 2015.

The deposits placed by the Group with BG Finance as at the end of the reporting period amounted to HK$85,143,000 (2015: HK$247,700,000).

Save as disclosed above and the balances detailed in notes 16 and 23 to the financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2016 and 2015.

(b) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "Other SOEs"). During the year, the Group had transactions with the Other SOEs including, but not limited to, bank borrowings and deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are individually or collectively significant related party transactions that require separate disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

45. RELATED PARTY DISCLOSURES (Continued)

(c) Compensation of key management personnel of the Group

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**13,275**	12,279
Equity-settled share option expense	**–**	13,660
Pension scheme contributions	**952**	780
Total compensation paid to key management personnel	**14,227**	26,719

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

46. FINANCIAL INSTRUMENTS BY CATEGORY

Except for equity investments and a put option being classified as equity investments at fair value through other comprehensive income and a derivative financial instrument, respectively, as further detailed in notes 17 and 32 to the financial statements, all financial assets and liabilities of the Group as at 31 December 2016 and 2015 were loans and receivables and financial liabilities stated at amortised cost, respectively.

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

The fair values of the financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

NOTES TO FINANCIAL STATEMENTS

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47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table sets out a comparison, by carrying amount and fair value, of the Group's financial instruments that are carried in the financial statements at other than fair value. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates and the Group's own non-performance risk for the financial liabilities was assessed to be insignificant.

	Carrying amount		Fair value	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current financial asset:				
Prepayments, deposits and other receivables	**2,434**	5,860	**2,434**	5,860
Non-current financial liabilities:				
Due to related parties	**31,486**	32,160	**31,373**	31,982
Bank and other borrowings	**2,062,263**	224,322	**2,511,976**	267,427
Guaranteed bonds	**2,281,437**	2,258,365	**2,312,275**	2,331,391
	4,375,186	2,514,847	**4,855,624**	2,630,800

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, convertible bonds, guaranteed bonds and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables and other payables.

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

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

NOTES TO FINANCIAL STATEMENTS

31 December 2016

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's exposure to market risk arising from changes in interest rates in respect of cash and bank balances is considered relatively minimal.

At 31 December 2016, the Group's interest-bearing borrowings amounting to HK$1,964,266,000 (2015: HK$1,793,589,000) bore interest at floating rates.

At 31 December 2016, it was estimated that a general decrease (increase) of 100 basis points in interest rate of average balances of bank and other loans and bank balances during the year, with all other variables held constant, would increase (decrease) the Group's profit before tax by approximately HK$32,099,000 (2015: HK$17,957,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of their transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Owing to the fact that the presentation currency of these financial statements is Hong Kong dollar but the functional currency of the Company, the PRC subsidiaries, joint venture and associate is RMB, the net assets of the Group's investments in these entities are exposed to foreign currency translation risk.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group only leases its completed investment properties to recognised and creditworthy third parties. It is the Group's policy that securities deposits equivalent to three months rental are received in advance from the tenant upon each rental agreement is signed.

Since the Group only leases its completed investment properties to recognised and creditworthy third parties, and the trade receivables are fully collateralised by the security deposits paid by the relevant tenant, there is no requirement for further collateral. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by diversity in customer base and geographic locations of warehouse portfolio.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

The credit risk of the Group's other financial assets, which comprise amounts due from a joint venture and related companies, deposits and other receivables and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank and other borrowings and convertible bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. 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 adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

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

	No fixed term/ on demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	More than 3 years HK$'000	Total HK$'000
At 31 December 2016						
Trade payables	**178,466**	**35,077**	**–**	**–**	**–**	**213,543**
Other payables and accruals	**18,862**	**325,337**	**–**	**–**	**–**	**344,199**
Due to related companies	**62,151**	**558**	**372**	**372**	**372**	**63,825**
Bank loans	**–**	**234,223**	**804,067**	**941,938**	**316,258**	**2,296,486**
Convertible bonds	**–**	**21,893**	**21,900**	**550,017**	**–**	**593,810**
Guaranteed bonds	**–**	**127,943**	**2,439,450**	**–**	**–**	**2,567,393**
	259,479	**745,031**	**3,265,789**	**1,492,327**	**316,630**	**6,079,256**
At 31 December 2015						
Trade payables	134,880	6,270	–	–	–	141,150
Other payables and accruals	50,225	244,043	–	–	–	294,268
Due to related companies	30,406	597	597	597	597	32,794
Bank loans	–	1,867,099	59,498	68,335	184,728	2,179,660
Convertible bonds	–	23,418	23,404	23,411	587,970	658,203
Guaranteed bonds	–	127,917	127,877	2,459,987	–	2,715,781
Guarantee given to a bank in connection with mortgage facilities granted to certain purchaser of properties developed in prior years	22,793	–	–	–	–	22,793
	238,304	2,269,344	211,376	2,552,330	773,295	6,044,649

NOTES TO FINANCIAL STATEMENTS

31 December 2016

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

Depending on the market conditions and funding arrangements, if at any time repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings are calculated as total bank loans, redeemable and convertible equity instruments, the liability component of the convertible bonds and guaranteed bonds. The gearing ratio as at the end of the reporting period was as follows:

	Group	
	2016 **HK$'000**	2015 HK$'000
Total borrowings	**5,007,726**	5,313,393
Total assets	**11,718,464**	11,466,544
Gearing ratio	**43%**	46%

NOTES TO FINANCIAL STATEMENTS

31 December 2016

49. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the following significant events took place:

(a) On 27 January 2017, Bellomonte Investments Company Limited ("BICL"), a wholly-owned subsidiary of the Company, entered into a binding letter agreement with MillenMin Ventures Inc. ("MillenMin") and four other investors. Under the binding letter agreement:

(i) BICL has agreed to subscribe for 26,370,000 common shares of MillenMin for a cash consideration of US$2,000,000;

(ii) BICL has agreed to subscribe for 83,329,162 subscription receipts of MillenMin (exchangeable into 83,329,162 MillenMin common shares) for a cash consideration of US$6,319,997; and

(iii) BICL has agreed to dispose of its equity interest in Bellomonte Limited to MillenMin for a consideration of US$27,000,000, which will be settled by the allotment and issuance of 355,995,000 common shares of MillenMin. Bellomonte Limited is a target company to be acquired by BICL from Beijing Enterprises Real Estate (HK) Limited ("BEREHK", a substantial shareholder of the Company and the existing sole shareholder of Bellomonte Limited), which has not yet been completed and is subject to fulfillment of certain conditions precedent,

BICL has the option to cause the aforesaid disposal of interest in Bellomonte Limited to be directly transacted between BEREHK and MillenMin.

The sole asset of Bellomonte Limited is 49% equity interest in Bellomonte S.A. which is principally engaged in the construction, development and operation of a golf resort centre in Cuba.

At the date of approval of these financial statements, the transaction has not yet been completed and is subject to fulfillment of certain conditions precedent. Further details of this transaction are set out in the Company's announcement dated 27 January 2017.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

49. EVENTS AFTER THE REPORTING PERIOD (Continued)

(b) On 1 March 2017, Keen Idea Global Limited ("Keen Idea"), a wholly-owned subsidiary of the Company, issued 4.375% guaranteed bonds due 2020 (the "2020 Notes") in an aggregate principal amount of US$300,000,000 to independent third parties. The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Keen Idea under the subscription agreement for the issue of the 2020 Notes. The 2020 Notes bear interest at 4.375% per annum, payable semi-annually in arrear on 8 March and 8 September in each year, commencing on 8 September 2017. The Group intends to use the net proceeds received from the 2020 Notes for the Group's general working capital, corporate purposes and capital expenditure. Further details of the bond issuance are set out in the Company's announcements dated 1 March 2017, 2 March 2017 and 8 March 2017.

(c) On 9 March 2017, a circular regarding a sales and purchase agreement dated 4 July 2016 entered into between Radiant Sky Investments Co., Ltd, a wholly-owned subsidiary of the Company, and Mr. Chan Yuk Cheung, an independent non-executive director of the Company, for the acquisition of 60% equity interest and shareholder's loan of Zhong Jian Jin Bian Jing Ji Te Qu Ltd ("Zhong Jian") was issued to the Company's shareholders. As permitted under Rule 14A.37 of the Listing Rules, the Stock Exchange granted a waiver on 25 January 2017 such that no special general meeting will be held to approve the transaction. Zhong Jian is principally engaged in the development and sale of land located in a special zone in Cambodia.

At the date of approval of these financial statements, the transaction has not yet been completed and is subject to fulfillment of certain conditions precedent. Further details of this transaction are set out in the Company's circular dated 9 March 2017.

(d) On 13 March 2017, China Logistics (a 65% directly owned subsidiary of the Group) entered into a guarantee agreement with certain banks and the joint venture partner of BIPL as a guarantor for a bank loan of RMB880,000,000 granted to BIPL in proportion to its equity interest in BIPL; and the Company entered into a loan agreement with BIPL to provide a loan facility with a maximum loan limit of RMB500,000,000 for a term of three years after the day of drawing at an interest rate equivalent to the loan interest rate promulgated by the People's Bank of China with the same tenure.

At the date of approval of these financial statements, the transaction has not yet been completed and is subject to fulfillment of certain conditions precedent. Further details of this transaction are set out in the Company's announcements dated 13 March 2017 and 17 March 2017.

50. COMPARATIVE AMOUNTS

As disclosed in note 2.2(a)(ii), comparative amounts of certain items and balances in the consolidated financial statements have been restated due to the early adoption of HKFRS 9 (2014) during the year. In addition, certain comparative amounts have been reclassified to conform to the current year's presentation.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000 (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	36	84
Investments in subsidiaries	3,043,593	2,653,243
Deposits paid for acquisitions of businesses	73,787	–
Deposit paid for acquisition of an investment property	–	11,932
Equity investments at fair value through other comprehensive income	85,082	116,369
Total non-current assets	3,202,498	2,781,628
CURRENT ASSETS		
Due from subsidiaries	1,168,113	932,707
Prepayments, deposits and other receivables	2,886	140,447
Cash and cash equivalents	1,476,433	1,460,800
Total current assets	2,647,432	2,533,954
CURRENT LIABILITIES		
Other payables and accruals	47,896	50,592
Due to the immediate holding company	300	34
Due to subsidiaries	1,632,427	1,396,546
Bank borrowings	108,738	293,762
Convertible bonds	429,803	–
Total current liabilities	2,219,164	1,740,934
NET CURRENT ASSETS	428,268	793,020
NON-CURRENT LIABILITIES		
Bank borrowings	634,996	–
Convertible bonds	–	413,074
Total non-current liabilities	634,996	413,074
Net assets	2,995,770	3,161,574
EQUITY		
Issued capital	676,659	676,659
Reserves	2,319,111	2,484,915
Total equity	2,995,770	3,161,574

Qian Xu
Director

Siu Kin Wai
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2016

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

	Share premium account HK$'000	Contributed surplus HK$'000	Financial asset revaluation reserve HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	1,694,873	423,880	–	178,184	247,321	92,872	(67,702)	2,569,428
Loss for the year, as restated	–	–	–	–	–	–	(4,507)	(4,507)
Other comprehensive loss for the year								
– Exchange differences on translation	–	–	–	–	–	(88,134)	–	(88,134)
– Equity investments at fair value through other comprehensive income: Changes in fair value, net of income tax of nil	–	–	(18,332)	–	–	–	–	(18,332)
Total comprehensive loss for the year	–	–	(18,332)	–	–	(88,134)	(4,507)	(110,973)
Issue of shares upon exercise of share options	10,229	–	–	(4,011)	–	–	–	6,218
Equity-settled share option arrangements	–	–	–	20,242	–	–	–	20,242
At 31 December 2015, as restated	1,705,102	423,880	(18,332)	194,415	247,321	4,738	(72,209)	2,484,915
At 1 January 2016:								
As previously reported	1,705,102	423,880	–	194,415	247,321	4,738	(90,541)	2,484,915
Prior year adjustments upon adoption of HKFRS 9	–	–	(18,332)	–	–	–	18,332	–
As restated	1,705,102	423,880	(18,332)	194,415	247,321	4,738	(72,209)	2,484,915
Loss for the year	–	–	–	–	–	–	(19,486)	(19,486)
Other comprehensive loss for the year								
– Exchange differences on translation	–	–	–	–	–	(115,032)	–	(115,032)
– Equity investments at fair value through other comprehensive income: Changes in fair value, net of income tax of nil	–	–	(31,286)	–	–	–	–	(31,286)
Total comprehensive loss for the year	–	–	(31,286)	–	–	(115,032)	(19,486)	(165,804)
At 31 December 2016	1,705,102	423,880	(49,618)	194,415	247,321	(110,294)	(91,695)	2,319,111

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2017.

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Completed investment properties			
Level 1 on No. 89 and Level 1 and 2 on No. 59, 60, 90, 119, 120, 159, 160, 199, 200, 239 and 240 Shen Ya Road, Shanghai Wai Gao Qiao Logistics Centre, Shanghai City, the PRC	Logistics Warehouse	Medium term lease	65%
Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone), Tianjin City, the PRC	Logistics warehouse	Medium term lease	45.5%
Metro Mall No. 63 Xihu Road Yuexiu District, Guangzhou City, Guangdong Province, the PRC*	Shopping mall	Medium term lease	98.9%
A warehouse and surplus land located in Peng Jia Tai Community, Xiazhuang Street, Chengyang District, Qingdao City, Shandong Province, the PRC	Cold chain warehouse	Medium term lease	80%
Five warehouses located at Nos. 555-563 Ji'an Road, Tong'an District, Xiamen City, Fujian Province, the PRC	Logistics warehouse	Medium term lease	80%
Land and Buildings situated at Nos. 3 & 5 Bencao Ave South Section, Meishan Economic Development New Zone, Shangyi Town, Meishan City, the PRC	Logistics warehouse	Medium term lease	60%
A warehouse located in Jin Ma Xian Dai Logistics Center, Jin Ma Avenue, Cheng Mai County, Haikou, Hainan Province, the PRC	Logistics warehouse	Medium term lease	80%

PARTICULARS OF PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Site F, Tianjin Airport International Logistics Zone, Tianjin City, the PRC	Logistics warehouse	Medium term lease	45.5%
Marine Economic Area, Binhai New Area, Hangu District, Tianjin City, the PRC	Cold chain warehouse	Medium term lease	60%
Investment properties under construction			
Section No.2012-3, Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang Province, the PRC	Logistics center	Medium term lease	100%
Section No.2014-1, Jiang Ja Shan Kecheng District, Quzhou City Zhejiang Province, the PRC	Logistics center	Medium term lease	100%
An ancillary building and various developing portions located at Nos. 555-563 Ji'an Road, Tong'an District, Xiamen City, Fujian Province, the PRC	Logistics warehouse	Medium term lease	80%

* The 6 Floor of Metro Mall was classified as properties held for sale as at 31 December 2016 (note 19).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual report and audited financial statements and as restated where appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2016 HK$'000	2015 HK$'000 (Restated)	2014 HK$'000	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS					
Revenue	**317,966**	296,572	202,983	35,848	11,007
Profit/(loss) before tax from continuing operations	**171,881**	341,033	298,209	776,031	(113,395)
Income tax	**(47,783)**	(67,118)	(107,199)	(53,228)	(632)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**124,098**	273,915	191,010	722,803	(114,027)
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	–	–	–	5,674
Profit/(loss) for the year	**124,098**	273,915	191,010	722,803	(108,353)
Attributable to:					
Shareholders of the Company	**115,375**	276,786	166,876	700,962	(97,769)
Non-controlling interests	**8,723**	(2,871)	24,134	21,841	(10,584)
	124,098	273,915	191,010	722,803	(108,353)

ASSETS, LIABILITIES AND TOTAL EQUITY

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Total assets	**11,718,464**	11,466,544	9,555,333	5,448,227	3,092,269
Total liabilities	**(6,713,621)**	(7,005,860)	(5,243,365)	(1,950,795)	(1,950,857)
NET ASSETS	**5,004,843**	4,460,684	4,311,968	3,497,432	1,141,412
Attributable to:					
Shareholders of the Company	**3,660,590**	4,220,420	4,161,837	3,430,199	1,156,867
Non-controlling interests	**1,344,253**	240,264	150,131	67,233	(15,455)
TOTAL EQUITY	**5,004,843**	4,460,684	4,311,968	3,497,432	1,141,412