四海國際集團有限公司

Cosmopolitan International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 120)

2016 ANNUAL REPORT

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Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Jimmy Lo Chun To
(Vice Chairman and Managing Director)
Lo Po Man (Vice Chairman)
Kenneth Wong Po Man (Chief Operating Officer)
Kelvin Leung So Po (Chief Financial Officer)
Kenneth Ng Kwai Kai

Non-Executive Director

Francis Bong Shu Ying, OBE, JP

Independent Non-Executive Directors

Alice Kan Lai Kuen
Lee Choy Sang
David Li Ka Fai
Abraham Shek Lai Him, GBS, JP

AUDIT COMMITTEE

David Li Ka Fai (Chairman)
Alice Kan Lai Kuen
Lee Choy Sang
Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Alice Kan Lai Kuen (Chairman)
Lo Yuk Sui
Lee Choy Sang
David Li Ka Fai

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)
Alice Kan Lai Kuen
Lee Choy Sang
David Li Ka Fai
Abraham Shek Lai Him, GBS, JP

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Industrial and Commercial Bank of China (Asia) Limited
Australia and New Zealand Banking Group Limited
Deutsche Bank A.G.
Bank of Communications Co., Ltd., Hong Kong Branch

SHARE REGISTRAR IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street
Causeway Bay, Hong Kong
Tel: 2894 7888
Fax: 2890 1697
Website: www.cosmoholdings.com

Directors' Profile

Mr. Lo Yuk Sui, *aged 72; Chairman and Chief Executive Officer* — Appointed to the Board as an Executive Director in 2013. Mr. Lo also acts as the Chairman and the Chief Executive Officer of the Company since 2013. Mr. Lo has been the managing director and chairman of the respective predecessor listed companies of Century City International Holdings Limited ("CCIHL") (the ultimate listed holding company of the Company), Paliburg Holdings Limited ("PHL") (the immediate listed holding company of the Company) and Regal Hotels International Holdings Limited ("RHIHL") (a listed subsidiary of CCIHL and PHL and a listed fellow subsidiary of the Company) since 1980s. He is also an executive director, the chairman and the chief executive officer of CCIHL, PHL and RHIHL and a non-executive director and the chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Jimmy Lo Chun To, *aged 43; Vice Chairman and Managing Director* — Appointed to the Board as an Executive Director in 2013. Mr. Jimmy Lo also acts as a Vice Chairman and the Managing Director of the Company since 2013. He is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director of RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the property projects of the Group in the People's Republic of China ("PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, *aged 37; Vice Chairman and Executive Director* — Appointed to the Board as an Executive Director in 2013. Miss Lo also acts as a Vice Chairman of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director, a vice chairman and the managing director of RHIHL, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is also an independent non-executive director of Meitu, Inc., a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Wong Po Man, *aged 51; Executive Director and Chief Operating Officer* — Appointed to the Board in 2010 as a Non-Executive Director and re-designated as an Executive Director and the Chief Operating Officer in 2013. Mr. Wong is also an executive director of PHL. He is a qualified architect. Mr. Wong graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. Mr. Wong has over 26 years of experience in architectural design and project management in respect of property development projects. He is also a Technical Director of an engineering company which is registered under the Buildings Ordinance of Hong Kong.

Mr. Kelvin Leung So Po, *aged 44; Executive Director and Chief Financial Officer* — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director and the Chief Financial Officer in 2013. Mr. Leung is also an executive director of CCIHL. He has been with the Century City Group since 1997 and is involved in the corporate finance function as well as in the China business division of the Century City Group. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. He has over 21 years of experience in accounting and corporate finance field.

Mr. Kenneth Ng Kwai Kai, *aged 62; Executive Director* — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director in 2013. Mr. Ng is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and RHIHL, and a non-executive director of RPML. He is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

Mr. Francis Bong Shu Ying, OBE, JP, *aged 75; Non-Executive Director* — Appointed to the Board in 2006. Mr. Francis Bong was a director of AECOM Technology Corporation, a company incorporated in the United States and listed on the New York Stock Exchange. Mr. Francis Bong holds a Bachelor's Degree of Science in Engineering from The University of Hong Kong and is a former Chairman of the Hong Kong University Engineering Advisory Committee. He is a former president of the Hong Kong Institution of Engineers, a former president of the Hong Kong Academy of Engineering Sciences and a fellow member of the Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom. Mr. Francis Bong is also an independent non-executive director of China Merchants Port Holdings Company Limited, a company listed on the main board of the Stock Exchange.

Ms. Alice Kan Lai Kuen, *aged 62; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2013. Ms. Kan is also an independent non-executive director of RHIHL. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong and a responsible officer of Asia Investment Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Energine International (Holdings) Limited, Shimao Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist board of Singapore Exchange Securities Trading Limited.

Mr. Lee Choy Sang, *aged 80; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. Lee has been involved in the construction industry for over 40 years. He obtained his Bachelor of Architecture Degree in The University of Hong Kong. Mr. Lee was a member of the Royal Institute of British Architects, the Royal Australian Institute of Architects and the Hong Kong Institute of Architects. He was also a registered architect in Hong Kong. He is a member of the Hong Kong Housing Society. Mr. Lee is currently a director of Silver Force (Consultants) Limited and Brilliant Force International China Heating Supply Holdings Company Limited, and is in charge of various projects in respect of the provision of services relating to energy supply and management in different regions, including Hong Kong and the PRC.

Mr. David Li Ka Fai, *aged 62; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. Li is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, UK, The Institute of Chartered Secretaries and Administrators, UK as well as The Institute of Chartered Accountants in England and Wales. He is an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of China-Hongkong Photo Products Holdings Limited and Goldlion Holdings Limited, an independent non-executive director, a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of China Merchants Port Holdings Company Limited, an independent non-executive director, a member of the audit committee and the remuneration committee of AVIC International Holding (HK) Limited, and an independent non-executive director and the chairman of the audit committee of Shanghai Industrial Urban Development Group Limited and Wai Yuen Tong Medicine Holdings Limited, all of which companies are listed on the main board of the Stock Exchange.

Hon Abraham Shek Lai Him, GBS, JP, *aged 71; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2013. Mr. Shek is also an independent non-executive director of PHL and RPML. Mr. Shek holds a Bachelor's Degree of Arts. He is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption of Hong Kong, a member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong and a non-executive director of the Mandatory Provident Fund Schemes Authority. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Goldin Financial Holdings Limited, Hop Hing Group Holdings Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange). Mr. Shek lately resigned as an independent non-executive director of ITC Corporation Limited, a company listed on the Stock Exchange, with effect immediately after 4:00 p.m. on 28th March, 2017.

Chairman's Statement

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2016.

FINANCIAL RESULTS

For the year ended 31st December, 2016, the Company recorded a consolidated loss attributable to shareholders of HK$115.3 million, as compared to a loss of HK$344.9 million for the year 2015. The loss incurred for the year was mainly attributable to the interest expenses on the consideration payable related to the Group's acquisition of the development project in Chengdu and the loan facilities that have been drawn to repay such consideration payable (as detailed below) as well as the interest expenses on the outstanding convertible bonds issued by the Group.

For the year under review, the Group recorded a fair value gain of HK$49.0 million attributable to the change in the fair value of the subscription options to subscribe for the optional convertible bonds, which were granted in August 2014 in conjunction with the issue of the convertible bonds originally due 2017, between the last balance sheet date of 31st December, 2015 and the dates when the subscription options were ultimately exercised in 2016, while for the preceding financial year, a fair value loss of HK$146.4 million was incurred in respect of such fair value change.

As reported in the Interim Report 2016, the Group entered into conditional agreements with certain subsidiaries of Regal Hotels International Holdings Limited, a fellow listed subsidiary of the Company, and P&R Holdings Limited, an intermediate holding company of the Company, respectively, in August 2016. Pursuant to those conditional agreements, a series of transactions were proposed, which involved, among others, the granting of term and revolving loan facilities by the Regal group, the undertaking by the P&R Holdings group to exercise the options to subscribe in full for the optional convertible bonds, the extension of the maturity date of the convertible bonds and the optional convertible bonds and the repayment of the consideration payables owing to the Regal group and the P&R Holdings group. The primary objective of those proposed transactions was to restructure the financial position of the Group, effectively to align the repayment dates of the Group's indebtedness with the expected completion schedules of the two major development projects in Tianjin and Chengdu. More details about the various transactions involved were contained in the circular of the Company dated 23rd September, 2016 sent to shareholders.

Following the relevant approvals obtained from the independent shareholders of the Company at an extraordinary general meeting held on 11th October, 2016, all the conditions precedent under the various conditional agreements have been fulfilled. Consequently, on 12th October, 2016, the entire amount of the loan facilities granted by the Regal group in the total sum of HK$1,850 million was drawn down and, on the same date, the P&R Holdings group exercised the option to subscribe for the optional convertible bonds with a principal amount of HK$330 million, and the proceeds thereof have been utilised to fully settle the outstanding consideration payables owing to the Regal group and the P&R Holdings group, respectively. In accordance with the terms of its undertaking, P&R Holdings group has further exercised the remaining outstanding option to subscribe for the optional convertible bonds in a principal amount of HK$170 million before the year end date in 2016.

BUSINESS OVERVIEW

The core businesses of the Group principally comprise the two composite property development projects being undertaken in Tianjin and in Chengdu, Sichuan Province.

For the year under review, the gross domestic product of Mainland China moderated to 6.7% but remained the highest among major economies. Under a market environment with affluent liquidity and relatively accommodative fiscal policies, the property market in Mainland China in the first half of 2016 as a whole was buoyant. Property prices and transaction volume in the first line cities reached new highs, with the market momentum spreading gradually to the peripheral second and third line cities. In around October 2016, in an aim to restrain speculative investment activities, the municipal governments in various primary cities consecutively introduced a new set of policies to manage the overly heated market expectations by restricting purchases, increasing the level of down payments on the purchase of non-first residential units and enhancing the supply of development lands. As a result, the trend of rising property prices generally slowed down and the transaction volume gradually declined.

Since the last report in August in the 2016 Interim Report, the Group has launched the unit presales of the remaining residential tower, certain part of the commercial areas and car parking spaces in the Tianjin development project. Up to date, the Tianjin development project has secured total contracted sales of approximately RMB1,381 million (equivalent to approximately HK$1,562 million).

As regarding the composite development project in Chengdu, the Group has also launched in tranches since September 2016 the presale of the units in four other residential towers within the second stage of the development and response was favourable. Up to date, a total of 850 residential units have been contracted to be sold, securing aggregate sales proceeds of approximately RMB528 million (equivalent to approximately HK$597 million).

In accordance with the current accounting standards, profits from the presale of development properties in China will only be recognised after completion of the construction works and the handover of the properties to the purchasers. Barring any delays that may be caused by factors beyond the Group's control, the units in the two development projects that have been presold are scheduled to be completed before the end of this year. Accordingly, it is anticipated that, based on the present construction programmes, a major portion of the profits to be derived from the units presales already secured will be accounted for in the financial year ending 31st December, 2017.

Further detailed information on the two development projects in Tianjin and Chengdu, the re-forestation and land grant project in Urumqi, Xinjiang as well as the licensed logistics business in Shanghai which is 60% owned by the Group is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

OUTLOOK

The real estate market in Mainland China is expected to further consolidate in the short term but as the overall economy further stabilises, the market should continue to thrive. The Group's two development projects in Tianjin and Chengdu are making good progress and will contribute substantial cash flow and revenue to the Group on a gradual basis when they are completed in stages over the next few years.

DIRECTORS AND STAFF

The Board of Directors of the Company expresses grave sorrow for the passing away of Mr. Daniel BONG Shu Yin, who was an Executive Director of the Company, in February 2017. Mr. Daniel Bong served as a member of the Board since 2006 and had made invaluable contribution to the Group.

Taking this opportunity, I would also like to thank my fellow Directors for their advice and support and all management and staff members for their hard work over the past year.

LO YUK SUI
Chairman

Hong Kong
27th March, 2017

■ Regal Cosmopolitan City, a composite hotel/commercial/office/serviced apartments/residential development in Xindu District, Chengdu, Sichuan (*)

CHENGDU • MAINLAND CHINA

■ Lobby in Regal Xindu Hotel, a hotel within Regal Cosmopolitan City (*)

■ Lobby lounge in Regal Xindu Hotel (*)

* Artist impression

Residential towers in stage three of Regal Cosmopolitan City (*)

CHENGDU • MAINLAND CHINA

Residential towers in stage three of Regal Cosmopolitan City (*)

Kindergarten of the residential portion of stage three of Regal Cosmopolitan City (*)

* Artist impression

■ Regal Renaissance, a composite commercial/office/residential development in a prime location of Hedong District, Tianjin (*)

TIANJIN • MAINLAND CHINA

■ Residential towers of Regal Renaissance – superstructure works nearing completion (*)

■ Regal Sky Walk, a shopping street in Regal Renaissance (*)

■ Residential and commercial portions of Regal Renaissance (*)

* Artist impression

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in property development and investment, investment in financial assets, logistics operations and other investments.

The performance of the Group's property and other investment businesses during the year under review, their operating performance and future prospects are contained in the preceding Chairman's Statement and in this section.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the section headed "Business Overview" in the preceding Chairman's Statement and in this section.

A brief review on the property projects and logistics business currently undertaken by the Group in the People's Republic of China (the "PRC") is set out below.

Property Development

Chengdu Project – Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres (5,350,000 square feet). The first stage of the development includes a hotel with about 311 hotel rooms and extensive facilities, three residential towers with 339 residential units, car parking spaces and ancillary commercial accommodation. The business remodeling works of the hotel have been completed and the interior design works are in progress accordingly. The hotel is scheduled to open in phases from 2018. The second stage of the development comprises six residential towers with 957 units, the superstructure works for which have also been completed. The completion of the residential towers in both the first and second stages of the development is expected to be in the latter part of 2017. Following the presale of a total of 362 units in three residential towers in the first and second stages which commenced from April 2016, the presale of the units in four other residential towers within the second stage of the development has been launched in tranches since September 2016 and response was favourable. Up to date, a total of 850 residential units have been contracted to be sold, securing aggregate sales proceeds of approximately RMB528 million (equivalent to approximately HK$597 million). Presale of the two remaining residential towers is planned to be launched later this year. The other components within the development, comprising commercial and office space, serviced apartments and additional residential units, will continue to be developed in stages.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres (341,000 square feet), which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres (1,561,000 square feet). While the superstructure works of the four residential towers and the commercial complex have been completed, the superstructure works of the two office towers are in progress. The Group has further launched the unit presales of the remaining residential tower in the 4th quarter of 2016. Up to date, 443 residential units have been sold, realising contracted sales of approximately RMB1,319 million (equivalent to approximately HK$1,492 million). The presale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), and 530 residential car parking spaces commenced in August 2016, and there have been contracted sales of approximately RMB62 million (equivalent to approximately HK$70 million). Under the present construction programme, the residential towers, the commercial complex and the residential car parking spaces are scheduled to be completed before the end of 2017 and the other components will follow to be completed in stages.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Group has completed the re-organisation of the local management team and will soon initiate measures to settle the land disputes with the surrounding villagers, with an aim to resume the possession of certain parcels of land within the project site being illegally occupied. Based on the legal advice obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective. The Group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

Logistics Business

Shanghai Logistics Project

With the aim of diversifying and broadening its business portfolio through the expansion and development of the logistics business and capitalising on the increasing demands for logistics services market by e-commerce merchants in Mainland China, the Group entered into certain agreements to acquire an effective 60% interest in a group of companies (the "Logistics Group") operating logistics and related businesses in the PRC, details of which were disclosed in the announcements of the Company dated 13th January, 2016, 11th March, 2016, 12th April, 2016 and 29th April, 2016. The Group completed the acquisition on 31st May, 2016 and the Logistics Group has since become a subsidiary undertaking of the Group. The Group recognised a gain on bargain purchase of HK$3.1 million upon the business combination during the year, which is based on the fair value estimation of the considerations transferred and identifiable net assets acquired.

One of the companies within the Logistics Group is a licensed courier services provider in the PRC. It has leased certain industrial premises with an aggregate lettable area of about 40,000 square metres (431,000 square feet) in Pudong, Shanghai, the PRC (the "Leased Property") from an affiliated company of the ultimate shareholder holding the remaining 40% interest in the Logistics Group to operate the logistics and related businesses. The ultimate 40% shareholder of the Logistics Group has also through his wholly owned subsidiary entered into a consultancy agreement with the Logistics Group to procure the development and expansion of the logistics businesses with an additional business operating area of 120,000 square metres (1,292,000 square feet). The shareholders of the company owning the Leased Property (being the ultimate 40% shareholder of the Logistics Group and his family member) have granted a purchase option to the Logistics Group to acquire the aforesaid property holding company owning the Leased Property and its wholly owned subsidiary which has a contractual right to acquire the land parcel adjacent to the Leased Property. Further details of the above-mentioned acquisition, consultancy agreement, purchase option and other related transactions were disclosed in the related announcements.

Since the completion of the acquisition, the Logistics Group has performed profitably and steadily. As at 31st December, 2016, the occupancy rate of the Leased Property is about 76%, based on the area available for sub-letting of about 38,000 square metres (409,000 square feet), of which about 75% of the leased out areas are rented to e-commerce merchants (who exclusively use the courier services provided by the Logistics Group) and the remaining areas rented to other tenants with fixed-rate rentals. In light of the positive outlook of the e-commerce market in China and taking into account the planned expansion of the logistics business, it is expected that the Logistics Group would generate satisfactory income to the Group.

FINANCIAL REVIEW

ASSETS VALUE

As at 31st December, 2016, the Group's net assets attributable to equity holders of the parent amounted to HK$1,107.5 million, representing approximately HK$0.17 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

The acquisition of the two ongoing development projects in the PRC in 2013 had been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. In August 2016, the Group entered into conditional agreements with the vendors primarily to (i) refinance the consideration payables owing to one of the vendors by way of new 5-year loan facilities, and (ii) to repay the consideration payable owing to the other vendor through its subscription of the optional convertible bonds to be issued by the Group, with an objective to align their due dates with the latest progress and completion schedules of the two development projects. In October 2016, all the conditions precedent under the various conditional agreements have been fulfilled and the transactions contemplated were duly implemented.

Construction and related costs for the property projects for the time being are principally financed by internal resources and proceeds from the presale of the units. Project financing may be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK$343.6 million (2015 – net cash flows used in operating activities of HK$181.5 million). Net interest payment for the year amounted to HK$160.6 million (2015 – HK$153.1 million).

Borrowings and Gearing

As at 31st December, 2016, the Group had cash and bank balances and deposits of HK$897.8 million (2015 – HK$397.4 million) and no bank borrowings (2015 – Nil).

In addition, as at 31st December, 2016, the Group also had other borrowings of HK$1,850.0 million from a fellow subsidiary which were used, together with the proceeds from the issue of optional convertible bonds, in repayment of the consideration payables for the acquisition of certain property development projects in 2013.

As at 31st December, 2016, the gearing ratio of the Group was 30.5% (2015 – 53.6%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits of HK$1,848.2 million (2015 – borrowings including convertible bonds and consideration payables for the acquisition of certain property development projects, net of cash and bank balances and deposits of HK$2,951.7 million), as compared to the total assets of the Group of HK$6,053.8 million (2015 – HK$5,510.0 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2016 are shown in note 23 to the financial statements.

Pledge of Assets

The Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the other borrowings and the related interest payable in respect of a loan facility from a fellow subsidiary.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2016 are shown in note 34 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2016 are shown in note 35 to the financial statements.

Share Capital and Convertible Bonds

During the year under review, there was no change in the share capital of the Company.

Details of the new convertible bonds issued by the Group during the year are shown in note 25 to the financial statements.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

As previously reported, on 31st May, 2016, the Group completed the acquisition of a 60% effective interest in the Logistics Group operating logistics and related businesses in the PRC. The investment in the Logistics Group and related transactions under the relevant framework agreement dated 13th January, 2016 (as supplemented by the supplemental framework agreement dated 12th April, 2016) constituted a discloseable transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details relating to the investment of the Logistics Group are mentioned under the sub-section headed "Business Review" in this section and note 29(a) to the financial statements.

Save as disclosed above, during the year under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 100 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the its subsidiaries for the year ended 31st December, 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment, investment in financial assets and other investments. During the year under review, the Group commenced to carry on logistics operations in Shanghai, the People's Republic of China. Save for this new business activity, there have been no significant changes in the other activities during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2016 and the Group's financial position at that date are set out in the financial statements on pages 40 to 114.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the preceding Chairman's Statement and Management Discussion and Analysis set out on pages 6 to 8 and pages 12 to 16, respectively, of this Annual Report. Those relevant contents form part of this Report of the Directors. In addition, details of the Group's financial risk management are disclosed in note 38 to the financial statements.

In addition, relevant details of the Company's environment policies and performance and key relationships with employees, customers and suppliers will be reported in the Environmental, Social and Governance Report of the Company to be published separately. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the year.

DIVIDEND

No interim dividend was paid to the holders of ordinary share during the year.

The Directors have resolved not to recommend the payment of a final dividend to the holders of ordinary shares for the year ended 31st December, 2016 (2015 - Nil).

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be convened to be held on Wednesday, 7th June, 2017. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with this Annual Report.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Friday, 2nd June, 2017 to Wednesday, 7th June, 2017, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2017 Annual General Meeting, all transfers of ordinary shares and/or conversions of the convertible securities, duly accompanied by the relevant share certificates and/or the certificates of the convertible securities, together with, where appropriate, the relevant conversion notices, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 1st June, 2017.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Wong Po Man
Mr. Kelvin Leung So Po
Mr. Kenneth Ng Kwai Kai
Mr. Francis Bong Shu Ying
Ms. Alice Kan Lai Kuen
Mr. Lee Choy Sang
Mr. David Li Ka Fai
Hon Abraham Shek Lai Him, GBS, JP

During the year, there have been no changes in the Directors of the Company.

Subsequent to the year end date, Mr. Daniel Bong Shu Yin passed away on 14th February, 2017.

In accordance with Article 116 of the Articles of Association of the Company, the following Directors will retire from office by rotation at the 2017 Annual General Meeting:

(i) Mr. Lo Yuk Sui (Executive Director, Chairman and Chief Executive Officer);

(ii) Mr. Kenneth Wong Po Man (Executive Director and Chief Operating Officer);

(iii) Mr. Kelvin Leung So Po (Executive Director and Chief Financial Officer); and

(iv) Hon Abraham Shek Lai Him, GBS, JP (Independent Non-Executive Director).

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2017 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

The Company has received from each of the four incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed, none of the Directors of the Company nor a connected entity of the Directors had any beneficial interests, whether direct or indirect, in any significant transactions, arrangements or contracts to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has taken out and maintained directors' liability insurance that provides appropriate cover for the Directors.

DIRECTORS' INTERESTS IN SHARE CAPITAL

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

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2016)
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	3,117,856,716 (Note e)	–	3,117,856,716
			(ii) (unissued)	–	5,024,058,784 (Note f)	–	5,024,058,784
						Total:	8,141,915,500 (191.55%)
			Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.98%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,667,396	1,769,164,691 (Note a)	380,683	1,880,212,770 (58.69%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2016)
2.	CCIHL	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
4.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,739,261 (Note c)	260,700	623,024,161 (68.01%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)

Notes:

(a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").

(b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.67% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

(c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.67% shareholding interests. The interests in 599,025,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,292,000 issued ordinary shares of RHIHL were held through a wholly owned subsidiary of the Company, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries) held 64.26% shareholding interests. PHL held 67.93% shareholding interests in RHIHL.

(d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(e) The interests in 2,731,316,716 issued ordinary shares of the Company were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. The interests in the other 386,540,000 issued ordinary shares of the Company were held through wholly owned subsidiaries of RHIHL. PHL, in which CCIHL held 62.28% shareholding interests, held 67.93% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.

(f) The interests in 5,024,058,784 unissued ordinary shares of the Company were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 67.93% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.

The interests in 2,345,487,356 unissued ordinary shares of the Company are derivative interests held through interests in 2,345,487,356 convertible preference shares of the Company, convertible into new ordinary shares of the Company on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of the Company are derivative interests held through interests in the convertible bonds in the principal amount of HK$500,000,000 issued by a wholly owned subsidiary of the Company (the "CB Issuer"). The convertible bonds are convertible into new ordinary shares of the Company at a conversion price of HK$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of the Company are derivative interests held through interests in the convertible bonds in the principal amount of HK$500,000,000 issued by the CB Issuer. The convertible bonds are convertible into new ordinary shares of the Company at a conversion price of HK$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

(g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of the Company. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. The Company were held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 67.93% shareholding interests in RHIHL. Mr. Lo held 58.67% shareholding interests in CCIHL.

Save as disclosed herein, as at 31st December, 2016, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2016, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying (unissued) ordinary shares held	Total number of ordinary shares (issued and underlying (unissued)) held	Approximate percentage of issued ordinary shares as at 31st December, 2016
YSL International Holdings Limited ("YSL Int'l") (Note i)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
CCIHL (Note iii)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
PHL (Note v)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Paliburg Development BVI Holdings Limited (Note vi)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
RHIHL (Note vii)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Regal International (BVI) Holdings Limited (Note viii)	3,117,856,716	5,024,058,784	8,141,915,500	191.55%
Capital Merit Investments Limited (Note vi)	2,731,316,716	5,024,058,784	7,555,375,500	182.46%
Regal Hotels Investments Limited (Note viii)	2,731,316,716	5,024,058,784	7,555,375,500	182.46%
P&R Holdings (Note ix)	2,731,316,716	5,024,058,784	7,555,375,500	182.46%
Interzone Investments Limited (Note x)	–	1,428,571,428	1,428,571,428	33.61%
Alpha Advantage Investments Limited (Note x)	–	1,250,000,000	1,250,000,000	29.41%
Valuegood International Limited (Note x)	953,625,000	179,031,239	1,132,656,239	26.65%
Lendas Investments Limited (Note x)	294,107,609	647,915,205	942,022,814	22.16%
Jumbo Pearl Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Sun Joyous Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Time Crest Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Well Mount Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Tenshine Limited (Note viii)	386,540,000	–	386,540,000	9.09%
Winart Investments Limited (Note x)	270,000,000	4,643,905	274,643,905	6.46%

Notes:

(i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

(ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.

(iii) CCIHL is owned as to 50.89% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.

(iv) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.

(v) PHL is a listed subsidiary of CCIHL, which held 62.28% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.

(vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

(vii) RHIHL is a listed subsidiary of PHL, which held 67.93% shareholding interests in RHIHL, and RHIHL's interests in the ordinary shares of the Company were included in the interests held by PHL.

(viii) These companies are wholly owned subsidiaries of RHIHL and their interests in the ordinary shares of the Company were included in the interests held by RHIHL.

(ix) P&R Holdings is owned as to 50% each by PHL and RHIHL, through their respective wholly owned subsidiaries, and P&R Holdings' interests in the ordinary shares of the Company were included in the interests held by PHL and RHIHL.

(x) These companies are wholly owned subsidiaries of P&R Holdings and their interests in the ordinary shares of the Company were included in the interests held by P&R Holdings.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2016, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

(1) Mr. Lo Yuk Sui is a director of YSL Int'l.

(2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Grand Modern.

(3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kelvin Leung So Po and Mr. Kenneth Ng Kwai Kai are directors of CCIHL and CCBVI.

(4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man, Mr. Kenneth Ng Kwai Kai and Hon Abraham Shek Lai Him, GBS, JP are directors of PHL.

(5) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of PHL which are substantial shareholders as named above, P&R Holdings and the wholly owned subsidiaries of P&R Holdings which are substantial shareholders as named above.

(6) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Ms. Alice Kan Lai Kuen and Mr. Kenneth Ng Kwai Kai are directors of RHIHL.

(7) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of RHIHL which are substantial shareholders as named above.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30th June, 2016 is set out below:

Name of Director	**Details of changes**
Executive Directors:	
Mr. Lo Suk Sui	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$80,000 commencing from January 2017. (Notes (i) and (ii))
Mr. Jimmy Lo Chun To	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$42,000 commencing from January 2017. (Note (i))
Miss Lo Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$31,500 commencing from January 2017. (Note (i))
	• Appointed as an independent non-executive director of Meitu, Inc. since its listing on the Stock Exchange on 15th December, 2016.
Mr. Kenneth Wong Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$37,000 commencing from January 2017. (Note (i))
Mr. Kelvin Leung So Po	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$32,600 commencing from January 2017. (Note (i))
Mr. Kenneth Ng Kwai Kai	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$35,250 commencing from January 2017. (Note (i))

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen	• Ceased to be a director and responsible officer of Asia Investment Research Limited on 28th September, 2016 and a shareholder thereof on 26th October, 2016.
Hon Abraham Shek Lai Him, GBS, JP	• Appointed as a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption of Hong Kong with effect from 1st January, 2017.
	• Ceased to act as an independent non-executive director of TUS International Limited, a company listed on the Stock Exchange, with effect from 6th January, 2017.
	• Appointed as an independent non-executive director of Goldin Financial Holdings Limited, a company listed on the Stock Exchange, with effect from 9th January, 2017.

Notes:

(i) Each Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK$150,000 per annum (with effect from 1st July, 2016) in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2016 are disclosed in note 8 to the financial statements.

(ii) Mr. Lo Yuk Sui, who is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company, are entitled to normal fee of HK$50,000 per annum (with effect from 1st July, 2016) in acting as the chairman or a member of each of such board committees.

(iii) The Non-Executive Director and the Independent Non-Executive Directors are each entitled to normal Director' s fee in the amount of HK$150,000 per annum (with effect from 1st July, 2016) in acting as a Director of the Company. The Independent Non-Executive Directors, who are also the chairman or members of the board committees of the Company, are each entitled to the following normal fees with effect from 1st July, 2016:

	Normal fee per annum	
	Chairman	**Member**
Audit Committee	HK$150,000	HK$100,000
Nomination Committee	HK$50,000	HK$50,000
Remuneration Committee	HK$50,000	HK$50,000

Details of the remuneration of all Directors for the year ended 31st December, 2016 are disclosed in note 8 to the financial statements.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

CONNECTED TRANSACTIONS

FINANCIAL ASSISTANCE FROM THE RHIHL GROUP

On 4th August, 2016, a conditional facilities agreement (the "Facilities Agreement") was entered into between Long Profits Investments Limited ("Long Profits"), a wholly owned subsidiary of RHIHL, as Lender, Bizwise Investments Limited ("Bizwise"), a wholly owned subsidiary of the Company, as Borrower and the Company as Guarantor in relation to the provision of a 5-year term loan and revolving loan facilities of an aggregate amount of HK$1,850,000,000 (the "Loan Facilities"). The Loan Facilities were provided for the purpose of settlement of part of the outstanding considerations due to P&R Holdings, Faith Crown Holdings Limited (a 50:50 joint venture of RHIHL and the Company) and Regal International (BVI) Holdings Limited (a wholly owned subsidiary of RHIHL) payable on or before 13th September, 2016 in relation to the Group's acquisition of certain property development projects in Chengdu and Tianjin, the People's Republic of China in 2013.

As at the date of the Facilities Agreement, P&R Holdings is a controlling shareholder of the Company. Long Profits is a fellow subsidiary of P&R Holdings, and is therefore an associate of P&R Holdings and a connected person of the Company. As the Loan Facilities were secured over the assets of the Group, the Facilities Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and was subject to the reporting, announcement and independent shareholders' approval requirements. The entering into of the Facilities Agreement was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 11th October, 2016 (the "EGM"). The transactions under the Facilities Agreement were completed in October 2016 following the fulfillment of the conditions precedent to the Facilities Agreement, including, among others, the Extensions (as referred below) becoming unconditional. Further details relating to the Facilities Agreement were disclosed in the joint announcements of the Company dated 4th August, 2016, 25th August, 2016 and 14th September, 2016 and the circular of the Company dated 23rd September 2016.

EXTENSION OF TERMS OF CONVERTIBLE BONDS AND OPTIONAL CONVERTIBLE BONDS

On 4th August, 2016, the Company entered into the following conditional agreements relating to the extension of the maturity dates of (i) the convertible bonds with a principal amount of HK$500,000,000 (originally maturing on 18th August, 2017) which were issued by Apex Team Limited ("Apex Team"), a wholly-owned subsidiary of the Company, to Interzone Investments Limited ("Interzone"), a wholly owned subsidiary of P&R Holdings, on 18th August, 2014 ("CB 2017") and (ii) the convertible bonds with a principal amount of up to HK$500,000,000 to be issued by a wholly owned subsidiary of the Company to P&R Holdings group upon exercise of the option (the "Option") granted to P&R Holdings pursuant to a subscription agreement dated 30th April, 2014 ("Optional CB") (the "Extensions"):

(1) a conditional deed of variation between Apex Team, as Issuer, Interzone, as Subscriber, and the Company, as Guarantor, relating to the extension of the maturity date of CB 2017 to 18th August, 2021 ("CB Extension Agreement"); and

(2) a conditional deed of variation between the Company and P&R Holdings, relating to the extension of the maturity date of the Optional CB to 18th August, 2021 ("Optional CB Extension Agreement").

On 4th August, 2016, P&R Holdings had irrevocably undertaken in favour of the Company to (i) exercise the Option to subscribe for the Optional CB with a principal amount of not less than HK$330,000,000 on the date on which the first advance of the Loan Facilities is made, and (ii) exercise the Option to subscribe for the remaining Optional CB with a principal amount of up to HK$170,000,000 by the end of 2016. The Extensions were approved by the independent shareholders of the Company at the EGM and the Extensions subsequently became unconditional upon fulfillment of the other conditions including, among others, the Facilities Agreement becoming unconditional. On 12th October, 2016 and 30th December, 2016, Apex Team issued the Optional CB in an aggregate amount of HK$500,000,000 to Alpha Advantage Investments Limited, also a wholly owned subsidiary of P&R Holdings, upon exercise of the Option.

As at the date of the CB Extension Agreement and the Optional CB Extension Agreement, P&R Holdings held, through its wholly-owned subsidiaries, approximately 64.26% of the issued capital of the Company and was therefore a connected person of the Company under the Listing Rules.

The Extensions constituted connected transactions for the Company under Chapter 14A of the Listing Rules and was subject to the reporting, announcement and independent shareholders' approval requirements. Relevant details of the Extensions were disclosed in the announcements of the Company dated 4th August, 2016, 25th August, 2016 and 14th September, 2016 and the circular of the Company dated 23rd September, 2016. The exercise of the Option to subscribe for the Optional CB was disclosed in the joint announcements of the Company dated 12th October, 2016 and 30th December, 2016. Further details relating to the CB 2017 and the issued Optional CB are disclosed in note 25 to the financial statements.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on 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 sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands, being the jurisdiction in which the Company was incorporated, and there is no provision relating to pre-emptive rights stipulated in the Articles of Association of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's turnover during the year under review was substantially derived from logistics operation, the percentage of purchase attributable to the Group's five largest suppliers and the percentage of turnover or sales attributable to the Group's five largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

The details of movements in the share capital and share premium account of the Company, together with the reasons therefor, during the year are set out in note 27 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 1 to the financial statements.

A JOINT VENTURE

Particulars of the Group's investment in a joint venture are set out in note 15 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2016, Company's reserves available for distribution calculated in accordance with the laws of the Cayman Islands amounted to HK$1,090,787,000.

AUDITOR

Ernst & Young retire, and being eligible, offer themselves for re-appointment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company for the year ended 31st December, 2016 will be published as a separate report from this Annual Report in compliance with relevant requirements under the Listing Rules on or before 28th July, 2017.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
27th March, 2017

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2016.

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. Enhancement to the current standards for complying with new requirements, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

(I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2016, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

(II) BOARD OF DIRECTORS

The Board currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*
Miss Lo Po Man *(Vice Chairman)*
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*
Mr. Kelvin Leung So Po *(Chief Financial Officer)*
Mr. Kenneth Ng Kwai Kai

Non-Executive Director:

Mr. Francis Bong Shu Ying

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen
Mr. Lee Choy Sang
Mr. David Li Ka Fai
Hon Abraham Shek Lai Him, GBS, JP

Mr. Daniel Bong Shu Yin, who was an Executive Director of the Company, passed away on 14th February, 2017.

The personal and biographical details of the Directors, including the relationship among them, are disclosed in the preceding section headed "Directors' Profile" contained in this Annual Report.

During the year ended 31st December, 2016, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

All material policies and decisions remain within the authority of the Board as a whole. The Board only delegates authorities to management to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole. The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company. The Board is also responsible for developing, reviewing and/or monitoring the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

In year 2016, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Directors		
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	8/8	2/2
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*	8/8	2/2
Miss Lo Po Man *(Vice Chairman)*	8/8	2/2
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*	8/8	2/2
Mr. Kelvin Leung So Po *(Chief Financial Officer)*	8/8	2/2
Mr. Daniel Bong Shu Yin*	8/8	2/2
Mr. Kenneth Ng Kwai Kai	8/8	2/2
Non-Executive Director		
Mr. Francis Bong Shu Ying	8/8	2/2
Independent Non-Executive Directors		
Ms. Alice Kan Lai Kuen	8/8	2/2
Mr. Lee Choy Sang	8/8	2/2
Mr. David Li Ka Fai	7/8	2/2
Hon Abraham Shek Lai Him, GBS, JP	8/8	2/2

* (passed away on 14th February, 2017)

The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In the year 2016, the Company arranged for Directors a seminar covering topics on certain new requirements under the Listing Rules and some update on recent developments of the aircraft leasing and the warranty and indemnity insurance. The training received by the Directors during the year 2016 is summarised below:

Name of Directors	**Types of training**
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	A, B
Mr. Jimmy Lo *(Vice Chairman and Managing Director)*	A, B
Miss Lo Po Man *(Vice Chairman)*	A, B
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*	A, B
Mr. Kelvin Leung So Po *(Chief Financial Officer)*	A, B
Mr. Daniel Bong Shu Yin*	A, B
Mr. Kenneth Ng Kwai Kai	A, B
Non-Executive Director	
Mr. Francis Bong Shu Ying	A, B
Independent Non-Executive Directors	
Ms. Alice Kan Lai Kuen	A, B
Mr. Lee Choy Sang	A, B
Mr. David Li Ka Fai	A, B
Hon Abraham Shek Lai Him, GBS, JP	A, B

A - Attending briefings/seminars/conferences/forums
B - Reading/studying training or other materials

* (passed away on 14th February, 2017)

(III) BOARD COMMITTEES

There are three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, established by the Board for overseeing different functions delegated by the Board.

(a) Audit Committee

The Audit Committee was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. David Li Ka Fai *(Chairman of the Committee)*
Ms. Alice Kan Lai Kuen *(Member)*
Mr. Lee Choy Sang *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and annual financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditor, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditor.

In year 2016, the Audit Committee met twice and the meetings were attended by the external Auditor of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. David Li Ka Fai *(Chairman of the Committee)*	2/2
Ms. Alice Kan Lai Kuen	2/2
Mr. Lee Choy Sang	2/2
Hon Abraham Shek Lai Him, GBS, JP	2/2

(b) Remuneration Committee

The Remuneration Committee was established with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange. The principal responsibilities of the Remuneration Committee are to review the remuneration of individual Directors and senior management and to make recommendations to the Board on the policy and structure for the determination of the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy of the Company on such matters.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Member)*

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen *(Chairman of the Committee)*
Mr. Lee Choy Sang *(Member)*
Mr. David Li Ka Fai *(Member)*

Mr. Kenneth Ng Kwai Kai, an Executive Director of the Company, has acted as the Secretary of the Committee.

In year 2016, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	Attendance
Ms. Alice Kan Lai Kuen *(Chairman of the Committee)*	1/1
Mr. Lo Yuk Sui	1/1
Mr. Daniel Bong Shu Yin*	1/1
Mr. Lee Choy Sang	1/1
Mr. David Li Ka Fai	1/1

* (passed away on 14th February, 2017)

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is delegated to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2016 by band is set out below:

Remuneration band	Number of individuals
HK$500,001 – 1,000,000	4
HK$1,000,001 – 1,500,000	2
HK$2,500,001 – 3,000,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2016 are disclosed in note 8 to the financial statements contained in this Annual Report.

(c) Nomination Committee

The Nomination Committee was established with specific written terms of reference by the Board for the purpose of making recommendations to the Board in relation to the nomination and appointment of Directors, with a view to ensuring fairness and transparency in the nomination and selection procedures. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Chairman of the Committee)*

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen *(Member)*
Mr. Lee Choy Sang *(Member)*
Mr. David Li Ka Fai *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

The Company views diversity at the Board level essential for attaining the Group's strategic and business objectives as well as ensuring its sustainable development. A Board Diversity Policy has been adopted to set out policy for designing the composition of the Board with diversity in Board members having balanced skills and expertise. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional knowledge, industry experience, skills and other individual qualities. The Nomination Committee will discuss and review annually the structure, size and composition of the Board and agree on measurable objectives for achieving diversity on the Board and make relevant recommendation to the Board for adoption.

In year 2016, the Nomination Committee met once to review and assess the overall diversity of the composition of the Board with reference to the various aspects as set out in the Board Diversity Policy. The attendance rates of individual Nomination Committee members of the Company were as follows:

Name of Nomination Committee members	**Attendance**
Mr. Lo Yuk Sui *(Chairman of the Committee)*	1/1
Mr. Daniel Bong Shu Yin*	1/1
Ms. Alice Kan Lai Kuen	1/1
Mr. Lee Choy Sang	1/1
Mr. David Li Ka Fai	1/1
Hon Abraham Shek Lai Him, GBS, JP	1/1

* (passed away on 14th February, 2017)

(IV) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensuring that appropriate accounting policies are selected and applied consistently and that the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors will also ensure that the financial statements are published in a timely manner. As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting, financial reporting and internal audit functions, with staff members possessing appropriate qualifications and experience engaged in the discharge of those relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis. The overall budgets allocated to those functions have been reviewed and considered to be adequate.

The statement by the external Auditor, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditor's Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(V) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code during the year ended 31st December, 2016.

(VI) RISK MANAGEMENT AND INTERNAL CONTROL

The Board oversees the risk management and internal control systems of the Group on an ongoing basis. It has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group during the year, including financial, operational and compliance controls and risk management and internal control functions, with a view to safeguarding the shareholders' investment and the Company's assets and business operations. The risk management and internal control systems of the Group are considered effective and adequate. Such systems were designed to manage rather than to eliminate the risk of failure in achieving the Group's business objectives.

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving sound and effective risk management and internal control systems. Separate meetings participated by Executive Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the risk management and internal control systems, to identify any significant management and operational risks as well as control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the risk management and internal control mechanisms is mainly conducted by the delegated Executive Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board is responsible for the Company's risk management and internal control systems and for reviewing the effectiveness of such systems. Accordingly, while periodic committee meetings are held with the delegated Executive Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the risk management and internal control systems, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Senior management executives of the corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior management executives and on "as needed" basis, until proper disclosure or dissemination of inside information in accordance with applicable laws and regulations. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed.

In addition, the Group's internal auditor has selected different aspects of the internal control system for his review on a regular basis and has confirmed to the Audit Committee that no material deficiency is noted.

(VII) AUDITOR'S REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditor of the Company at the 2016 Annual General Meeting until the conclusion of the forthcoming 2017 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditor of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2016 were HK$1,648,000 (2015 - HK$1,258,000) and HK$714,000 (2015 - HK$327,000), respectively. The significant non-audit services covered by these fees are as follows:

Nature of services		**Fees paid (HK$'000)**
(1)	Interim review of the financial statements of the Group for the six months ended 30th June, 2016	565
(2)	Compliance and other services to the Group	149

(VIII) SHAREHOLDERS' RIGHT

Extraordinary general meetings may be convened upon receipt of written request submitted by two members of the Company. Such written requisition must state the purposes of the meeting, and be signed by the requisitionists and deposited at the Head Office of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong (for the attention of the Company Secretary). If the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

Shareholders may also send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company at the abovementioned address (for the attention of the Company Secretary).

During the year ended 31st December, 2016, the Company has not made any changes to its Articles of Association. A consolidated version of the Memorandum and Articles of Association of the Company is available on the website of the Company.

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	**23,678**	9,152
Cost of sales		**(7,597)**	–
Gross profit		**16,081**	9,152
Other income	5	**18,297**	2,842
Fair value gain/(loss) on derivative financial instruments in relation to convertible bonds, net		**48,953**	(146,415)
Fair value losses on other financial assets at fair value through profit or loss, net		**(4,083)**	(8,996)
Loss arising from the modification of the terms of convertible bonds		**(12,479)**	–
Impairment loss on property under development		**–**	(57,000)
Gain on bargain purchase	29(a)	**3,073**	–
Property selling and marketing expenses		**(18,616)**	(12,637)
Administrative expenses		**(64,384)**	(62,446)
OPERATING LOSS BEFORE DEPRECIATION AND AMORTISATION		**(13,158)**	(275,500)
Depreciation and amortisation		**(21,782)**	(4,474)
OPERATING LOSS		**(34,940)**	(279,974)
Finance costs	7	**(104,709)**	(108,984)
Share of profit of a joint venture		**23,006**	29,770
LOSS BEFORE TAX	6	**(116,643)**	(359,188)
Income tax	10	**224**	14,250
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**(116,419)**	(344,938)

	Note	2016 HK$'000	2015 HK$'000
Attributable to:			
Equity holders of the parent		**(115,253)**	(344,938)
Non-controlling interests		**(1,166)**	–
		(116,419)	(344,938)
LOSS PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK(1.7) cents**	HK(5.2) cents
Diluted		**HK(2.2) cents**	HK(5.2) cents

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2016

	2016 HK$'000	2015 HK$'000
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(116,419)**	(344,938)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(118,907)**	(125,438)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(235,326)**	(470,376)
Attributable to:		
Equity holders of the parent	**(232,737)**	(470,376)
Non-controlling interests	**(2,589)**	–
	(235,326)	(470,376)

Consolidated Statement of Financial Position

As at 31st December, 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**25,513**	37,153
Properties under development	14	**1,292,964**	1,297,349
Investment in a joint venture	15	**2,434**	575,639
Contingent consideration receivable	16	**10,268**	–
Deposits and prepayments	17	**66,943**	71,607
Other asset		**5,051**	–
Goodwill	18	**235,090**	235,090
Intangible assets	19	**97,076**	–
Total non-current assets		**1,735,339**	2,216,838
CURRENT ASSETS			
Properties under development	14	**3,082,705**	2,664,931
Debtors, deposits and prepayments	17	**162,798**	36,322
Financial assets at fair value through profit or loss	20	**175,146**	194,569
Restricted cash	21	**368,604**	131,330
Time deposits		**56,885**	12,790
Cash and bank balances		**472,295**	253,248
Total current assets		**4,318,433**	3,293,190
CURRENT LIABILITIES			
Creditors and accruals	22	**(185,950)**	(277,497)
Other payables and borrowings	23	**(500,000)**	(2,881,901)
Deposits received	14	**(1,572,064)**	(313,555)
Derivative financial instruments	24	**–**	(2,824)
Tax payable		**(2,811)**	(1,005)
Total current liabilities		**(2,260,825)**	(3,476,782)
NET CURRENT ASSETS/(LIABILITIES)		**2,057,608**	(183,592)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,792,947**	2,033,246

Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Creditors and accruals	22	**(32,782)**	–
Other borrowings	23	**(1,350,000)**	–
Convertible bonds	25	**(895,965)**	(467,191)
Derivative financial instruments	24	**–**	(177,361)
Deferred tax liabilities	26	**(374,543)**	(348,286)
Total non-current liabilities		**(2,653,290)**	(992,838)
Net assets		**1,139,657**	1,040,408
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	27	**13,193**	13,193
Reserves	28	**1,094,329**	1,027,189
		1,107,522	1,040,382
Non-controlling interests		**32,135**	26
Total equity		**1,139,657**	1,040,408

KELVIN LEUNG SO PO
Director

JIMMY LO CHUN TO
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2016

	Attributable to equity holders of the parent											
	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange equalisation reserve HK$'000	Contributed surplus# HK$'000	Equity component of convertible bonds HK$'000	Other reserve HK$'000	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2015	13,193	1,402,563	209	1,018	(37,824)	26,801	11,748	(1,076)	94,126	1,510,758	26	1,510,784
Loss for the year	–	–	–	–	–	–	–	–	(344,938)	(344,938)	–	(344,938)
Other comprehensive loss for the year:												
Exchange differences on translating foreign operations	–	–	–	–	(125,438)	–	–	–	–	(125,438)	–	(125,438)
Total comprehensive loss for the year	–	–	–	–	(125,438)	–	–	–	(344,938)	(470,376)	–	(470,376)
At 31st December, 2015	13,193	1,402,563*	209*	1,018*	(163,262)*	26,801*	11,748*	(1,076)*	(250,812)*	1,040,382	26	1,040,408

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2016

		Attributable to equity holders of the parent											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange equalisation reserve HK$'000	Contributed surplus# HK$'000	Equity component of convertible bonds HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2016		13,193	1,402,563	209	1,018	(163,262)	26,801	11,748	(1,076)	(250,812)	1,040,382	26	1,040,408
Loss for the year		-	-	-	-	-	-	-	-	(115,253)	(115,253)	(1,166)	(116,419)
Other comprehensive loss for the year:													
Exchange differences on translating foreign operations		-	-	-	-	(117,484)	-	-	-	-	(117,484)	(1,423)	(118,907)
Total comprehensive loss for the year		-	-	-	-	(117,484)	-	-	-	(115,253)	(232,737)	(2,589)	(235,326)
Acquisition of subsidiaries	29(a)	-	-	-	-	-	-	-	-	-	-	34,698	34,698
Issue of convertible bonds in relation to acquisition of subsidiaries	25	-	-	-	-	-	-	31,657	-	-	31,657	-	31,657
Modification of the terms of convertible bonds:													
Extinguishment of original convertible bonds	25	-	-	-	-	-	-	(11,748)	-	-	(11,748)	-	(11,748)
Recognition of new convertible bonds	25	-	-	-	-	-	-	207,186	-	-	207,186	-	207,186
Difference in fair value of original and new convertible bonds	25	-	-	-	(119,462)	-	-	-	-	-	(119,462)	-	(119,462)
Exercise of options to subscribe for convertible bonds	25	-	-	-	-	-	-	192,244	-	-	192,244	-	192,244
At 31st December, 2016		13,193	1,402,563*	209*	(118,444)*	(280,746)*	26,801*	431,087*	(1,076)*	(366,065)*	1,107,522	32,135	1,139,657

* These reserve accounts comprise the consolidated reserves of HK$1,094,329,000 (2015 - HK$1,027,189,000) in the consolidated statement of financial position.

\# The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's reorganisation in 1991, net of subsequent distributions therefor. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(116,643)**	(359,188)
Adjustments for:			
Finance costs	7	**104,709**	108,984
Share of profit of a joint venture		**(23,006)**	(29,770)
Interest income	5	**(4,842)**	(3,317)
Recovery of deposit paid for acquisition of a subsidiary	6	**(14,404)**	–
Loss on disposal of items of property, plant and equipment	6	**16**	10
Depreciation and amortisation	6	**21,782**	4,474
Fair value loss/(gain) on derivative financial instruments in relation to convertible bonds, net	6	**(48,953)**	146,415
Fair value losses on other financial assets at fair value through profit or loss, net	6	**4,083**	8,996
Loss arising from the modification of the terms of convertible bonds	6	**12,479**	–
Impairment loss on property under development	6	**–**	57,000
Gain on bargain purchase	6	**(3,073)**	–
		(67,852)	(66,396)
Additions to properties under development		**(569,852)**	(254,652)
Decrease/(Increase) in debtors, deposits and prepayments		**(129,252)**	527
Decrease/(Increase) in financial assets at fair value through profit or loss		**11,398**	(41,873)
Increase in restricted cash		**(256,982)**	(131,330)
Increase/(Decrease) in creditors and accruals		**16,400**	(12,542)
Increase in deposits received		**1,338,871**	323,327
Cash generated from/(used in) operations		**342,731**	(182,939)
Interest received		**988**	1,466
Tax paid		**(164)**	–
Net cash flows from/(used in) operating activities		**343,555**	(181,473)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	29	**726**	(3,558)
Recovery of deposit paid for acquisition of a subsidiary		**14,404**	–
Interest received		**3,866**	2,112
Dividend received from unlisted investment		**–**	29,770
Proceeds from disposal of items of property, plant and equipment		**–**	24
Purchases of items of property, plant and equipment		**(9,363)**	(20,488)
Decrease in pledged time deposits		**–**	6,337
Net cash flows from investing activities		**9,633**	14,197

Consolidated Statement of Cash Flows (Cont'd)

For the year ended 31st December, 2016

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds	25(b)	**500,000**	–
Repayment of bank loans		**–**	(4,000)
Drawdown of other borrowings		**1,850,000**	–
Advance from a joint venture		**22,753**	–
Repayment of other payables		**(2,277,321)**	–
Interest paid		**(165,425)**	(156,651)
Net cash flows used in financing activities		**(69,993)**	(160,651)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**283,195**	(327,927)
Cash and cash equivalents at beginning of year		**266,038**	624,142
Effect of foreign exchange rate changes, net		**(20,053)**	(30,177)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**529,180**	266,038
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**472,295**	253,248
Non-pledged time deposits with original maturity of less than three months when acquired		**56,885**	12,790
		529,180	266,038

At the end of the reporting period, the cash and cash equivalent balances of the Group amounting to HK$277,364,000 (2015 - HK$204,865,000) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

1. CORPORATE AND GROUP INFORMATION

Cosmopolitan International Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development and investment, investment in financial assets and other investments. During the year under review, the Group commenced to carry on logistics operations in Shanghai, the People's Republic of China. Save for this new business activity, there have been no significant changes in the other activities during the year.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Corporate Update

As at 31st December, 2015, the Group had net current liabilities of HK$183,592,000. The net current liabilities position was mainly attributable to the outstanding balance of the consideration payables aggregating HK$2,881,901,000 (the "Consideration Payables") due to Regal International (BVI) Holdings Limited ("Regal BVI"), a fellow subsidiary of the Group, P&R Holdings Limited ("P&R Holdings"), an intermediate holding company of the Group, and Faith Crown Holdings Limited, a joint venture of the Group, (collectively, the "Vendors") in relation to the Group's acquisitions of certain property development projects in 2013. The Consideration Payables were classified as other payables under current liabilities and were repayable on or before 13th September, 2016.

After discussions with the Vendors (who are effectively P&R Holdings and a subsidiary of Regal Hotels International Holdings Limited ("Regal")), with a view to rescheduling the repayment date for the Consideration Payables to align with the latest development and sale schedules for the two development projects, on 4th August, 2016, the Group entered into a series of conditional agreements with the Regal group and the P&R Holdings group. Pursuant to the agreements, among others, the Regal group agreed to grant to the Group loan facilities (comprising term loan of HK$1,350 million and revolving loan of HK$500 million) for a term of 5 years, which would be used to settle all the outstanding balances of the Consideration Payables expected to be owing to the Regal group on completion of the agreements. Moreover, P&R Holdings group had also conditionally undertaken to subscribe the optional convertible bonds due 2017 in an amount of no less than HK$330 million on completion of the agreements (which would be used to settle the outstanding balance of the Consideration Payables owing to the P&R Holdings group) and to subscribe for the remaining optional convertible bonds due 2017 by the end of 2016, in conjunction with which the maturity dates for the existing issued convertible bonds and the optional convertible bonds due 2017 would be extended to 18th August, 2021. Further details of the above transactions were contained in the circular of the Company dated 23rd September, 2016.

In October 2016, all the conditions precedent under the various conditional agreements have been fulfilled and the entire amount of the loan facilities granted by the Regal group in the total sum of HK$1,850 million was drawn down and, on the same date, the P&R Holdings group exercised the option to subscribe for the optional convertible bonds with a principal amount of HK$330 million, and the proceeds have been utilised to fully settle the outstanding Consideration Payables owing to the Regal group and the P&R Holdings group, respectively.

After the above refinancing arrangements, the Directors of the Company are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company 2016	Percentage of equity interest attributable to the Company 2015	Principal activities
Apex Team Limited	Hong Kong	HK$1	100	100	Financing
Cosmopolitan International Finance Limited*	Hong Kong	HK$1	100	100	Financing and financial assets investment
Cosmopolitan International Management Services Limited*	Hong Kong	HK$1	100	100	Management services
Evercharm Investments Limited	British Virgin Islands	US$1	100	100	Financial assets investment
新疆麗寶生態開發有限公司**	The People's Republic of China ("PRC")/ Mainland China	US$16,800,000	100	100	Property development
成都富博房地產開發有限公司**	PRC/ Mainland China	HK$175,000,000	100	100	Property development
天津市富都房地產開發有限公司**	PRC/ Mainland China	RMB1,200,000,000	100	100	Property development
置富投資開發(成都)有限公司**	PRC/ Mainland China	HK$336,000,960	100	100	Property development
北京富利企業管理有限公司**	PRC/ Mainland China	RMB298,000,000	100	100	Investment holding
富宏(深圳)諮詢管理有限公司**	PRC/ Mainland China	RMB10,000,000	100	100	Development consultancy
上海久輝快遞有限公司#	PRC/ Mainland China	RMB3,500,000	60	–	Logistics and related operations

During the year, the Group acquired from independent third parties a 60% effective equity interest in a group of companies principally engaged in the provision of logistics and related services in Shanghai, the PRC. Further details of the acquisition are included in note 29(a) to the financial statements.

* Direct subsidiaries of the Company

** These subsidiaries are registered as wholly foreign owned enterprises under the PRC laws.

\# This subsidiary is registered as a domestic enterprise under the PRC laws.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("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 financial assets at fair value through profit or loss, contingent consideration receivable and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as explained below regarding the impact of amendments to HKAS 1 and amendments to HKAS 16 and HKAS 38, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

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

(i) the materiality requirements in HKAS 1;

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

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

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

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

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are 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 and amortisation of its non-current assets.

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 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of Hong Kong Financial Reporting Standards*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
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]
Amendments to HKAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

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

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

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

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

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

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

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 1st January, 2017. The amendments are not expected to have any significant impact on the Group's financial statements.

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 1st January, 2017. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 31st December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

(b) Investment in a joint venture

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 investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of a joint venture are 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 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 joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in a joint venture becomes an investment in an associate 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 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 joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(c) Fair value measurement

The Group measures its contingent consideration receivable, investments held for trading and derivative financial instruments 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.

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

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

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

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

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

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

(d) Impairment of non-financial assets

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

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

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

(e) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, direct costs of construction, applicable borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

(f) Property, plant and equipment and depreciation

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

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

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

Buildings	$33^1/_3$%
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	20%
Motor vehicles	20%

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

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

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

(g) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised on the straight-line basis over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The Group's intangible assets represent backlog contracts, favourable lease agreement, non-compete and cousultancy arrangements with finite useful lives and are stated at cost, which comprise the purchase prices thereof, less accumulated amortisation and any impairment losses.

The estimated useful life of each class of intangible assets is as follows:

Backlog contracts	2 years
Favourable lease agreement	8 years
Non-compete and consultancy arrangements	4 to 13 years

(h) Investments and other financial assets

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

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

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

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

Loans and receivables

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

(i) Impairment of financial assets

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

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not 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 the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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

(j) Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) 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.

(k) 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.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities 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 HKAS 39. 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 the statement of profit or loss. The net fair value gain or loss recognised in the statement of 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 HKAS 39 are satisfied.

Loans and borrowings

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

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

Convertible bonds

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

(l) Derecognition of financial liabilities

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

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

(m) 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.

(n) Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as foreign currency option contracts, for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

(o) 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:

(i) logistics and related services income, in the period in which such services are rendered;

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

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

(iv) net gain or loss from sale of investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged. The net gain or loss represents the differences between the sale proceeds and the investment's carrying amount. Any previously recognised fair value changes are presented separately on the statement of profit or loss.

(p) Foreign currencies

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

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

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

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

(q) 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/jurisdictions 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 and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future 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 and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future 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.

(r) Operating leases

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

(s) Employee benefits

Staff retirement schemes

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

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

(t) Related parties

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

(i) the party is a person or a close member of that person's family and that person

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

(2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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

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

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

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

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

(u) Cash and cash equivalents

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

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

(v) 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 recognised the statement of profit or loss.

(w) Borrowing costs

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

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.

(a) Judgements

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

Income taxes

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

(b) Estimation uncertainty

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

Purchase price allocation of a business combination

The purchase price allocation of the Group's business acquisition, as detailed in note 29(a) to the financial statements, requires the determination of fair values of the considerations transferred, identifiable assets acquired and liabilities assumed. The considerations transferred and net assets acquired, include amongst others, the convertible bonds, contingent consideration receivable, intangible assets and a call option for the purchase of companies holding certain land and buildings, of which their fair values are dependent on a range of estimates including estimated volatility of the share price of the Company, estimated fair values of land and buildings, estimated future cash flows, discount rates and interest rates. Given the uncertainties in the estimation, the actual outcomes may be higher or lower than the estimated fair values of these items as at the date of acquisition. Where the actual outcomes of these items are different from the amounts initially recorded, such differences may impact the future financial results.

Impairment of properties under development and goodwill

The Group determines whether properties under development and goodwill are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the properties under development and goodwill are allocated. The Group's properties under development and goodwill are allocated to property development cash-generating unit. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of properties under development and goodwill at 31st December, 2016 were HK$4,375,669,000 (2015 - HK$3,962,280,000) and HK$235,090,000 (2015 - HK$235,090,000), respectively. Further details are given in notes 14 and 18 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

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

Allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sales of properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Useful lives of intangible assets with finite useful lives
Management determines the estimated useful lives of the Group's intangible assets with finite lives for the calculation of amortisation of intangible assets. This estimate is determined after considering the expected period in which economic benefits can be generated from the intangible assets. Management reviews the estimated useful lives on an annual basis and future amortisation charges are adjusted where management believes the useful lives differ from previous estimates.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair values are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as estimated volatility of the share price of the Company, expected future cash flows, discount rates and interest rates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. OPERATING SEGMENT INFORMATION

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

(a) the property development and investment segment comprises the development and sale of properties and the leasing of properties;

(b) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments; and

(c) the logistics operations segment engages in the provision of logistics and 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 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 loss before tax except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

Segment assets exclude restricted cash, time deposits, cash and bank balances, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, derivative financial instruments in relation to convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2016 and 2015:

	Property development and investment		Financial assets investments		Logistics operations		Consolidated	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Segment revenue:								
Sales to external customers	–	–	9,748	9,152	13,930	–	23,678	9,152
Segment results before depreciation and amortisation	(35,716)	(102,603)	4,514	(6)	7,750	–	(23,452)	(102,609)
Depreciation and amortisation	(11,929)	(4,069)	–	–	(9,395)	–	(21,324)	(4,069)
Segment results	(47,645)	(106,672)	4,514	(6)	(1,645)	–	(44,776)	(106,678)
Unallocated interest income and unallocated non-operating and corporate gains							52,843	2,094
Unallocated non-operating and corporate expenses							(43,007)	(175,390)
Operating loss							**(34,940)**	**(279,974)**
Finance costs	(65,088)	(75,460)	–	–	–	–	**(65,088)**	**(75,460)**
Unallocated finance costs							**(39,621)**	**(33,524)**
Share of profit of a joint venture	23,006	29,770	–	–	–	–	**23,006**	**29,770**
Loss before tax							**(116,643)**	**(359,188)**
Income tax							**224**	**14,250**
Loss for the year before allocation between equity holders of the parent and non-controlling interests							**(116,419)**	**(344,938)**
Attributable to:								
Equity holders of the parent							**(115,253)**	**(344,938)**
Non-controlling interests							**(1,166)**	**–**
							(116,419)	**(344,938)**

	Property development and investment		Financial assets investments		Logistics operations		Consolidated	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Segment assets	4,831,386	4,322,280	196,226	211,867	123,686	–	5,151,298	4,534,147
Investment in a joint venture	2,434	575,639	–	–	–	–	2,434	575,639
Cash and unallocated assets							900,040	400,242
Total assets							6,053,772	5,510,028
Segment liabilities	(3,630,522)	(3,466,706)	–	(4,272)	(5,420)	–	(3,635,942)	(3,470,978)
Unallocated liabilities							(1,278,173)	(998,642)
Total liabilities							(4,914,115)	(4,469,620)
Other segment information:								
Capital expenditure*	568,533	490,664	–	–	113,505	–		
Fair value losses/(gains) on other financial assets at fair value through profit or loss, net	–	–	5,201	8,996	(1,118)	–		
Interest income	–	–	(979)	(1,226)	–	–		
Impairment loss on property under development	–	57,000	–	–	–	–		
Gain on bargain purchase	–	–	–	–	(3,073)	–		

* Capital expenditure includes intangible assets arising from the acquisition of subsidiaries.

Geographical information

(a) Revenue from external customers

	2016 HK$'000	2015 HK$'000
Hong Kong	**9,748**	9,152
Mainland China	**13,930**	–
	23,678	9,152

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2016 HK$'000	2015 HK$'000
Hong Kong	**1,442**	1,841
Mainland China	**1,723,513**	2,214,997
	1,724,955	2,216,838

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

Information about major customer

No further information about major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer.

5. REVENUE AND OTHER INCOME

Revenue and other income are analysed as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Logistics and related services income	**13,930**	–
Net gain from sale/settlement of financial assets at fair value through profit or loss	**3,279**	2,855
Dividend income from listed investments	**5,490**	5,071
Interest income from corporate bonds	**979**	1,226
	23,678	9,152
Other income		
Bank interest income	**3,863**	2,091
Others	**14,434**	751
	18,297	2,842

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2016 HK$'000	2015 HK$'000
Cost of services provided	**7,597**	–
Depreciation	**12,693**	4,575
Amortisation of intangible assets	**9,181**	–
Less: Depreciation capitalised in properties under development	**(92)**	(101)
	21,782	4,474
Loss on disposal of items of property, plant and equipment	**16**	10
Impairment loss on property under development	**–**	57,000
Employee benefit expense* (exclusive of Directors' remuneration as disclosed in note 8):		
Salaries, wages and allowances	**31,887**	29,473
Staff retirement scheme contributions	**3,542**	3,861
Less: Forfeited contributions	**–**	(106)
	35,429	33,228
Less: Staff costs capitalised in respect of property development projects:		
Salaries, wages and allowances	**(10,762)**	(11,962)
Staff retirement scheme contributions	**(1,472)**	(1,721)
	23,195	19,545
Auditor's remuneration	**1,882**	1,406
Minimum lease payments under operating leases in respect of land and buildings	**3,728**	2,624
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– held for trading	**5,201**	6,172
– contingent consideration receivable	**(1,118)**	–
– derivative instruments - convertible bonds	**(48,953)**	146,415
– derivative instruments - other transactions not qualifying as hedges	**–**	2,824
	(44,870)	155,411
Loss arising from the modification of the terms of convertible bonds	**12,479**	–
Foreign exchange differences, net	**2,173**	4,651
Recovery of deposit paid for acquisition of a subsidiary	**(14,404)**	–
Gain on bargain purchase	**(3,073)**	–

* Inclusive of an amount of HK$2,420,000 (2015 - Nil) classified under the cost of services provided.

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expenses on convertible bonds	**39,621**	33,468
Interest on bank loans	**–**	56
Interest on other borrowings	**20,527**	–
Interest on other payables	**109,894**	144,095
	170,042	177,619
Less: Finance costs capitalised	**(65,333)**	(68,635)
	104,709	108,984

8. DIRECTORS' REMUNERATION

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

	2016 HK$'000	2015 HK$'000
Fees	**2,296**	1,893
Other emoluments:		
Salaries, allowances and benefits in kind	**5,840**	5,623
Performance related/discretionary bonuses	**725**	708
Staff retirement scheme contributions	**305**	289
	9,166	8,513

With effect from 1st July, 2016, the fee payable to each Director has been revised from HK$100,000 per annum to HK$150,000 per annum.

In addition, the fees payable to the Directors for serving as members of each of the following Board Committees of the Company have also been revised with effect from 1st July, 2016:

– from HK$100,000 per annum to HK$150,000 per annum as the chairman of the Audit Committee;

– from HK$50,000 per annum to HK$100,000 per annum as a member of the Audit Committee;

– from HK$30,000 per annum to HK$50,000 per annum as a member of the Nomination Committee; and

– from HK$30,000 per annum to HK$50,000 per annum as a member of the Remuneration Committee.

(a) Non-executive director and independent non-executive directors

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

	2016 HK$'000	2015 HK$'000
Non-executive director:		
Mr. Francis Bong Shu Ying	**125**	100
Independent non-executive directors:		
Ms. Judy Chen Qing, JP#	**–**	113
Ms. Alice Kan Lai Kuen	**281**	210
Mr. Lee Choy Sang	**281**	210
Mr. David Li Ka Fai	**331**	260
Hon Abraham Shek Lai Him, GBS, JP	**241**	180
	1,259	1,073

\# Ms. Judy Chen Qing, JP resigned as an independent non-executive director and a member of the Audit Committee of the Company with effect from 2nd October, 2015.

– For the year ended 31st December, 2016, the Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included a fee for serving as members of the Audit Committee (HK$100,000 per annum and HK$50,000 per annum as its chairman and a member, respectively, from 1st January, 2016 to 30th June, 2016 and HK$150,000 per annum and HK$100,000 per annum as its chairman and a member, respectively, from 1st July, 2016 to 31st December, 2016), the Nomination Committee (HK$30,000 per annum from 1st January, 2016 to 30th June, 2016 and HK$50,000 per annum from 1st July, 2016 to 31st December, 2016) and the Remuneration Committee (HK$30,000 per annum from 1st January, 2016 to 30th June, 2016 and HK$50,000 per annum from 1st July, 2016 to 31st December, 2016) of the Company, where applicable, amounted to HK$1,259,000.

– For the year ended 31st December, 2015, the Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included a fee for serving as members of the Audit Committee (HK$100,000 per annum and HK$50,000 per annum as its chairman and a member, respectively), the Nomination Committee (HK$30,000 per annum) and the Remuneration Committee (HK$30,000 per annum) of the Company, where applicable, amounted to HK$1,073,000.

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

(b) Executive directors

	Fees HK$'000 (Notes)	Salaries, allowances and benefits in kind HK$'000	Performance related/ discretionary bonuses HK$'000	Staff retirement scheme contributions HK$'000	Total remuneration HK$'000
2016					
Mr. Lo Yuk Sui	206	912	152	91	1,361
Mr. Jimmy Lo Chun To	125	1,008	80	48	1,261
Miss Lo Po Man	125	360	60	36	581
Mr. Kenneth Wong Po Man	125	423	88	42	678
Mr. Kelvin Leung So Po	125	372	78	36	611
Mr. Daniel Bong Shu Yin##	206	2,295	200	18	2,719
Mr. Kenneth Ng Kwai Kai	125	470	67	34	696
	1,037	5,840	725	305	7,907
2015					
Mr. Lo Yuk Sui	160	868	150	86	1,264
Mr. Jimmy Lo Chun To	100	982	76	45	1,203
Miss Lo Po Man	100	340	57	34	531
Mr. Kenneth Wong Po Man	100	398	84	40	622
Mr. Kelvin Leung So Po	100	348	73	35	556
Mr. Daniel Bong Shu Yin##	160	2,295	200	17	2,672
Mr. Kenneth Ng Kwai Kai	100	392	68	32	592
	820	5,623	708	289	7,440

Notes:

\## Mr. Daniel Bong Shu Yin passed away on 14th February, 2017.

– For the year ended 31st December, 2016, the fees entitled by Mr. Lo Yuk Sui and Mr. Daniel Bong Shu Yin also included a fee of HK$30,000 per annum from 1st January, 2016 to 30th June, 2016 and HK$50,000 per annum from 1st July, 2016 to 31st December, 2016 for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company.

– For the year ended 31st December, 2015, the fees entitled by Mr. Lo Yuk Sui and Mr. Daniel Bong Shu Yin also included a fee of HK$30,000 per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company.

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

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included three (2015 - three) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. Details of the remuneration for the year of the remaining two (2015 - two) highest paid individuals, who were neither Directors nor chief executive of the Company, are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**1,454**	1,770
Performance related/discretionary bonuses	**470**	204
Staff retirement scheme contributions	**102**	102
	2,026	2,076

The emoluments of the remaining two (2015 - two) individuals fell within the following bands:

	2016 Number of individuals	2015 Number of individuals
HK$500,001 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

10. INCOME TAX

	2016 HK$'000	2015 HK$'000
Current – Overseas		
Charge for the year	**2,071**	–
Deferred (note 26)	**(2,295)**	(14,250)
Total tax credit for the year	**(224)**	(14,250)

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).

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax credit at the Group's effective tax rates is as follows:

2016

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000
Loss before tax	**(56,763)**		**(59,880)**		**(116,643)**
Tax at the statutory tax rate	**(9,366)**	**16.5**	**(14,970)**	**25.0**	**(24,336)**
Profit attributable to a joint venture	**(3,796)**		**–**		**(3,796)**
Income not subject to tax	**(12,297)**		**(885)**		**(13,182)**
Expenses not deductible for tax	**21,771**		**15,631**		**37,402**
Tax losses not recognized during the year	**3,643**		**–**		**3,643**
Others	**45**		**–**		**45**
Tax credit at the Group's effective rate	**–**		**(224)**		**(224)**

2015

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000
Loss before tax	(257,642)		(101,546)		(359,188)
Tax at the statutory tax rate	(42,511)	16.5	(25,386)	25.0	(67,897)
Profit attributable to a joint venture	(4,912)		–		(4,912)
Income not subject to tax	(1,855)		(311)		(2,166)
Expenses not deductible for tax	44,001		11,447		55,448
Tax losses not recognized during the year	5,228		–		5,228
Others	49		–		49
Tax credit at the Group's effective rate	–		(14,250)		(14,250)

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the year ended 31st December, 2016 (2015 - Nil).

11. DIVIDEND

No dividend was paid or proposed during the year ended 31st December, 2016, nor has any dividend been proposed since the end of the reporting period (2015 - Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the parent of HK$115,253,000 (2015 - HK$344,938,000) and on the weighted average of 6,596,414,000 (2015 - 6,596,414,000) shares of the Company in issue during the year ended 31st December, 2016 (including ordinary shares and convertible preference shares).

(b) Diluted loss per share

The calculation of the diluted loss per share is based on the loss for the year attributable to equity holders of the parent, adjusted to reflect the fair value gain on derivative financial instruments in relation to convertible bonds of HK$51,735,000. The weighted average number of shares used in the calculation is the aggregate of the number of ordinary shares and convertible preference shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of 973,361,000 shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the loss per share amount presented for the year ended 31st December, 2015 in respect of a dilution, as the impact of the convertible bonds outstanding during the year had an anti-dilutive effect on the loss per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31st December, 2016						
At 31st December, 2015 and at 1st January, 2016:						
Cost	30,700	4,926	3,470	1,641	2,998	43,735
Accumulated depreciation	(2,558)	(1,944)	(1,334)	(746)	–	(6,582)
Net carrying amount	28,142	2,982	2,136	895	2,998	37,153
At 1st January, 2016, net of accumulated depreciation	28,142	2,982	2,136	895	2,998	37,153
Acquisition of subsidiaries (note 29(a))	–	3,111	79	–	–	3,190
Additions	72	853	810	–	–	1,735
Transfer	2,963	–	–	–	(2,963)	–
Transfer to properties under development (note 14)	(2,053)	–	–	–	–	(2,053)
Depreciation provided during the year	(10,441)	(1,203)	(715)	(334)	–	(12,693)
Write-off/disposals	–	(116)	(38)	–	–	(154)
Write-back of depreciation upon write-off/disposals	–	116	22	–	–	138
Exchange realignment	(1,365)	(242)	(124)	(37)	(35)	(1,803)
At 31st December, 2016, net of accumulated depreciation	17,318	5,501	2,170	524	–	25,513
At 31st December, 2016:						
Cost	29,662	8,428	4,099	1,546	–	43,735
Accumulated depreciation	(12,344)	(2,927)	(1,929)	(1,022)	–	(18,222)
Net carrying amount	17,318	5,501	2,170	524	–	25,513

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31st December, 2015						
At 1st January, 2015:						
Cost	–	4,538	2,601	1,744	9,287	18,170
Accumulated depreciation	–	(981)	(947)	(438)	–	(2,366)
Net carrying amount	–	3,557	1,654	1,306	9,287	15,804
At 1st January, 2015, net of accumulated depreciation	–	3,557	1,654	1,306	9,287	15,804
Additions	–	530	1,156	–	25,962	27,648
Transfer	31,993	–	–	–	(31,993)	–
Depreciation provided during the year	(2,666)	(1,026)	(529)	(354)	–	(4,575)
Write-off/disposals	–	–	(115)	(9)	–	(124)
Write-back of depreciation upon write-off/disposals	–	–	82	8	–	90
Exchange realignment	(1,185)	(79)	(112)	(56)	(258)	(1,690)
At 31st December, 2015, net of accumulated depreciation	28,142	2,982	2,136	895	2,998	37,153
At 31st December, 2015:						
Cost	30,700	4,926	3,470	1,641	2,998	43,735
Accumulated depreciation	(2,558)	(1,944)	(1,334)	(746)	–	(6,582)
Net carrying amount	28,142	2,982	2,136	895	2,998	37,153

14. PROPERTIES UNDER DEVELOPMENT AND DEPOSITS RECEIVED

Properties under development are analysed as follows:

	2016 HK$'000	2015 HK$'000
Balance at 1st January	**3,962,280**	3,684,761
Additions	**566,073**	457,583
Transfer from property, plant and equipment (note 13)	**2,053**	–
Impairment	**–**	(57,000)
Exchange realignment	**(154,737)**	(123,064)
Balance at 31st December	**4,375,669**	3,962,280
Portion included in current assets	**(3,082,705)**	(2,664,931)
Non-current portion	**1,292,964**	1,297,349

Properties under development included under current assets expected to be completed within normal operating cycle and recovered:

	2016 HK$'000	2015 HK$'000
Within one year	**2,045,036**	–
After one year	**1,037,669**	2,664,931
	3,082,705	2,664,931

During the year ended 31st December, 2015, an impairment loss of HK$57,000,000 in respect of a hotel property under development located in Chengdu, the PRC was charged to the consolidated statement of profit or loss to write down the hotel property under development to its net realisable value.

As at 31st December, 2016, included in deposits received is an aggregate amount of HK$1,556,555,000 (2015 – HK$311,181,000) representing sales receipts in advance from buyers in connection with pre-sale of properties.

15. INVESTMENT IN A JOINT VENTURE

	2016 HK$'000	2015 HK$'000
Share of net assets	**2,434**	575,639

Particulars of the Group's joint venture are as follows:

Name	Place of incorporation/ business	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2016	2015	Principal activity
Faith Crown Holdings Limited ("Faith Crown")	British Virgin Islands	Ordinary shares of US$1 each	**50**	50	Investment holding

The joint venture is indirectly held by the Company.

Faith Crown is considered a material joint venture of the Group and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Faith Crown adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2016 HK$'000	2015 HK$'000
Non-current assets	**45,505**	1,174,132
Current assets	**–**	17,782
Current liabilities	**(40,637)**	(40,637)
Net assets	**4,868**	1,151,277
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture and carrying amount of the investment	**2,434**	575,639

	2016 HK$'000	2015 HK$'000
Interest income	**46,017**	59,543
Profit and total comprehensive income for the year	**46,013**	59,539
Dividend received by the Group from Faith Crown	**604,580**	29,770

16. CONTINGENT CONSIDERATION RECEIVABLE

The contingent consideration receivable represents a priority right to receive dividends up to an aggregate of RMB48,000,000 (HK$53,357,000), before allocation of profits to the non-controlling shareholder, in relation to the profits generated by the acquired companies from the acquisition of logistics operations described in note 29(a). The fair value of the contingent consideration receivable as at the acquisition date of 31st May, 2016 was HK$9,150,000.

The fair value of the contingent consideration receivable as at 31st December, 2016 was based on a valuation performed by Grant Sherman Appraisal Limited, an independent firm of professionally qualified valuers, at HK$10,268,000. The valuation was determined using the discounted cash flow model and is within Level 3 fair value measurement.

The contingent consideration receivable is not expected to be recovered within twelve months and, accordingly, it is classified as a non-current asset as at 31st December, 2016.

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	Notes	2016 HK$'000	2015 HK$'000
Non-current			
Prepayments	(a)	**66,827**	71,607
Deposits		**116**	–
		66,943	71,607
Current			
Trade debtors	(b)	**6,459**	–
Prepayments		**130,378**	17,098
Deposits		**1,169**	1,141
Other receivables		**24,792**	18,083
		162,798	36,322

None of the above assets is either past due or impaired except for the trade debtors which is further analysed below in note (b). The financial assets included in the above balances related to trade debtors, deposits and other receivables for which there was no recent history of default.

Notes:

(a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, the PRC. In accordance with the prevailing relevant policies and regulations, upon the agreed completion (and had been certified by the relevant government authorities) of re-forestation works in respect of that land, as well as the completion of the land listing and tender procedures in accordance with the relevant rules and regulations, the Group shall be either entitled to the land use right of 30% of the overall project area of such land for development purposes or reimbursed for the costs incurred in the re-forestation project.

In the prior years, the Group completed the milestones required by the relevant PRC government authorities and obtained affirmations to confirm the fulfillments of the conditions agreed with the relevant policies and regulations. Despite the delay in the progress of the re-forestation works, based on the latest legal opinion obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective and the Directors of the Company are of the opinion that costs incurred for the re-forestation works are fully recoverable in future in accordance with the applicable policies and regulations.

(b) Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade debtors of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Outstanding balances with ages:		
Within 3 months	5,229	–
Between 4 to 6 months	901	–
Between 7 to 12 months	329	–
	6,459	–

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	5,229	–
Less than 3 months past due	901	–
4 to 6 months past due	329	–
	6,459	–

Trade debtors that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

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

18. GOODWILL

	2016 HK$'000	2015 HK$'000
Cost and carrying amount at 1st January	**235,090**	234,522
Acquisition of subsidiaries (note 29(b))	**–**	568
Cost and carrying amount at 31st December	**235,090**	235,090

No impairment was made on the goodwill as at 31st December, 2016 and 2015.

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the property development cash-generating unit for impairment testing. The recoverable amount of the property development cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been prepared to reflect the development plan of the property development projects, comprising residential, commercial and hotel buildings. The discount rate applied to the cash flow projections is 19.5% (2015 - 18.8%).

Assumptions were used in the value in use calculation of the property development cash-generating unit for the years ended 31st December, 2016 and 31st December, 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate - Discount rate used is before tax and represents the current market assessment of the risks specific to the property development cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Construction materials price inflation - The basis used to determine the construction materials price inflation is the forecast price indices during the budget year for Mainland China from where the raw materials are sourced.

The values assigned to the key assumptions on market development of property development industry, discount rate and construction materials price inflation are consistent with external information sources.

19. INTANGIBLE ASSETS

	Non-compete and consultancy arrangements	Backlog contracts	Favourable lease agreement	Total
31st December, 2016				
Cost at 1st January, 2016, net of accumulated amortisation	–	–	–	–
Acquistion of subsidiaries (note 29(a))	55,370	4,375	49,413	109,158
Amortisation provided during the year	(4,342)	(1,425)	(3,414)	(9,181)
Exchange realignment	–	(200)	(2,701)	(2,901)
At 31st December, 2016	51,028	2,750	43,298	97,076
At 31st December, 2016:				
Cost	55,370	4,125	46,592	106,087
Accumulated amortisation	(4,342)	(1,375)	(3,294)	(9,011)
Net carrying amount	51,028	2,750	43,298	97,076

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	**2015 HK$'000**
Listed equity investments, at market value	**151,690**	170,371
Listed debt investments, at market value	**23,456**	24,198
	175,146	194,569

The above equity and debt investments at 31st December, 2016 and 2015 were classified as held for trading.

21. RESTRICTED CASH

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to retain a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction costs of the relevant properties. As at 31st December, 2016, such guarantee deposits amounted to approximately HK$368,604,000 (2015 - HK$131,330,000) which can only be used for the payment of construction costs of the relevant properties and will be released after approval by the relevant authorities.

22. CREDITORS AND ACCRUALS

	Notes	2016 HK$'000	2015 HK$'000
Non-current			
Loan from a non-controlling shareholder	(a)	**1,660**	–
Due to a joint venture	(b)	**22,753**	–
Deferred income		**8,369**	–
		32,782	–
Current			
Creditors	(c)	**144,969**	218,981
Accruals		**19,674**	14,507
Due to an intermediate holding company	(d)	**–**	4,753
Due to fellow subsidiaries	(d)	**21,307**	21,475
Due to a joint venture	(d)	**–**	17,781
		185,950	277,497

Notes:

(a) The loan from a non-controlling shareholder is unsecured, interest-free and not repayable within twelve months from the end of the reporting period.

(b) The amount due to a joint venture represents outstanding interest payable on advances from the joint venture which is unsecured, interest-free and not repayable within twelve months from the end of the reporting period.

(c) Included in the balance is an amount of HK$855,000 (2015 - Nil) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Outstanding balances with ages:		
Within 3 months	**514**	–
Between 4 to 6 months	**229**	–
Between 7 to 12 months	**112**	–
	855	–

(d) As at 31st December, 2016, except for an aggregate amount of HK$780,000 included in the amounts due to fellow subsidiaries which is unsecured, interest-free and has no fixed terms of repayment, the amount due to a fellow subsidiary of HK$20,527,000 represents the accrued interest on the other borrowings and is secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and repayable within one year.

As at 31st December, 2015, except for an aggregate amount of HK$978,000 included in the amounts due to fellow subsidiaries which was unsecured, interest free and had no fixed terms of repayment, the amounts due to an intermediate holding company, a fellow subsidiary and a joint venture in an aggregate amount of HK$43,031,000 represented the accrued interest on the other payables and were secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and repayable within one year.

23. OTHER PAYABLES AND BORROWINGS

	2016 HK$'000	2015 HK$'000
Non-current		
Other borrowings	**1,350,000**	–
Current		
Due to an intermediate holding company	–	318,318
Due to a fellow subsidiary	–	1,372,711
Due to a joint venture	–	1,190,872
Other borrowings	**500,000**	–
	500,000	2,881,901

Other payables at 31st December, 2015 were secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bore interest at 5% per annum. The amounts were due on 13th September, 2016 and were fully settled during the year.

Other borrowings, comprising term loan of HK$1,350 million and revolving loan of HK$500 million from a fellow subsidiary to settle part of the other payables, are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bear interest at 5% per annum. The loans are repayable on 12th October, 2021 but the revolving loan of HK$500 million is classified as a short term borrowing.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES	
	2016 HK$'000	2015 HK$'000
Non-current		
Derivative financial instruments in relation to convertible bonds (note 25)	–	177,361
Current		
Foreign currency option contracts	–	2,824

As at 31st December, 2015, the Group had entered into foreign currency option contracts which were not designated for hedging purposes and were measured at fair value through profit or loss. A fair value loss on non-hedging foreign currency option contracts of HK$2,824,000 was charged to the consolidated statement of profit or loss during the year ended 31st December, 2015.

25. CONVERTIBLE BONDS

As at 31st December, 2016, the Group has issued a total of five (2015: one) tranches of convertible bonds. Further details of the convertible bonds are set out as follows:

Purpose:	**To provide additional capital to the Group**				**To finance the Group's business acquisition as detailed in note 29(a) to the financial statements**	
Convertible bonds:	CB 2017 (note (a))	Extended CB 2017 (note (a))	Optional CB 2021A (note (b))	Optional CB 2021B (note (b))	CB 2020A (note (c))	CB 2020B (note (c))
Issue date:	18th August, 2014	11th October, 2016*	12th October, 2016	30th December, 2016	31st May, 2016	31st May, 2016
Maturity date:	18th August, 2017	18th August, 2021	18th August, 2021	18th August, 2021	31st May, 2020	31st May, 2020
Principal amount:	HK$500,000,000	HK$500,000,000	HK$330,000,000	HK$170,000,000	HK$23,800,000	HK$33,250,000
Coupon interest:	2.5% per annum, payable semi annually	2.5% per annum, payable semi annually	3.5% per annum, payable semi annually	3.5% per annum, payable semi annually	Nil	Nil
Initial conversion price to ordinary shares of the Company:	HK$0.35 per share (subject to adjustment)	HK$0.35 per share (subject to adjustment)	HK$0.40 per share (subject to adjustment)	HK$0.40 per share (subject to adjustment)	HK$0.35 per share (subject to adjustment)	HK$0.35 per share (subject to adjustment)
Conversion period:	At any time from 25th August, 2014 to 11th August, 2017	Extended to 11th August, 2021	At any time from 19th October, 2016 to 11th August, 2021	At any time from 6th January, 2017 to 11th August, 2021	At any time from 7th June, 2016 to 24th May, 2020	At any time from 7th June, 2016 to 24th May, 2020
Maximum number of shares of the Company to be converted based on initial conversion price:	1,428,571,000	1,428,571,000	825,000,000	425,000,000	68,000,000	95,000,000
Status as at 31st December, 2016:	Replaced by Extended CB 2017	No conversion happened	No conversion happened	No conversion happened	No conversion happened	No conversion happened
Redemption:	If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 100% of their outstanding principal amounts.					

* Being the effective date of extension of CB 2017.

(a) CB 2017 and Extended CB 2017

On 18th August, 2014, the Company's wholly owned subsidiary, Apex Team Limited ("Apex Team"), issued convertible bonds with the principal amount of HK$500,000,000 ("CB 2017") with a maturity date on 18th August, 2017. Options were also granted by the Group to the holder to subscribe for other convertible bonds in an additional principal amount of up to HK$500,000,000 ("Optional CB 2017") with an expiry date of 90 days prior to the maturity date of Optional CB 2017 on 18th August, 2017.

As part of the refinancing arrangements described in note 1 to the financial statements, on 4th August, 2016, the Group entered into a deed of variation with the holder to extend the maturity date of CB 2017 from 18th August, 2017 to 18th August, 2021 with no amendments to other terms ("Extended CB 2017"). The above modification (the "Modification") was approved by independent shareholders of the Company on 11th October, 2016.

At the date of modification, the fair value of the original CB 2017 was HK$506,060,000. Upon modification, the original CB 2017 was extinguished and the Extended CB 2017 at a fair value of HK$625,522,000 was recognised. As a result, a loss of approximately HK$12,479,000 was recognised in profit or loss during the year ended 31st December, 2016 and an aggregate amount of HK$119,462,000 was debited to the capital reserve.

CB 2017 and Extended CB 2017 contain three components: equity component, liability component and embedded derivative financial liabilities in respect of the subscription options for convertible bonds (i.e. Optional CB 2017/Optional CB 2021 (as defined hereinafter)). The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in reserve. The subscription options embedded in the convertible bonds were recognised as derivative financial instruments and were measured at fair value on initial recognition and remeasured at the end of each subsequent reporting period. The effective interest rates of the liability component of CB 2017 and Extended CB 2017 are 7.58% and 6.61%, respectively.

(b) Optional CB 2021A and Optional CB 2021B

In connection with the Modification, the options to subscribe for Optional CB 2017 were also replaced by new options to subscribe for other convertible bonds with an extended maturity date from 18th August, 2017 to 18th August, 2021 ("Optional CB 2021"). The options to subscribe for Optional CB 2021 with the principal amounts of HK$330,000,000 ("Optional CB 2021A") and HK$170,000,000 ("Optional CB 2021B") were exercised on 12th October, 2016 and 30th December, 2016, respectively.

Optional CB 2021A and Optional CB 2021B contain two components: equity component and liability component. The fair values of the liability component were estimated at the issuance dates using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in reserve. The effective interest rates of the liability component of Optional CB 2021A and Optional CB 2021B are 6.52% and 7.09%, respectively.

(c) CB 2020A and CB 2020B

On 31st May, 2016, Apex Team issued convertible bonds with the principal amounts of HK$23,800,000 ("CB 2020A") and HK$33,250,000 ("CB 2020B") as part of the considerations for a business acquisition detailed in note 29(a) to the financial statements.

CB 2020A and CB 2020B contain two components: equity component and liability component. The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in reserve. The effective interest rate of the liability component of CB 2020A and CB 2020B is 8.68%.

The fair value of CB 2020A and CB 2020B as at the issuance date was in an aggregate amount of HK$60,643,000.

The convertible bonds as at 31st December, 2015 represented CB 2017 only.

The movements of the equity component, liability component and derivative financial instruments of the convertible bonds are as follows:

	Equity component HK$'000	Liability component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
At 1st January, 2015	11,748	446,223	30,946	488,917
Fair value change (note 6)	–	–	146,415	146,415
Interest expenses (note 7)	–	33,468	–	33,468
Interest paid	–	(12,500)	–	(12,500)
At 31st December, 2015 and at 1st January, 2016	11,748	467,191	177,361	656,300
Issue of convertible bonds arising from acquisition of subsidiaries (notes 25(c) and 29(a))	31,657	28,986	–	60,643
Modification of the terms of convertible bonds:				
– Loss arising from the modification of the terms of original convertible bonds (note 25(a))	–	12,479	–	12,479
– Extinguishment of original convertible bonds upon modification of terms (note 25(a))	(11,748)	(494,312)	–	(506,060)*
– Recognition of convertible bonds upon modification of terms (note 25(a))	207,186	418,336	–	625,522*
Exercise of options to subscribe for convertible bonds (note 25(b))	192,244	436,164	(128,408)	500,000
Fair value change (note 6)	–	–	(48,953)	(48,953)
Interest expenses (note 7)	–	39,621	–	39,621
Interest paid	–	(12,500)	–	(12,500)
At 31st December, 2016	431,087	895,965	–	1,327,052

* As the holder of CB 2017 is a wholly owned subsidiary of P&R Holdings, an intermediate holding company of the Company, the Directors are of the view that the Modification was made in the capacity of an owner instead of a creditor of the Company. Accordingly, the difference in fair value of HK$119,462,000 arising from the modification of the terms of convertible bonds was debited in the capital reserve in the consolidated statement of changes in equity.

26. DEFERRED TAX LIABILITIES

The movement in deferred tax liabilities during the year is as follows:

	Fair value adjustments arising from acquisition of subsidiaries HK$'000
Gross deferred tax liabilities at 1st January, 2015	362,536
Deferred tax credited to the statement of profit or loss during the year (note 10)	(14,250)
Gross deferred tax liabilities at 31st December, 2015 and at 1st January, 2016	348,286
Acquisition of subsidiaries (note 29(a))	28,552
Deferred tax credited to the statement of profit or loss during the year (note 10)	(2,295)
Gross deferred tax liabilities at 31st December, 2016	374,543

The Group has unrecognised tax losses arising in Hong Kong amounting to HK$161,010,000 (2015 - HK$138,931,000) at the end of the reporting period. The tax losses arising in Hong Kong, subject to the agreement by the Hong Kong Inland Revenue Department, are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets in respect of the above tax losses amounting to HK$26,567,000 (2015 - HK$22,924,000) have not been recognised on account of the unpredictability of future profit streams.

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 1st January, 2008 and applies to earnings after 31st December, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 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 1st January, 2008.

At 31st 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. 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 totalled approximately HK$256,000 at 31st December, 2016 (2015 - Nil).

27. SHARE CAPITAL AND SHARE PREMIUM

	Note	2016 HK$'000	2015 HK$'000
Shares			
Authorised:			
120,602,390,478 ordinary shares of HK$0.002 each		**241,205**	241,205
4,397,609,522 convertible preference shares of HK$0.002 each	(a)	**8,795**	8,795
		250,000	250,000
Issued and fully paid:			
4,250,455,846 ordinary shares of HK$0.002 each		**8,501**	8,501
2,345,958,437 convertible preference shares of HK$0.002 each	(a)	**4,692**	4,692
		13,193	13,193

	2016 HK$'000	2015 HK$'000
Share premium		
Ordinary shares	**1,172,623**	1,172,623
Convertible preference shares	**229,940**	229,940
	1,402,563	1,402,563

Note:

(a) Each convertible preference share ("CPS") is non-redeemable by the Company or its holder and is convertible into one ordinary share of the Company, subject to adjustment upon the occurrence of consolidation or subdivision of the ordinary shares, at any time after issuance, provided that holders of a CPS may not exercise the conversion rights to the extent that would result in the Company failing to comply with the minimum public float requirement under the Listing Rules.

Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of ordinary shares on the basis of the number of ordinary shares into which each CPS may be converted and on an as-if converted basis.

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, except on a resolution for the winding-up of the Company.

There is no movement of the Company's share capital and share premium during the years ended 31st December, 2016 and 2015.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on pages 45 and 46.

29. ACQUISITION OF SUBSIDIARIES

(a) Business combination - Acquisition of the SH Logistics Group

On 31st May, 2016, the Group acquired from independent third parties a 60% effective equity interest in 上海禾允投資咨詢有限公司 and its wholly owned subsidiary (the "SH Logistics Group"). The SH Logistics Group is principally engaged in the provision of logistics and related services in Shanghai, the PRC.

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

The aggregate fair values of the identifiable assets and liabilities of the SH Logistics Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	13	3,190
Other asset		5,051
Intangible assets	19	109,158
Debtors, deposits and prepayments		4,572
Cash and bank balances		726
Creditors and accruals		(3,221)
Deferred tax liabilities	26	(28,552)
Non-controlling interests		(34,698)
Total identifiable net assets at fair value		56,226
Gain on bargain purchase recognised in the consolidated statement of profit or loss		(3,073)
		53,153
Satisfied by:		
Cash consideration		4,150
Convertible bonds	25	60,643
Proceeds from issue of convertible bonds		(4,150)
Contingent consideration receivable	16	(9,150)
Assignment of a shareholder's loan		1,660
		53,153

As the SH Logistics Group was acquired by the Group at a price below its independent market valuation, a gain on bargain purchase of HK$3,073,000 was resulted and recognised in the consolidated statement of profit or loss for the year ended 31st December, 2016.

The Group issued convertible bonds - CB 2020A and CB 2020B as part of the considerations for the acquisition. Further details of CB 2020A and CB 2020B are set out in note 25 to the financial statements.

As part of the acquisition, the Group is entitled to a priority right to receive dividends up to an aggregate of RMB48,000,000 (HK$53,357,000), before allocation of profits to the non-controlling shareholder, in relation to the profits generated by the SH Logistics Group. The initial amount of contingent consideration receivable recognised was HK$9,150,000, being the fair value of the priority right to receive dividends at the date of acquisition, which was determined using the discounted cash flow model.

The fair values (which were also the gross contractual amounts) of the trade debtors and other debtors as at the date of acquisition amounted to HK$3,559,000 and HK$149,000, respectively, which are expected to be collectible.

The Group incurred transaction costs of HK$2,258,000 for the acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

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

	HK$'000
Cash consideration	(4,150)
Proceeds from issue of convertible bonds	4,150
Cash and bank balances acquired	726
Net inflow of cash and cash equivalents included in cash flows from investing activities	726
Transaction costs of the acquisition included in cash flows from operating activities	(2,258)
	(1,532)

Since the acquisition, the SH Logistics Group contributed approximately HK$13,930,000 to the Group's revenue and a loss of approximately HK$2,915,000 was included in the consolidated loss for the year ended 31st December, 2016.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been HK$26,574,000 and HK$115,344,000, respectively.

(b) Business combination - Acquisition of Fudu Property Management

In June 2015, the Group completed the acquisition from Regal (Chongqing) Equity Investment Fund, L.P. (富豪(重慶)股權投資基金合夥企業(有限合夥)), a fellow subsidiary of the Group, of the entire equity interest in 成都富都物業管理有限公司 (for identification purposes, Chengdu Fudu Property Management Company Limited ("Fudu Property Management")), which is principally engaged in provision of property management services in the PRC.

The aggregate fair values of the identifiable assets and liabilities of Fudu Property Management as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Cash and bank balances	211
Amount due from the Group	2,996
Accruals	(6)
Total identifiable net assets at fair value	3,201
Goodwill on acquisition (note 18)	568
Cash consideration	3,769

The goodwill of HK$568,000 recognised was primarily attributed to the expected synergies from combining the assets and activities of Fudu Property Management with those of the Group. The goodwill was not deductible for income tax purpose.

An analysis of the cash flows in respect of the acquisition of Fudu Property Management was as follows:

	HK$'000
Cash consideration	(3,769)
Cash and bank balances acquired	211
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,558)

The acquisition of Fudu Property Management did not contribute any revenue to the Group as it did not generate any revenue since incorporation. Loss of HK$72,000 of Fudu Property Management was included in the consolidated loss of the Group for the year ended 31st December, 2015.

Had the combination taken place at the beginning of the year ended 31st December, 2015, the consolidated loss of the Group for that year would have been HK$344,998,000.

30. PARTLY OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2016
Percentage of equity interest held by non-controlling interests of the SH Logistics Group	40%

	2016 **HK$'000**
Loss for the year allocated to non-controlling interests of the SH Logistics Group	(1,166)
Accumulated balances of non-controlling interests of the SH Logistics Group at the reporting date	32,108

The following tables illustrate the summarised financial information of the SH Logistics Group. The amounts disclosed are before any inter-company eliminations and after the acquisition:

2016	**HK$'000**
Revenue	13,930
Loss for the year	(2,915)
Total comprehensive loss for the year	(6,473)
Non-current assets	106,047
Current assets	15,080
Current liabilities	(5,735)
Non-current liabilities	(35,121)
Net cash flows from operating activities	3,871
Net cash flows used in investing activities	(1,158)
Net cash flows from financing activities	4,635
Net increase in cash and cash equivalents	7,348

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction:

During the year, the Group has settled certain amount of other payables of HK$604,580,000 by netting off the dividend distribution from the joint venture, Faith Crown.

32. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2016 HK$'000	2015 HK$'000
A wholly owned subsidiary of CCIHL:			
Management fees	(i)	**9,233**	8,537
Subsidiaries of Paliburg Holdings Limited ("PHL"):			
Interest income from listed debt investments	(ii)	**989**	988
Interest expenses on other payables	(iii)	**109,894**	144,095
Interest expenses on other borrowings	(iv)	**20,527**	–

Notes:

(i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, Regal and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups.

(ii) The interest income was charged at a coupon rate of 4.25% per annum.

(iii) The interest expenses were paid to P&R Holdings, Faith Crown and Regal BVI for consideration payables in relation to the acquisition of certain property development projects in 2013, which were fully settled during the year and bore interest at 5% per annum.

(iv) The interest expenses were paid to Long Profits Investments Limited in relation to borrowings under the HK$1,850 million loan facilities granted to the Group as detailed in note 23 to the financial statements.

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

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**7,917**	7,445
Staff retirement scheme contributions	**331**	314
Total compensation paid to key management personnel	**8,248**	7,759

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

The related party transaction set out in note 32(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.98 of the Listing Rules.

The related party transaction set out in note 32(a)(ii) above did not constitute a connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company.

The related party transactions set out in note 32(a)(iii) and (iv) above were contemplated under respective relevant transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had been complied with.

Relevant disclosures and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the connected or continuing connected transactions during the prior year set out in note 32(a) had been made or met or otherwise exempted.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its warehouse premises under operating lease arrangements, with leases negotiated for terms ranging from 2 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31st December, 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	2,780	–
In the second to fifth years, inclusive	7,022	–
After five years	6,627	–
	16,429	–

(b) As lessee

The Group leases certain office and warehouse premises under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 10 years.

At 31st 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	**4,301**	1,439
In the second to fifth years, inclusive	**4,436**	1,423
	8,737	2,862

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33(b) above, the Group had the following commitments at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Property development projects	**759,790**	1,640,070

35. CONTINGENT LIABILITIES

A subsidiary of the Group is currently a defendant in certain outstanding litigation claims relating to the re-forestation project located in Xinjiang in the PRC. Based on the advice from the Group's legal counsel, the litigation claims are pending verification and/or the Group has good grounds of defence against the allegations. Accordingly, the Directors consider that it is appropriate to disclose such claims in an aggregate amount of approximately RMB9,554,000 (HK$10,620,000) (2015 - RMB1,771,000 (HK$2,091,000)) as contingent liabilities and no provision has been made in the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

Financial assets

	Financial assets at fair value through profit or loss - Held for trading HK$'000	Financial assets at fair value through profit or loss - Contingent consideration receivables HK$'000	Loans and receivables HK$'000	Total HK$'000
Other financial assets included in debtors, deposits and prepayments	–	–	32,060	32,060
Contingent consideration receivable	–	10,268	–	10,268
Financial assets at fair value through profit or loss	175,146	–	–	175,146
Restricted cash	–	–	368,604	368,604
Time deposits	–	–	56,885	56,885
Cash and bank balances	–	–	472,295	472,295
	175,146	10,268	929,844	1,115,258

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Other financial liabilities included in creditors and accruals	202,046
Deposits received	9,823
Other borrowings (note 23)	1,850,000
Convertible bonds	895,965
	2,957,834

2015

Financial assets

	Financial assets at fair value through profit or loss - held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Other financial assets included in debtors, deposits and prepayments	–	18,896	18,896
Financial assets at fair value through profit or loss	194,569	–	194,569
Restricted cash	–	131,330	131,330
Time deposits	–	12,790	12,790
Cash and bank balances	–	253,248	253,248
	194,569	416,264	610,833

Financial liabilities

	Financial liabilities at fair value through profit or loss - held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Other financial liabilities included in creditors and accruals	–	271,527	271,527
Deposits received	–	2,373	2,373
Other payables (note 23)	–	2,881,901	2,881,901
Derivative financial instruments (note 24)	180,185	–	180,185
Convertible bonds	–	467,191	467,191
	180,185	3,622,992	3,803,177

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current portion of financial assets included in deposits and prepayments, contingent consideration receivable, financial liabilities included in creditors and accruals and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the financial liabilities included in creditors and accruals and other borrowings was assessed to be insignificant. The fair values of the liability portions of the convertible bonds are estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are based on quoted market prices.

The fair values of listed debt investments are determined based on market values provided by financial institutions.

The Group entered into foreign currency option contracts with a financial institution. The foreign currency option contracts were measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of the financial institution, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of foreign currency option contracts were the same as their fair values.

The fair value of the embedded derivative in convertible bonds was determined by valuation techniques and based on assumptions on market conditions existing at 31st December, 2015. The valuation model requires the input of subjective assumptions, including the stock price, expected volatility and risk free rate.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2016 and 2015:

	Valuation technique	Significant unobservable input	Range 2016	Range 2015
Contingent consideration receivable	Discounted cash flow method	Growth rates for cash flows	7% to 20%	Nil
		WACC	21.5%	Nil

A significant increase/(decrease) in the estimated growth rates for cash flows in isolation would result in a significant increase/(decrease) in the fair value of the contingent consideration receivable. A significant increase/(decrease) in the WACC in isolation would result in a significant decrease/(increase) in the fair value of the contingent consideration receivable.

Fair value hierarchy

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

Assets measured at fair value as at 31st December, 2016:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Listed equity investments	**151,690**	**–**	**–**	**151,690**
Listed debt investment	**–**	**23,456**	**–**	**23,456**
Contingent consideration receivable	**–**	**–**	**10,268**	**10,268**
	151,690	**23,456**	**10,268**	**185,414**

Assets measured at fair value as at 31st December, 2015:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Listed equity investments	170,371	–	–	170,371
Listed debt investments	–	24,198	–	24,198
	170,371	24,198	–	194,569

The movements in fair value measurements within Level 3 during the year are as follows:

	2016 HK$'000	2015 HK$'000
At 1st January	**–**	–
Arising from acquisition of subsidiaries (note 29(a))	**9,150**	–
Fair value gain recognised in profit or loss	**1,118**	–
At 31st December	**10,268**	–

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

Liabilities measured at fair value as at 31st December, 2015:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	–	180,185	–	180,185

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise other payables and borrowings, convertible bonds, cash and bank balances and time deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as financial assets at fair value through profit or loss, contingent consideration receivable, restricted cash, deposits received, other financial assets included in debtors, deposits and prepayments, and other financial liabilities included in creditors and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts prudent strategies on its risk management. The Directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's operations are mainly in Hong Kong and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in currencies that are not the entities' functional currencies.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and entering into foreign currency option contracts to reduce the exposure should the need arises.

Credit risk

The Group's major exposure to the credit risk arises from the default of the trade debtors, with a maximum exposure equal to their carrying amounts. The Group only grants credit after making credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash, bank balances and deposits, contingent consideration receivable, financial assets at fair value through profit or loss, and other financial assets included in debtors, deposits and prepayments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

There are no significant concentrations of credit risk within the Group as it has a number of diversified customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 17(b) to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loan facilities from a fellow subsidiary. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

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:

	2016		
	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Other financial liabilities included in creditors and accruals and other borrowings	**749,606**	**1,723,886**	**2,473,492**
Deposits received	**9,823**	**–**	**9,823**
Convertible bonds	**30,000**	**1,165,872**	**1,195,872**
	789,429	**2,889,758**	**3,679,187**

	2015		
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
Other financial liabilities included in creditors and accruals and other payables	3,223,518	–	3,223,518
Deposits received	2,373	–	2,373
Derivative financial instruments	2,824	177,361	180,185
Convertible bonds	12,487	507,855	520,342
	3,241,202	685,216	3,926,418

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as financial assets at fair value through profit or loss (note 20) as at the end of the reporting period.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'000	Change in loss before tax HK$'000
2016		
Hong Kong listed investments	**151,690**	**7,585**
2015		
Hong Kong listed investments	170,371	8,519

There is no impact on the Group's equity except on the accumulated losses.

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 enhance 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. Capital represents equity attributable to equity holders of the parent. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2016 and 31st December, 2015.

The Group monitors capital using a debt to total assets ratio, which is net debt divided by the total assets. Net debt includes interest bearing other payables and borrowings and convertible bonds less cash, bank balances and deposits. The debt to total assets ratios as at the end of the reporting periods were as follows:

	2016 HK$'000	2015 HK$'000
Interest bearing other payables and borrowings and convertible bonds	**2,745,965**	3,349,092
Less: Cash, bank balances and deposits	**(897,784)**	(397,368)
Net debt	**1,848,181**	2,951,724
Total assets	**6,053,772**	5,510,028
Debt to total assets ratio	**30.5%**	53.6%

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,104,463**	1,540,974
CURRENT ASSETS		
Prepayment	**486**	486
Bank balances	**385**	276
Total current assets	**871**	762
CURRENT LIABILITIES		
Accruals	**(1,354)**	(1,487)
NET CURRENT LIABILITIES	**(483)**	(725)
Net assets	**1,103,980**	1,540,249
EQUITY		
Issued capital	**13,193**	13,193
Reserves (note)	**1,090,787**	1,527,056
Total equity	**1,103,980**	1,540,249

Note:

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

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000
At 1st January, 2015	1,402,563	209	26,801	101,667	1,531,240
Loss for the year	–	–	–	(4,184)	(4,184)
At 31st December, 2015 and at 1st January, 2016	1,402,563	209	26,801	97,483	1,527,056
Loss for the year	–	–	–	(436,269)	(436,269)
At 31st December, 2016	1,402,563	209	26,801	(338,786)	1,090,787

The contributed surplus represents reserves arising from the Group's reorganisation in 1991, originally representing the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then subsidiaries' shares acquired at the date of acquisition, net of subsequent distributions therefor.

Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27th March, 2017.

安永

To the shareholders of Cosmopolitan International Holdings Limited
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Cosmopolitan International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 40 to 114, which comprise the consolidated statement of financial position as at 31st 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 31st December, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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.

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation of a business combination	
On 31st May, 2016, as fully explained in note 29(a) to the financial statements, the Group acquired from independent third parties a 60% effective interest in 上海禾允投資咨詢有限公司 (for identification purposes, "Shanghai He Yun Investment Consulting Limited") and its wholly owned subsidiary (the "SH Logistics Group"). As at the date of acquisition, the aggregate fair value of the identifiable net assets of the SH Logistics Group amounted to HK$56.2 million (including intangible assets of HK$109.2 million), with a gain on bargain purchase of HK$3.1 million recognised in the consolidated statement of profit or loss. The Group engaged an independent external valuer to perform the purchase price allocation on the fair values of the considerations transferred, identifiable assets acquired and liabilities assumed. The purchase price allocation is significant to our audit due to the determination of the fair values of certain considerations transferred and certain assets acquired including, amongst others, convertible bonds, contingent consideration receivable, intangible assets and a call option for the purchase of companies holding certain land and buildings, are dependent on a range of estimates including estimated volatility of the share price of the Company, estimated fair values of land and buildings, estimated future cash flows, discount rates and interest rates. Details of the acquisition of the SH Logistics Group are disclosed in note 29(a) to the financial statements.	With the assistance from our internal valuation specialists, we evaluated the valuation methodologies and assumptions used in the purchase price allocation by (i) examining the terms of the relevant sale and purchase agreements; (ii) assessing the valuation methodologies adopted for the purpose of determining the fair values of the considerations transferred, the identifiable assets acquired and liabilities assumed; and (iii) benchmarking the key parameters such as volatility of the share price of the Company, fair values of land and buildings, discount rates and interest rates against market data. In addition, we considered the independence, objectivity and competence of the external valuer engaged by management. We also assessed the adequacy of disclosure in connection with the business combination.

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment of properties under development and goodwill	
The Group invested in two property development projects in Chengdu and Tianjin, the People's Republic of China. As at 31st December, 2016, the properties under development and the goodwill allocated to the "property development cash-generating unit" amounted to HK$4,375.7 million and HK$235.1 million, respectively, and in aggregate representing 76% of the Group's total assets. Impairment assessment is performed by management using discounted cash flow projections to determine the value in use of the "property development cash-generating unit" which is considered as the recoverable amount. The impairment assessment is significant to our audit due to (i) magnitude of the amounts involved; and (ii) significant estimates used in the discounted cash flow projections, amongst others, estimated selling price and budget cost to complete the property development projects and discount rate. The Group's accounting policies and disclosures on impairment assessment of properties under development and goodwill are included in notes 3, 14 and 18 to the financial statements.	We discussed the progress of property development projects with management and evaluated the progress by site visit and examination of surveyor's reports on the projects' progress. We also assessed the assumptions used in the discounted cash flow projections including, amongst others, the estimated selling price, budget cost to complete the property development projects and discount rate, taking into consideration the selling price of comparable properties, market conditions and trends, reliability of previous projections and historical evidence supporting underlying assumptions. We also involved our valuation experts to assist us in evaluating the discount rate adopted in the discounted cash flow projections. We also assessed the sensitivity of assumptions used by evaluating whether a reasonably possible change in assumptions could cause the carrying amounts to exceed their recoverable amounts.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of prepayments relating to a re-forestation project	
As at 31st December, 2016, the Group has prepaid HK$66.8 million in relation to a re-forestation project in Urumqi, Xinjiang, the PRC. Under the prevailing relevant policies and regulations, the Group would either (i) be entitled to land use right of 30% of a particular piece of land (the "30% Land Use Right") upon completion and certification by the relevant government authorities of the re-forestation works on that piece of land; or (ii) be reimbursed for the costs incurred for the re-forestation if the 30% Land Use Right is not rewarded (the "Land Use Right Exchange Policy"). Management has identified the delay in the progress of the re-forestation works as an indicator of impairment. An impairment assessment on the prepayments was performed by management by (i) evaluating continual fulfillment of the Land Use Right Exchange Policy for the re-forestation project under the prevailing relevant policies and regulations; and (ii) comparing the estimated fair value of the 30% Land Use Right with the carrying amount of prepayments. The impairment assessment is significant to our audit due to (i) magnitude of the amount of prepayments; (ii) significant management judgement involved in the assessment of continual fulfilment of the Land Use Right Exchange Policy which may affect the reward of land use right and reimbursement of prepayments; and (iii) significant management estimate involved in determination of the fair value of the 30% Land Use Right. Details of the prepayments are disclosed in note 17(a) to the financial statements.	We evaluated management's impairment assessment by (i) examining correspondence between the Group and the relevant government authorities and obtaining a legal advice from the Group's legal counsel for fulfilment of the Land Use Right Exchange Policy; and (ii) benchmarking the market value of comparable land use right in Urumqi and comparing against the carrying amount of prepayments. We also assessed the adequacy of disclosure in connection with the re-forestation project in Urumqi, Xinjiang, the PRC.

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, 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.

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.

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 Wu Ka Lai, Cary.

Ernst & Young
Certified Public Accountants

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

27th March, 2017

Schedule of Principal Properties

As at 31st December, 2016

PROPERTIES FOR DEVELOPMENT

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(1)	Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel/office and commercial complex/ residential	Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.) Total gross floor area - approx. 497,000 sq. m. (5,350,000 sq. ft.) First stage • a 311-room hotel • 3 residential towers having 339 residential units with car parking spaces and ancillary commercial accommodation (Total gross floor area - approx. 45,500 sq. m. (490,000 sq. ft.)) Stage two • 6 residential towers having 957 units with total gross floor area of approx. 94,500 sq. m. (1,017,200 sq. ft.) Stage three • commercial and office accommodations with total gross floor area of approx. 140,798 sq. m. (1,515,600 sq. ft.) • residential portions with total gross floor area of approx. 175,540 sq. m. (1,889,500 sq. ft.)	First stage • Construction works for 3 residential towers expected to be completed before the end of 2017 • Presale of the residential units launched in 2nd quarter of 2016 • Hotel portion planned to be completed in phases from 2018 Stage two • Construction works expected to be completed in the end of 2017 • Presale of the residential units launched in 3rd quarter of 2016	100

As at 31st December, 2016

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(2)	Development site at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/ residential	Site area for the whole development - approx. 31,700 sq. m. (341,000 sq. ft.) Total gross floor area - approx. 145,000 sq. m. (1,561,000 sq. ft.)	Superstructure works of four residential towers and commercial complex completed Superstructure works of two office towers in progress Presale of the residential units launched in 4th quarter of 2015 Presale of both the residential car parking spaces and commercial portion launched in 3rd quarter of 2016 (Residential towers, commercial complex and residential car parking spaces scheduled to be completed before the end of 2017)	100

Published Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

RESULTS

	Year ended 31st December, 2016 HK$'000	**Year ended 31st December, 2015 HK$'000**	**Year ended 31st December, 2014 HK$'000**	**Nine months ended 31st December, 2013 HK$'000**	**Year ended 31st March, 2013 HK$'000**
Revenue	**23,678**	9,152	(7,867)	12,487	24,091
Operating profit/(loss) before depreciation and amortisation	**(13,158)**	(275,500)	(51,057)	(18,977)	104,943
Depreciation and amortisation	**(21,782)**	(4,474)	(1,520)	(407)	(128)
Finance costs	**(104,709)**	(108,984)	(104,372)	(86,616)	(75,684)
Share of profit of a joint venture	**23,006**	29,770	29,767	17,338	23,640
Profit/(loss) before tax	**(116,643)**	(359,188)	(127,182)	(88,662)	52,771
Income tax	**224**	14,250	(179)	451	–
Profit/(loss) for the year/period before allocation between equity holders of the parent and non-controlling interests	**(116,419)**	(344,938)	(127,361)	(88,211)	52,771
Attributable to:					
Equity holders of the parent	**(115,253)**	(344,938)	(127,361)	(88,211)	52,813
Non-controlling interests	**(1,166)**	–	–	–	(42)
	(116,419)	(344,938)	(127,361)	(88,211)	52,771

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31st December, 2016 HK$'000	31st December, 2015 HK$'000	31st December, 2014 HK$'000	31st December, 2013 HK$'000	31st March, 2013 HK$'000
Property, plant and equipment	**25,513**	37,153	15,804	3,555	1,171
Investment properties	**–**	–	–	–	88,000
Properties under development	**1,292,964**	1,297,349	1,305,087	1,308,632	–
Investment in a joint venture	**2,434**	575,639	575,639	575,591	559,348
Contingent consideration receivable	**10,268**	–	–	–	–
Non-current deposits and prepayments	**66,943**	71,607	69,689	58,115	42,823
Other asset	**5,051**	–	–	–	–
Goodwill	**235,090**	235,090	234,522	228,310	–
Intangible assets	**97,076**	–	–	–	–
Current assets	**4,318,433**	3,293,190	3,199,925	2,776,131	386,025
Total assets	**6,053,772**	5,510,028	5,400,666	4,950,334	1,077,367
Current liabilities	**(2,260,825)**	(3,476,782)	(168,276)	(113,569)	(462,311)
Non-current other payables	–	–	(2,881,901)	(3,229,411)	–
Non-current creditors and accruals	**(32,782)**	–	–	–	–
Non-current other borrowings	**(1,350,000)**	–	–	–	–
Convertible bonds	**(895,965)**	(467,191)	(446,223)	–	–
Derivative financial instruments	**–**	(177,361)	(30,946)	–	–
Deferred tax liabilities	**(374,543)**	(348,286)	(362,536)	(362,536)	–
Total liabilities	**(4,914,115)**	(4,469,620)	(3,889,882)	(3,705,516)	(462,311)
Non-controlling interests	**32,135**	26	26	26	26

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