SHANGHAI ZENDAI
上海証大房地產有限公司

Annual Report 2016

SHANGHAI ZENDAI PROPERTY LIMITED
(incorporated in Bermuda with limited liability)
Stock Code : 00755

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BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Qiu Haibin *(Chairman)*
Mr. Zhong Guoxing
Mr. Zhang Huagang
Ms. Li Li Hua

Non-executive Directors

Mr. Gong Ping
Ms. Jiang Zhengyan

Independent non-executive Directors

Mr. Lai Chik Fan
Mr. Li Man Wai
Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng

COMMITTEES

Audit Committee

Mr. Li Man Wai *(Chairman)*
Mr. Lai Chik Fan
Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng

Remuneration Committee

Mr. Chow Alexander Yue Nong *(Chairman)*
Mr. Qiu Haibin
Mr. Lai Chik Fan
Mr. Li Man Wai
Dr. Xu Changsheng

Nomination Committee

Mr. Qiu Haibin *(Chairman)*
Mr. Lai Chik Fan
Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng

PRINCIPAL BANKERS

Bank of China
China Citic Bank International Limited
China Bohai Bank
Agricultural Bank of China
Bank of Shanghai
China Minsheng Bank

SOLICITORS

Hong Kong

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Central
Hong Kong

Bermuda

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REGISTERED OFFICE

Canon's Court
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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPANY SECRETARY

Mr. Wong Ngan Hung

QUALIFIED ACCOUNTANT

Mr. Wong Ngan Hung

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

FINANCIAL RESULTS

The board ("Board") of directors ("Director") of Shanghai Zendai Property Limited (the "Company" or "Shanghai Zendai") hereby announces the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 (the "year" or "year under review").

During the year under review, the new projects acquired by the Group during the period from 2012 to 2015 continued to be launched for pre-sale, and one of which was delivered during the year. Therefore, the turnover for the year was mainly attributable to the sales and delivery of pre-existing properties and the newly acquired project.

During the year under review, the Group recorded a turnover of approximately HK$1,943,579,000, representing an increase of 9% as compared with approximately HK$1,787,475,000 for the same period in 2015. The turnover of the Group for the year was mainly attributed to:

- Delivery of newly acquired residential properties of Imperial Lake International project in Xuanwu District, Nanjing
- Delivery of residential properties in Haimen and Xizhen
- Hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the "Shareholders") was approximately HK$1,034,703,000, representing an increase of 8% as compared with the same period of last year (loss for the same period of last year: HK$957,138,000). Basic loss per share of the Company (the "Share") was HK$6.95 cents (basic loss per share for the same period in 2015: HK$6.43 cents). The increase in loss of the Group for the year as compared with the same period of last year was mainly due to:

- the impairment of goodwill in the sum of HK$113,090,000, and
- the additional provision of LAT of HK$133,498,000 attributable to sales in prior years.

Xizhen Project

BUSINESS REVIEW

During the year under review, Shanghai Zendai continued to focus on, among others, Shanghai and Nanjing as key development areas, and consolidated the development strategy of "extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities". Simultaneously, it sold its overseas assets, reorganised its assets portfolio, reallocated its resources and deepened its existing lines and brands of products, so as to focus on its in-depth development of residential and commercial real estate projects.

During the year, the Group mainly focused on the development of the projects in Nanjing, in order to fully capitalise on the local market demand, and launched "Nanjing Himalayas Center" project and "Riverside Thumb Plaza" project in Nanjing into market for pre-sale in a timely manner. Meanwhile, the Group completed the transaction of acquisition of 465 residential units of Imperial Lake International project in Xuanwu District, Nanjing in the first half of 2016, which were launched into market for sale in the second half of 2016, and some of which were delivered during the year. These projects are important drivers for the Group's future turnover growth.

For the business in the third and fourth tier cities, the Group entered into agreements to sell the projects in Jingyue Economic Development Zone, Changchun City, Jilin Province and "Zendai Garden-Riverside Town" in Haimen, so as to further implement the development strategy of stripping off the Group's business from the third and fourth tier cities.

For overseas assets, the Group entered into an agreement in December 2016 to dispose of its project in Modderfontein, Johannesburg, South Africa to achieve assets reorganization and reallocation of resources, to meet needs for the development of the Group.

Nanjing Himalayas Center

COMMERCIAL PROPERTY PROJECTS IN CHINA

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza (the "Plaza") is an integrated commercial complex in a prime location adjacent to Shanghai's Century Park and the Lujiazui financial district. As at 31 December 2016, the Group still owns 40,333 square metres of commercial space and 430 underground carparking spaces in the Plaza. As at 31 December 2016, more than 98% of the commercial space in the Plaza has been leased. Rental received during the year was approximately RMB54,645,000 (equivalent to approximately HK$63,823,000).

Grand Mercure Shanghai Century Park (previously named as "Radisson Blu Hotel Pudong Century Park")

The Group's five-star Grand Mercure Shanghai Century Park (previously named as "Radisson Blu Hotel Pudong Century Park") is located in the Plaza. The 18-storey hotel boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. Beginning on 1 January 2017, it is managed under the "Grand Mercure" brand by AccorHotels Group. During the year under review, the average occupancy rate of the hotel was 67%, and total income of the hotel amounted to approximately RMB106,880,000 (equivalent to approximately HK$124,830,000), approximate to that of last year.

Shanghai Himalayas Center

The Group's 45%-owned Shanghai Zendai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Zendai Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, shopping mall and other auxiliary facilities (comprising the DaGuan Theatre and the Himalayas Art Museum). The project occupies a site area of 28,893 square metres with a total gross floor area of approximately 162,207 square metres (including underground car-parking space of 26,287 square metres).

Shanghai Himalayas Center

The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with Metro Line 7 and is within walking distance to the maglev station. The average occupancy rate of the hotel during the year under review was 69%, with a total income of approximately RMB196,923,000 (equivalent to approximately HK$229,996,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the hotel were successively awarded the "Best Art Lifestyle Hotel in Shanghai" by Hurun Report, the Best Travel Destination and the Best Wedding Venue by "Weekend on the Go" of City Traveler, the Best Business Hotel by Shanghai Daily, Shang-High Cuisine Restaurant being awarded as one star restaurant by The Michelin Guide Shanghai 2017, the Best Family-friendly Hotel Award 2016 by Ctrip, and the "Top Employers" Award by 2016 China Hotel Tourism.

During the year under review, around 79% of the commercial space of the shopping centre in Himalayas Center with a leasable area of 23,362 square metres was leased, with a rental income of approximately RMB54,025,000 (equivalent to approximately HK$63,099,000).

Nanjing

Nanjing Himalayas Center

The Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 635,927 square metres. The project is developed in three phases.

The first phase of the project has a gross floor area of approximately 186,737 square metres, including 56,772 square metres of service apartments, 4,801 square metres of commercial space, 37,117 square metres of office building, 19,776 square metres of hotel and 68,271 square metres of underground car-parking space. The first phase, with a total saleable area of 93,462 square metres, including 55,233 square metres of service apartments, 3,189 square metres of commercial space and 35,040 square metres of office building, commenced pre-sale in April 2015. During the year under review, total contracted areas of service apartments and office building of 29,417 square metres and 25,478 square metres were sold, respectively, generating a total contract value of RMB538,668,000 (equivalent to approximately HK$629,138,000) and RMB430,148,000 (equivalent to approximately HK$502,392,000), respectively. As at 31 December 2016, cumulative areas of 43,953 square metres, 3,189 square metres and 31,793 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB796,330,000 (equivalent to approximately HK$930,075,000), RMB124,302,000 (equivalent to approximately HK$145,179,000) and RMB533,074,000 (equivalent to approximately HK$622,605,000) respectively. At present, the hotel is in the process of decoration and is expected to commence business in the second half of 2018.

The second phase of the project, covering a gross floor area of approximately 214,569 square metres, is planned to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 52,545 square metres of service apartments, 22,472 square metres of commercial space, 50,135 square metres of office building and 89,417 square metres of underground car-parking space. Construction of the second phase of the project commenced in the third quarter of 2014 and started pre-sale in July 2016, with a total saleable area of 121,383 square metres, including 52,710 square metres of service apartments, 16,873 square metres of commercial space and 51,800 square metres of office building. During the year under review, total contracted areas of service apartments, commercial space and office building of 4,757 square metres, 11,393 square metres and 1,161 square metres were sold respectively, generating a total contract value of RMB83,639,000 (equivalent to approximately HK$97,686,000), RMB430,181,000 (equivalent to approximately HK$502,431,000) and RMB21,779,000 (equivalent to approximately HK$25,437,000) respectively.

The third phase of the project, covering a gross floor area of approximately 234,621 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 14,640 square metres of service apartments, 83,686 square metres of commercial space, 55,973 square metres of office building and 80,322 square metres of underground car-parking space. Construction of the third phase commenced in the third quarter of 2015 and it is expected to start pre-sale in the second half of 2017.

The First Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns a parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 13,220 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 84,770 square metres, including 78,548 square metres of apartments and 6,222 square metres of commercial space. Construction of the project commenced in June 2014 and pre-sale started in December 2015, with a total saleable area of 81,219 square metres, comprising 77,433 square metres of apartments and 3,786 square metres of commercial space. During the year under review, the total contracted areas of apartments and commercial space of 53,451 square metres and 1,811 square metres were sold respectively, generating a total contract value of RMB1,360,782,000 (equivalent to approximately HK$1,589,327,000) and RMB89,185,000 (equivalent to approximately HK$104,164,000). As at 31 December 2016, cumulative areas of 77,191 square metres and 1,811 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,922,345,000 (equivalent to approximately HK$2,245,206,000) and RMB89,185,000 (equivalent to approximately HK$104,164,000) respectively.

The Second Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 26,318 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 165,585 square metres, including 154,448 square metres of apartments and 11,137 square metres of commercial space. Construction of the project commenced in March 2015 and the pre-sale started in September 2016, with total saleable areas of 163,190 square metres, including 153,812 square metres of apartments and 9,378 square metres of commercial space. During the year under review, the total contracted areas of apartments and commercial space of 41,148 square metres and 1,000 square metres were sold respectively, generating a total contract value of RMB1,185,395,000 (equivalent to approximately HK$1,384,484,000) and RMB58,620,000 (equivalent to approximately HK$68,466,000).

The Third Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 15,234 square metres is planned to be developed into an integrated complex comprising office building and commercial space with a gross floor area of approximately 89,031 square metres, including 78,063 square metres of office building and 10,968 square metres of commercial space. Construction of the project commenced already and pre-sale is planned to begin in the second half of 2017.

Other Cities

Qingdao Zendai Thumb Plaza

Qingdao Zendai Thumb Plaza is located in the central area of business district on Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres with a total gross floor area occupying approximately 213,059 square metres. It includes retail shops (68,129 square metres), a hotel (29,593 square metres), service apartments (70,066 square metres) and car-parking space (45,271 square metres).

During the year under review, a total contracted area of service apartments of 2,099 square metres was sold, generating a total contract value of RMB27,231,000 (equivalent to approximately HK$31,804,000). During the year, an area of 2,702 square metres was delivered and a total contract value of RMB35,398,000 (equivalent to approximately HK$41,343,000) was recognised as turnover. As at 31 December 2016, a cumulative saleable area of 55,561 square metres had been sold, generating a contract value of RMB818,538,000 (equivalent to approximately HK$956,013,000).

As at 31 December 2016, around 92% of the commercial space (with a leasable area of 50,233 square metres) was leased, with a rental income of RMB33,048,000 (equivalent to approximately HK$38,598,000) during the year.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the year was 64%, with a total income of RMB49,127,000 (equivalent to approximately HK$57,378,000), representing an increase of 16% as compared with the same period of last year.

Zendai Nantong Yicheng Thumb Plaza

The Group has acquired the 50% remaining interests of the project from the previous shareholder in the second half of 2016, thus currently wholly owns the project. Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres).

Construction of the project is divided into three phases. The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres, of which 82% has been leased as at 31 December 2016. The second phase is an ancillary residential project with a total gross floor area of approximately 73,944 square metres. As at 31 December 2016, a total cumulative contracted sales area of 68,427 square metres (including 39,800 square metres of multi-storey apartments, 26,390 square metres of townhouses and 2,237 square metres of detached villas) was sold, generating a total contract value of RMB783,717,000 (equivalent to approximately HK$915,343,000). During the year under review, an area of 12,923 squares metres of residential properties (including 11,382 square metres of multi-storey apartments and 1,541 square metres of townhouses) was delivered and a total contract value of RMB119,758,000 (equivalent to approximately HK$139,872,000) was recognised as turnover. The third phase occupies a total area of approximately 142,909 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town, with commercial area of 60,979 square metres (with an underground area of 21,000 square metres) and Old Town, New Port, with commercial area of 14,967 square metres and residential area of approximately 66,963 square metres (with an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016, with a total saleable area of 33,624 square metres. A total contracted area of residential properties of 18,538 square metres was sold during the year under review, generating a total contract value of RMB280,708,000 (equivalent to approximately HK$327,853,000). The construction of Phase 2 of Old Town has not commenced yet.

Yangzhou Commercial Project

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, the construction of which has completed, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 31 December 2016, the remaining area of 17,881 square metres was used for rental purposes.

Project in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities.

A Parcel of Land in Jingyue Economic Development Zone, Changchun City, Jilin Province

The Group was originally planning to develop a parcel of land in Changchun City, Jilin Province into a commercial property comprising retail shops, offices and service apartments. The project, with a site area of approximately 17,354 square metres, will comprise a total gross floor area of approximately 119,351 square metres, including 8,467 square metres of commercial space, 87,679 square metres of office space and 23,205 square metres of an underground car-parking space. The project was sold to other party pursuant to an agreement signed by the Group in January 2016 and the transaction was completed in February 2016.

RESIDENTIAL PROJECTS IN CHINA

Shanghai

Zendai Xizhen Thumb Plaza

The Group owns a parcel of land with an area of approximately 140,099 square metres in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It is to be developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end residential properties, retail shops, resort villas and resort hotel in two phases, with a total gross floor area of approximately 169,004 square metres.

Phase I of the project has a gross floor area of approximately 98,479 square metres, which consists of residential properties (40,945 square metres) and commercial space (57,534 square metres). The Group intends to bring in tenants for the commercial areas, including large international cinemas, mid-range to high-end restaurants and supermarkets. Residential properties and commercial space with areas of 1,453 square metres and 374 square metres were delivered respectively during the year and a total contract value of RMB25,131,000 (equivalent to approximately HK$29,352,000) and RMB3,816,000 (equivalent to approximately HK$4,457,000) were recognised as turnover. As at 31 December 2016, the total cumulative residential and commercial areas of 19,472 square metres and 11,995 square metres had been sold respectively, generating a total contract value of RMB352,565,000 (equivalent to approximately HK$411,779,000) and RMB313,054,000 (equivalent to approximately HK$365,632,000) respectively.

Construction of Phase II with a gross floor area of approximately 70,525 square metres commenced in the fourth quarter of 2013, with resort villas (occupying 46,155 square metres) and a resort hotel (occupying 24,370 square metres) to be erected. The construction of the resort hotel has been temporarily suspended due to change of planning. Resort villas started pre-sale in November 2014 and was completed in April 2016. A total contracted area of 3,649 square metres had been sold during the year under review, generating a total contract value of RMB56,978,000 (equivalent to approximately HK$66,548,000). An area of 24,090 square metres of resort villas was delivered during the year and a total contract value of RMB386,341,000 (equivalent to approximately HK$451,228,000) was recognised as turnover. As at 31 December 2016, a cumulative area of resort villas of 28,073 square metres had been sold, generating a total contract value of RMB441,057,000 (equivalent to approximately HK$515,133,000).

Nanjing

Imperial Lake International Project in Xuanwu District

On 17 November 2015, a wholly-owned subsidiary of the Group participated in an auction organised by a court for asset disposal and won the bid, pursuant to which the Group acquired 465 residential units located in Xuanwu District, Nanjing, Jiangsu Province, the PRC at a total consideration of RMB343,580,000 (equivalent to approximately HK$410,245,000). The transaction was completed in the first half of 2016. The project consists of completed units with a total saleable area of 26,306 square metres. During the year under review, a total contracted area of 24,674 square metres was sold, generating a total contract value of RMB676,741,000 (equivalent to approximately HK$790,401,000), and the residential properties with an area of 24,002 square metres was delivered during the year and a total contract value of RMB480,216,000 (equivalent to approximately HK$560,869,000) was recognised as turnover.

Nanjing Imperial Lake International Project

Other Cities

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,389,021 square metres.

The first parcel of land is to be developed in two parts.

"Dong Zhou Mansion", the first part of the first parcel, is being developed in two phases with Phase I offering 52 detached villas which were all sold out. Phase II of the "Dong Zhou Mansion" is to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres, the construction of which already commenced in February 2014. However, the construction of the project has been suspended due to changes in market conditions.

"Multiflora Garden", the second part of the first parcel of land, is developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. As at 31 December 2016, an area of 3,941 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 31 December 2016, a total cumulative area of 77,097 square metres had been sold, generating a total contract value of RMB458,138,000 (equivalent to approximately HK$550,495,000). During the year, a total area of approximately 15,265 square metres was sold, generating a total contract value of RMB76,870,000 (equivalent to approximately HK$89,780,000). During the year, an area of 12,912 square metres was delivered and a total contract value of RMB70,287,000 (equivalent to approximately HK$82,092,000) was recognised as turnover.

The second parcel of land is developed into residential properties and ancillary commercial space in phases.

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 31 December 2016, a cumulative area of 50,511 square metres was sold, generating a total cumulative contract value of RMB226,447,000 (equivalent to approximately HK$281,175,000).

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,394 square metres. As at 31 December 2016, an area of 79,970 square metres was sold, generating a total contract value of RMB359,535,000 (equivalent to approximately HK$441,560,000). During the year, an area of 16,853 square metres was sold, generating a total contract value of RMB68,222,000 (equivalent to approximately HK$79,680,000). An area of 21,049 square metres involving a contract value of RMB91,154,000 (equivalent to approximately HK$106,463,000) was delivered and recognised as turnover. The second phase offers a saleable area of approximately 112,694 square metres, which will be developed by stages.

The Phase III, named as Spanish Exotic Street, with a site area of 760 square metres, has been developed into a commercial plaza with a saleable area of 1,164 square metres.

The Phase IV, named as "Thumb Plaza" with a site area of 18,919 square metres, is to be developed into a commercial plaza with a total gross floor area of 45,514 square metres, the construction of which commenced in April 2012 and was completed in the second half of 2015.

A parcel of Land in Yantai Development Zone

The Group and 煙台開發區宏遠物業有限公司 (Yantai Hong Yuan Property Company Limited*) entered into a cooperation agreement to develop "Yantai Thumb Project" located at E-9 District, Yantai Development Zone, Yantai, Shandong Province, pursuant to which Shanghai Zendai holds 70% equity interests in the "Yantai Thumb Project". The project occupies an area of 26,476 square metres and is still under planning stage.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 248,118 square metres. The two land parcels are intended to be developed into villas in phases with a planned saleable area of 122,890 square metres. The project was suspended due to changes in market conditions.

OVERSEAS PROJECTS

Residential project in New Zealand

Top Harbour Limited, a company incorporated in New Zealand and in which the Group holds 45% equity interests, owns a parcel of land in Whangaparaoa Peninsula, Auckland, New Zealand with an area of approximately 320,000 square metres. The site is about 25 kilometres away from downtown in Auckland and is a residential project. The Group entered into an agreement in November 2014 to dispose of all equity interests in the project company. The transaction was approved by the Overseas Investment Office of New Zealand in October 2016 and has been completed in December 2016.

Modderfontein New City Smart City Project in Johannesburg, South Africa

The Group has a real estate development project located in Johannesburg, South Africa. The project is located in Modderfontein, which is situated between Sandton and OR Tambo International Airport in Johannesburg, comprising certain land parcels and buildings with an area of approximately 1,600 hectares. Taking into account the market value, overall prospects and capital requirements of the project, the Group entered into an agreement with a purchaser in December 2016 to dispose of the entire project not more than ZAR1,810,000,000 (equivalent to approximately HK$998,760,000), and the transaction is expected to complete in the third quarter of 2017.

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

With the urban differentiation and industry concentration grow further intensified, there is an urgent need for property developers to improve the quality of products and competitiveness through the delicacy and targeted management. In order to cater for the market demand, Shanghai Zendai continues to implement its development strategy of "extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities", with a strategic focus on the first and second tier cities with development potential, such as Shanghai and Nanjing, and with a view to capitalize on in-depth development potential of the cities. On its product, the Group is committed to build projects with boutique brand adhering to a consistent quality brand strategy. For its commercial operations, the Group will steadily improve the occupancy rate of assets and explore room for increase in rental and keep operating costs in control.

According to Nanjing Real Estate Management Bureau, 2016 is the year experiencing fastest growth in price and most roaring trade in housing market in the history of Nanjing. In 2017, the municipal government of Nanjing will continue to "implement the measures to stabilize housing prices, expand the scale of land supply, strengthen the market supervision, stabilize the market expectations and maintain the steady and healthy development of the real estate market". Shanghai Zendai will closely follow the planning deployment of the government, carry out in-depth development for the parcel(s) of land located in Nanjing, and actively promote "Nanjing Himalayas Center" project and "Riverside Thumb Plaza" project in Nanjing as well as the Imperial Lake International project in Xuanwu District, Nanjing. Leveraging on the geographical and planning advantages of the three major projects, the Group is able to enhance the attractiveness and radiation of the projects, which are expected to be the main sources of income of the Group in the future.

Leveraging on a stable customer base, long-term development planning and experienced management team, Shanghai Zendai is committed to constantly explore in-depth space of development for existing projects, and actively explore the development of large-scale high quality urban complex projects in China’s major cities, to meet the new opportunities and new challenges brought by economic development in China. The management will consider the appropriate source of funding at the relevant time. The management remains cautiously optimistic on the long-term prospects of the industry, and believes that the Group will seek for broader space of development and create greater return of gains for society, partners and shareholders in the future development.

This management discussion and analysis ("MD&A") is prepared as at 30 March 2017.

REVIEW OF OPERATIONS

The Group continued to sustain loss for the year ended 31 December 2016 primarily due to the small amount of turnover and gross profit which were insufficient to cover the charges and expense, the impairment of goodwill in the sum of HK$113,090,000 and the additional accrual of LAT of HK$133,498,000 attributable to sales of properties under provided in prior years. The turnover of the year was mainly attributable to the sales and delivery of residential units of Imperial Lake International project in Xuanwu District, Nanjing which was acquired in November 2015 and pre-existing residential and commercial projects.

The "Nanjing Himalayas Center", "Riverside Thumb Plaza" and Imperial Lake International projects in Nanjing, which were acquired by the Group from 2012 to 2015 continued to be launched for pre-sales during the year under review and achieved a satisfactory result. It was expected when the delivery of these projects are recognised, the operation results of the Group will be significantly improved.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2016, the Group had a healthy financial position with net assets value of HK$3,271 million (2015: approximately HK$4,649 million). Net current assets amounted to approximately HK$189 million (2015: approximately HK$6,128 million) with current ratio decreased from 1.64 times in 2015 to approximately 1.01 times in 2016. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), net of cash and cash equivalents, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2016, the Group had consolidated borrowings and loans of approximately HK$9,089 million in which HK$7,432 million was repayable within one year and HK$1,657 million was repayable more than one year. As at 31 December 2016, borrowings of the amount of HK$4,695 million (2015: HK$6,984 million) bear interest at fixed interest rates ranging from 3.30% to 12.00% per annum (2015: 2.50% to 12.00% per annum). As at 31 December 2016, the Group's bank balances and cash were approximately HK$710 million (2015: HK$1,629 million). The gearing ratio of the Group increased from 2.42 times in 2015 to 2.92 times in 2016 (basis: net debts, which is defined as total debt of borrowings and loans, amounts due to minority owners of subsidiaries and joint ventures less amounts due from associates, joint ventures and minority owners of subsidiaries, divided by shareholders' funds).

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year was approximately HK$1,379,662,000 (2015:HK$1,184,009,000). The increase was due to the sale and delivery of the residential units of Imperial Lake International project in Nanjing.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$373,546,000 (2015: HK$402,904,000). The decrease was due to depreciation of RMB when translated to HK$. Turnover remained stable overall if the foreign exchange effect is excluded.

Hotel Operations

The turnover of this segment for the year was HK$190,371,000 (2015: HK$198,406,000) which remained stable overall.

FOREIGN CURRENCY AND INTEREST RATES EXPOSURES AND HEDGING

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 31 December 2016 were mainly denominated in RMB, USD, ZAR and HK$. Bank borrowings of the Group as at 31 December 2016 are mainly denominated in USD and RMB. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

EMPLOYEES

As at 31 December 2016, the Group employed approximately 1,591 employees (2015: 2,075 employees) in Hong Kong, South Africa and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

EVENT SINCE THE END OF THE FINANCIAL YEAR

The important event for the Group since 31 December 2016 are:

(a) As disclosed in the Company's announcement dated 26 January 2016, on 25 January 2016, Smart Success Capital Limited signed a sales and purchase agreement in relation to the sale of 4,462,317,519 shares of the Company, representing 29.99% of the issued shares of the Company, to 冉盛置業發展有限公司 (Riswein Real Estate Development Co. Ltd.*) ("Riswein") and 北京中青旅置業有限公司 (Beijing CYTS Real Estate Co. Ltd.*). As at the date of this MD&A, the transaction has not yet been completed. As further disclosed in the Company's announcement dated 25 November 2016, the parties to the aforementioned agreement were in process of negotiating a second supplementary agreement (with an effective date of 22 July 2016) for the further extension of the long stop date for the closing of the aforementioned agreement.

(b) On 25 January 2017, the Group has entered into an agreement with an independent third party for the disposal of its 100% equity interests in and shareholder's loans to 海門証大濱江置業有限公司 (Haimen Zendai Binjiang Real Estate Co. Ltd.*). The total consideration was approximately RMB700.00 million (equivalent to approximately HK$813.89 million). Details of the transaction were disclosed in the Company's announcement dated 25 January 2017 and circular dated 24 February 2017. The ordinary resolution in relation to this transaction was not passed by the Shareholders at the special general meeting of the Company held on 14 March 2017.

(c) On 24 February 2017, the Company has entered into the convertible bond subscription agreement with Riswein for the issuance of the 4.00% convertible bonds ("CBs") in the aggregate principal amount of HK$1,650,000,000. Based on the initial conversion price of HK$0.22 per conversion share (subject to customary adjustments), a total of 7,500,000,000 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the CBs. Details of the proposed issue of CBs were disclosed in the Company's announcement dated 24 February 2017.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year:

(a) On 12 August and 24 August 2015, the Group entered into an equity transfer agreement and a supplementary agreement respectively (collectively, the "Agreements") to acquire the equity interest of 6 companies (the "Target Companies") which holds 6 parcels of land in Gulou District, Nanjing (the "Acquisitions"). The aggregate site area of the land parcels was approximately 110,489 square metres and the total consideration for the Acquisitions was RMB4,513,609,000 (equivalent to approximately HK$5,389,384,000). Details of the Acquisitions were disclosed in the Company's announcement dated 25 August 2015.

    Pursuant to the Agreements, in the event that the delivery confirmations and land title certificates of the land parcels cannot be obtained by the Target Companies within one year after 12 August 2015 (or such other date as the parties may agree in writing), the Agreements shall terminate. As at the date of this MD&A, the delivery confirmations and land title certificates have not been fully obtained and the Acquisitions by the Group have not been completed, the Group is still negotiating with the vendor the time schedule for the delivery of land title certificates.

(b) On 18 October 2016, the Group has succeeded in the auction administered by the Shanghai Culture Assets and Equity Exchange, an assets and equity exchange service platform authorised by the Shanghai Municipality of the PRC, for the acquisition of 50% equity interests and the shareholder's loan of 文廣証大南通文化投資發展有限公司 (Wenguang Zendai Nantong Cultural Investment & Development Co., Ltd*)("Wenguang Zendai"). Total consideration for the acquisition of equity interests and the shareholder's loan was RMB77.60 million (equivalent to approximately HK$89.24 million) and RMB100 million (equivalent to approximately HK$115.00 million), respectively. The acquisition was completed in December 2016 and Wenguang Zendai became a wholly-owned subsidiary of the Company. Details of the acquisition was disclosed in the Company's announcement dated 18 October 2016.

(c) On 3 December 2016, the Group entered into the agreement with an independent third party for disposal of a real estate project located in Johannesburg, South Africa, at the aggregate consideration not more than approximately ZAR1,810 million (equivalent to approximately HK$998.76 million). Details of the disposal were disclosed in the Company's announcement dated 3 December 2016 and circular dated on 19 January 2017. The ordinary resolution in relation to this transaction was passed by the Shareholders at the special general meeting of the Company held on 9 February 2017.

PLEDGE OF ASSETS

At the end of reporting period, the carrying amounts of following assets of the Group were pledged to secure certain borrowings and loans:

	2016	2015
	HK$'000	HK$'000
Property, plant and equipment	**617,155**	552,307
Land use rights	**501,459**	570,663
Investment properties	**1,340,344**	2,392,836
Properties under development and completed properties held-for-sale	**4,390,410**	3,207,160
Pledged bank deposits	**1,429,233**	1,178,507
	8,278,601	7,901,473

CONTINGENT LIABILITIES

As at 31 December 2016, the Group provided guarantees to the extent of approximately HK$83,348,000 (2015: HK$208,413,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the Directors, the fair value of guarantee contracts is insignificant at initial recognition.

A. EXECUTIVE DIRECTORS

Mr. Qiu Haibin ("Mr. Qiu"), aged 47, has been appointed as an executive director of the Company, the chairman of the Board, a member and the chairman of the nomination committee, a member of remuneration committee of the Board and an authorised representative of the Company for the purposes of the Listing Rules on 13 April 2017. Mr. Qiu graduated from Zhejiang Radio & Television University with a bachelor's degree in finance and obtained a graduate degree in finance from Nanjing University.

Mr. Qiu has been the legal representative and chief executive director of Shenzhen Qianhai CORC Asset Management Corporation（深圳前海東方瑞宸基金管理有限公司）(which is 40% indirectly held by China Orient Asset Management (International) Holding Limited ("COAMI")) since September 2013, the chairman of Shanghai Suns Investment Management Co., Ltd（上海盛實投資管理有限公司）since 2015, the director and vice president of Greentown Orient Construction Management Co., Ltd.（綠城東方建設管理有限公司）since February 2015 and the director and deputy general manager of Zhou Shan Greentown Development Co., Ltd.（舟山綠城發展有限公司）since August 2016. Mr. Qiu was the executive deputy general manager of Jiangsu Dongxing Realty Company Limited（江蘇東興置業有限公司）from 2009 to September 2013, the general manager of the asset management division of Shanghai Sundee Group（上海晟地集團）from 2001 to 2008 and the deputy director of Dagan office, a director of the Credit Division of Zhoushan City branch in Zhejiang province of Bank of China as well as the general manager of Zhongyin Industrial Corporation（中銀實業公司）during the period from 1988 to 2000. Mr. Qiu has also been a research fellow of the Centre of Asian Studies of Zhejiang University since 2016.

Mr. Zhong Guoxing ("Mr. Zhong"), aged 50, was appointed as executive director on 8 May 2015. Mr. Zhong has been the executive director and co-president of COAMI, a subsidiary of China Orient Asset Management Co., Ltd. ("COAMC") since April 2012. He has been a director of Guangzhou Yucheng Real Estate Development Company Limited（廣州市譽城房地產開發有限公司）since late 2012. Mr. Zhong was the executive director from 11 August 2009 to 27 June 2012 and the chief executive officer from 11 June 2010 to 27 June 2012 of Madex International Holdings Limited (now known as Ping An Securities Group (Holdings) Limited), a company listed on the Main Board of the Stock Exchange (stock code: 231). Since 9 October 2013, Mr. Zhong has been appointed as a non-executive director of Skyfame Realty Limited, a company listed on the Main Board of the Stock Exchange (stock code: 59). Mr. Zhong worked as Manager, Senior Manager and Assistant General Manager of Guangzhou office of COAMC from December 1999 to August 2009. He also has extensive experience in banking, financing and asset management. Mr. Zhong holds a Master's Degree in Business Administration from the Asia International Open University (Macau).

Mr. Zhang Huagang ("Mr. Zhang"), aged 54, has been appointed as an executive Director of the Company on 13 April 2017. Mr. Zhang graduated from Huazhong University of Science and Technology with a bachelor's degree in industrial automation in 1982 and obtained a master in business administration degree from the School of Management of State University of New York at Buffalo in 1989. Mr. Zhang has been the chief executive officer of Beijing Zhongtianyixin Corporate Management Services Limited（北京中天頤信企業管理服務有限公司）and the chairman of Beijing Kangyi Health Management Limited（北京康頤健康管理有限公司）since May 2016. Mr. Zhang was the chief executive officer of China Tide Holdings Company Limited（中國天地控股有限公司）from August 2010 to April 2016. Mr. Zhang also held the positions of the assistant of the general manager, executive deputy general manager and president of Gemdale Corporation（金地（集團）股份有限公司）during the period from May 1993 to July 2010 and the sales manager, executive officer and deputy chief economist of Shenzhen SegBaohua Electronics Company Limited（深圳賽格寶華電子股份有限公司）during the period from May 1989 to April 1993.

Ms. Li Li Hua ("Ms. Li"), aged 54, was appointed as an executive director and chief executive officer on 18 August 2014 but resigned the position of chief executive officer on 30 June 2015. She joined the Company as manager of the finance department in March 2008. She was appointed as general manager of the Hong Kong region in April 2011 and appointed as vice president of the Company in March 2012. From April 2011 to 30 June 2015, Ms. Li's principal duties within the Group were corporate governance; expansion of overseas business; financial management, financing arrangement and public relations management. Apart from serving as executive director of the Company, Ms. Li also serves as director of Good Surplus Holdings Limited, wholly-owned subsidiary of the Company. Ms. Li was an on-the-job postgraduate majoring in money and banking in the finance division of the Graduate School of Renmin University of China. Before joining the Company, Ms. Li had accumulated over 20 years of experience in the investment and management of securities investment and capital markets. She served as chief economist and general manager of the southern headquarters of Xiangcai Securities, as well as deputy chief economist and general manager of the finance department of Hainan Securities Company Limited.

B. NON-EXECUTIVE DIRECTORS

Mr. Gong Ping ("Mr. Gong"), aged 42, was appointed as a non-executive director on 11 January 2013. Mr. Gong graduated from Fudan University, the PRC in 1998 with a bachelor's degree in international finance and obtained his master's degree in finance from the Fudan University Global Economic Research Institute, the PRC in 2005. He also received his master's degree in business administration from the International Institute for Management Development located in Lausanne, Switzerland in 2008. Mr. Gong joined Fosun Group in July 2011. Mr. Gong now serves as Vice President of Fosun Group, CEO of Fosun Property Holdings, Chairman of Forte Group, Chairman of Stater Capital, Chairman of Sunvision Capital, Chairman & President of Sungin Capital and Co-Chairman of Star Capital. He is now also Vice Chairman of Yuyuan Tourist Mart, Director of Cirque du Soleil, as well as Director of other companies within Fosun Group. Before that, Mr. Gong served as real estate credit manager and product manager at Pudong branch and the headquarter of Bank of Shanghai from July 1998 to December 2004. He worked at the PRC headquarter of Standard Chartered as business development manager and assistant vice president from December 2004 to August 2007. He worked at global strategy department of Korea Samsung Group as global strategic consultant from March 2009 to July 2011.

Ms. Jiang Zhengyan ("Ms. Jiang"), aged 34, has been appointed as a non-executive Director of the Company on 13 April 2017. Ms. Jiang graduated from Shanghai University of Finance and Economics with a bachelor's degree in management science in 2005 and obtained a master's degree in economics from Shanghai University of Finance and Economics in 2007. Ms. Jiang joined the Fosun Group in October 2012 and currently act as managing director in the securities investment department of Fosun Property of Fosun Group. Before that, Ms. Jiang acted as a senior analyst in Shenyin Wanguo Securities Research Institute from July 2007 to February 2011 and acted as a senior analyst in Shanghai Metal Investment Co.,Ltd. from March 2011 to September 2011.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Chik Fan ("Mr. Lai"), aged 68, who joined the Board as an independent non-executive director on 18 May 2004, was born in China and was educated in Hong Kong and the US. Mr. Lai is also a member of the nomination committee, remuneration committee and audit committee of the Board. As an investment banker with over 35 years of experience in the industry, he is known for his knowledge, integrity and vast experience in the areas of investment banking and international equity sales and distribution. Mr. Lai is currently a managing director of AR Evans Capital Limited. In the past, he had worked for a number of investment banks, including Koffman Financial Holdings Limited, Paine Webber Hong Kong Limited, Merrill Lynch Asia Ltd, Smith Barney (Hong Kong) Ltd, and Chin Tung Securities Ltd. Mr. Lai has served as a director for a number of listed companies in Hong Kong and overseas. He was a non-executive director of China Medical and Bio Sciences Limited (now known as China Demeter Investment Holdings Limited) (stock code: 8120) but resigned in July 2007. In August 2007, he was appointed as an executive director of China Golden Development Holdings Limited (now known as Century Ginwa Retail Holdings Limited) (stock code: 162), and subsequently resigned in October 2008. Mr. Lai is also a non-executive Director of NGSC, a Singapore main board-listed company, since 2014.

Mr. Li Man Wai ("Mr. Li"), aged 60, was appointed as an independent non-executive director on 20 April 2012. Mr. Li is also a member of the remuneration committee and the chairman of the audit committee of the Board. Mr. Li graduated with diploma in business administration, major in Accounting from Lingnan College (now known as Lingnan University), Hong Kong in 1981. He is a member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants in the United Kingdom from 1988 and obtained a membership of Certified Management Accountants of Canada in 1990 after taking the accountancy courses in York University, Canada. He was qualified as a certified practising accountant in Hong Kong since 1992 and founded Raymond Li & Co., C.P.A. in 1993 and currently is the sole proprietor of the firm. The firm is principally engaged in providing auditing and taxation services and ever implemented the winding up, investigation and liquidation process for the companies against which a winding-up order was made by the High Court of Hong Kong. Mr. Li chaired Lingnan University Alumni Association (Hong Kong) Limited from 2006 to 2008, and was elected as chairman of Chinese Christian Universities Alumni Association (Hong Kong) Limited from 2007 to 2008. Mr. Li was nominated to act as the Director of Lingnan University Hong Kong Alumni D.S.S. Primary School Limited from 2005 to 2011. Mr. Li has been appointed as the trustee of Lingnan (University) College, Dr. Sun Yat-Sen University, Guangzhou, PRC since 2009. In 2011, Mr. Li was appointed by Mr. Donald TSANG Yam-kuen, ex-Chief Executive of the Hong Kong Special Administrative Region, as a court member of Lingnan University of Hong Kong for a term of 3 years commencing 2011. Mr. Li was also appointed as an independent non-executive director (INED), taking the role of Nomination Committee Chairman of Next-Generation Satellite Communications Limited, a company publicly listed in Singapore, on 24 February 2016. Mr. Li was appointed as the Audit Committee Chairman within the INED of Anacle Systems Limited, a company listed in the Growth Enterprise Market board in Hong Kong, on 24th November, 2016.

Mr. Chow, Alexander Yue Nong ("Mr. Chow"), aged 66, is appointed as an independent non-executive director on 30 June 2015. Mr. Chow is also a member of the nomination committee and audit committee and the chairman of the remuneration committee of the Board. Mr. Chow received a bachelor of arts degree in Computer Science and an M.B.A. degree from the University of California, Berkeley in 1973 and 1975 respectively. Mr. Chow is the Managing Director of IST Services Limited. He has also been a committee member of the Chinese General Chamber of Commerce since 1980. Mr. Chow was the President of ACB International Inc. (a joint venture of China National Export Bases Development Corporation, Bank of China, A Robert Abboud & Company of United States and Hong Kong United General Company Limited), Assistant Vice President and Head of China Group of The First National Bank of Chicago, advisor to Bank of Tokyo Ltd., and consultant to Overseas Chinese Investment Company of the Zhejiang Province（浙江省華僑投資公司）. Mr. Chow also lead the establishment of CCIC Finance Limited, a joint venture of Bank of China, The First National Bank of Chicago, The Industrial Bank of Japan and China Resources Company（華潤公司）. Mr. Chow has business relationship with various multinationals for many years.

Dr. Xu Changsheng ("Dr. Xu"), aged 53, is appointed as an independent non-executive director on 30 June 2015. Dr. Xu is also a member of the nomination committee, remuneration committee and audit committee of the Board. Dr. Xu graduated from the Economics Department of Nanjing University in 1984 with a Bachelor degree in Economics. He graduated from the Economics School of Wuhan University with a master's degree and a PhD degree in economics in 1987 and 1992 respectively. Dr. Xu has been working at the School of Economics of Huazhong University of Science and Technology since 1987, serving as a professor since 1997, a PhD supervisor since 1999, the Deputy Dean from 1994 to 1999 and the Dean from 2000 to 2014.

D. CHIEF EXECUTIVE OFFICER

Mr. Tang Jian ("Mr. Tang"), aged 40, is appointed as the chief executive officer of the Company on 30 June 2015. Mr. Tang has been working with the Company since 2003. Mr. Tang was the executive director of the Company from May 2003 to May 2015 and he was the authorised representative of the Company during the period from June 2003 to May 2015. Mr. Tang was the general manager of the Hong Kong region of the Group during the period from May 2003 to March 2011 and his principal duties were corporate governance, financing arrangement and public relations management. From April 2011 to March 2013 and from April 2013 to June 2015, he was the general manager of investment and development department and real property financing department of the Group and his primarily duties were strategic investment decisions and property development financing arrangement. Mr. Tang also serves as director of various subsidiaries of the Company, including Ample Century Limited, Best East Developments Limited, Myway Developments Limited, Auto Win Investments Limited, 上海証大置業有限公司 and 上海証大三角洲置業有限公司. Mr. Tang obtained a bachelor's degree from the Shanghai University of Finance and Economics specializing in finance in 1999. Prior to joining the Company, Mr. Tang worked for Bank of Shanghai and companies which were engaged in securities investment business.

E. COMPANY SECRETARY

Mr. Wong Ngan Hung ("Mr. Wong"), aged 56, is a member of the Hong Kong Institute of Certified Public Accountants since 1986. He also obtained a master's degree in business administration from University of San Francisco in the United States of America. Mr. Wong has been working with the Company since 2006 and was appointed as the Company Secretary of the Company in January 2012 and the authorised representative of the Company for the purposes of the Listing Rules on 13 April 2017.

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, management and agency services and hotel operations.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2016, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development, a description of the principal risks and uncertainties that the Group may be facing and the particulars of important events affecting the Group that have occurred since the end of the financial year are contained in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report.

The Company's environmental policies and performances, a discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Group and the Company's relationship with its employees are contained in the section headed "Environmental, Social and Governance Report" in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 69 to 181. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 182.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year 2016 are set out in note 34(a) to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2016 are set out in the consolidated statement of changes in equity and note 43(a) to the financial statements respectively.

CHARITABLE DONATION

Total donations contributed by the Group for charitable and other purposes in year under review amounted to approximately HK$20,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to shareholders as at 31 December 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2016 are set out in note 15 to the financial statements.

PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

Details of properties under development and for sales of the Group for the year 2016 are set out on pages 6 to 16 of the annual report.

DIRECTORS

The Directors during the year 2016 and up to the date of this report (and taking into account the changes of Directors effected on 13 April 2017) were as follows:

Executive Directors

Mr. Qiu Haibin *(Chairman)* (appointed on 13 April 2017)
Mr. Zhong Guoxing
Mr. Zhang Huagang (appointed on 13 April 2017)
Ms. Li Li Hua
Mr. Zhang Chenguang (resigned on 13 April 2017)
Dr. Wang Hao (resigned on 13 April 2017)

Non-executive Directors

Mr. Gong Ping
Ms. Jiang Zhengyan (appointed on 13 April 2017)
Mr. Xu Xiaoliang (retired on 23 June 2016)
Mr. Pan Wen (appointed on 23 June 2016 and resigned on 13 April 2017)

Independent non-executive Directors

Mr. Lai Chik Fan
Mr. Li Man Wai
Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of chief executive	Number of Shares	Capacity and nature of interests	Approximate percentage of issued share capital as at 31 December 2016
Mr. Tang Jian	10,000,000(L)	Beneficial owner	0.07%
Mr. Tang Jian *(Note)*	124,000,000(L)	Beneficial owner	0.83%

(L) *denotes long position*

Note:

These shares represent the shares to be allotted and issued upon the exercise of share options granted.

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2016.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the date of the 2016 interim report of the Company except as stipulated below:

The term of appointment of Mr. Li Man Wai as an independent non-executive director has been renewed for 2 years commencing from 20 April 2016, subject to rotation and re-election in accordance with the bye-laws of the Company.

DIRECTORS' SERVICE CONTRACTS AND EMOLUMENTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' emoluments are determined by mutual agreement and prevailing market practice as well as his contribution to the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the Directors' and senior management's emoluments are set out in note 44 to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

Furthermore, the Company has adopted a share option scheme as a long term incentive scheme to all eligible staff of the Group.

PERMITTED INDEMNITY AND DIRECTORS' LIABILITY INSURANCE

Pursuant to the bye-laws of the Company and subject to the provisions of the Companies Act 1981 of Bermuda, the Directors, company secretary and other officers and every auditor of the Company shall, among other things, be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respectively offices or trusts, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud, or dishonesty which may attach to any of said persons.

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers. The scope of coverage of the insurance is subject to review annually.

MANAGEMENT CONTRACT

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 2016.

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 34(b) to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of Options			
	Outstanding at beginning of year	Granted during the year	Outstanding at end of year	Exercisable period
Chief executive	62,000,000	–	62,000,000	26 October 2015 – 25 October 2018
	31,000,000	–	31,000,000	26 October 2016 – 25 October 2018
	31,000,000	–	31,000,000	26 October 2017 – 25 October 2018
Total	124,000,000	–	124,000,000	
Employees other than chief executive	435,000,000	–	435,000,000	26 October 2015 – 25 October 2018
	217,500,000	–	217,500,000	26 October 2016 – 25 October 2018
	217,500,000	–	217,500,000	26 October 2017 – 25 October 2018
Total	870,000,000	–	870,000,000	
Service suppliers	124,000,000	–	124,000,000	26 October 2015 – 25 October 2018
	62,000,000	–	62,000,000	26 October 2016 – 25 October 2018
	62,000,000	–	62,000,000	26 October 2017 – 25 October 2018
Total	248,000,000	–	248,000,000	
Total	1,242,000,000	–	1,242,000,000	

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 34(b) to the financial statements, at no time during the year 2016 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 38 to the financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director had a material interest or to which a controlling shareholder of the Company or any of its subsidiaries is a party, whether directly or indirectly, subsisted at the end of the year 2016 or any time during the year 2016.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2016, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of these transactions are set out in note 38 to the financial statements.

The Company has complied with the disclosure requirements, to the extent they are not waived by the Stock Exchange, in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2016.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2016, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company and/or its subsidiaries and which is required to be disclosed pursuant to the Listing Rules.

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2016, the interests or short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Smart Success Capital Ltd. *(Note 1)*	The Company	Beneficial owner	7,165,566,000 (L)	48.16%
Cheer Link Global Ltd. *(Note 1)*	The Company	Interest in controlled corporation	7,165,566,000 (L)	48.16%
COS Greater China Special Situations Fund, L.P. *(Note 1)*	The Company	Interest in controlled corporation	7,165,566,000 (L)	48.16%
China Orient Summit Capital SSF GP Co. Ltd. *(Note 1)*	The Company	Interest in controlled corporation	7,165,566,000 (L)	48.16%
China Orient Summit Capital International Co. Ltd. *(Note 1)*	The Company	Interest in controlled corporation	7,165,566,000 (L)	48.16%
COAMI *(Note 1)*	The Company	Interest in controlled corporation	7,165,566,000 (L)	48.16%
Wise Leader Assets Ltd. *(Note 1)*	The Company	Interest in controlled corporation	7,165,566,000 (L)	48.16%
Dong Yin Development (Holdings) Limited *(Note 1)*	The Company	Interest in controlled corporation	7,165,566,000 (L)	48.16%
COAMC *(Note 1)*	The Company	Interest in controlled corporation	7,165,566,000 (L)	48.16%
China Alliance Properties Limited *(Note 2)*	The Company	Interest in controlled corporation	2,205,150,000 (L)	14.82%

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Shanghai Forte Land Co., Ltd *(Note 2)*	The Company	Interest in controlled corporation	2,205,150,000 (L)	14.82%
Shanghai Fosun High Technology (Group) Company Limited *(Note 2)*	The Company	Interest in controlled corporation	2,205,150,000 (L)	14.82%
Fosun International Limited *(Note 2)*	The Company	Interest in controlled corporation	2,205,150,000 (L)	14.82%
Fosun Holdings Limited *(Note 2)*	The Company	Interest in controlled corporation	2,205,150,000 (L)	14.82%
Fosun International Holdings Ltd. *(Note 2)*	The Company	Interest in controlled corporation	2,205,150,000 (L)	14.82%
Guo Guangchang *(Note 2)*	The Company	Interest in controlled corporation	2,205,150,000 (L)	14.82%

(L) denotes long position

Notes:

1. COAMC has 100% control of Dong Yin Development (Holdings) Limited, which in turn has 100% control of Wise Leader Assets Ltd.; Wise Leader Assets Ltd. and Dong Yin Development (Holdings) Limited each has 50% control of COAMI; COAMI has 40% control of China Orient Summit Capital International Co. Ltd., which in turn has 100% control of China Orient Summit Capital SSF GP Co. Ltd.. China Orient Summit Capital SSF GP Co. Ltd. is the only general partner of COS Greater China Special Situations Fund, L.P.. COS Greater China Special Situations Fund L.P. has 100% control of Cheer Link Global Ltd. which in turn has 100% control of the Smart Success Capital Ltd.

2. Mr. Guo Guangchang has 64.45% control of Fosun International Holdings Ltd., which has 100% control of Fosun Holdings Limited, which has 71.55% control of Fosun International Limited, which has 100% control of Shanghai Fosun High Technology (Group) Co., Ltd., which has approximately 99.41% control of Shanghai Forte Land Co., Ltd., which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2016, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2016, the Group's sales to the five largest customers accounted for 3% of the Group's turnover for the year, of which the largest customer accounted for 1% of the Group's turnover for the year. During the year 2016, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 19% and 56% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive Directors to be independent.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to review of the effectiveness of the system of internal control in respect of, among other things, compliance controls function of the Group. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PricewaterhouseCoopers as auditor of the Company.

At the 2015 annual general meeting of the Company held on 30 June 2015, BDO Limited, the Company's previous auditor, retired as the auditor of the Company and PricewaterhouseCoopers was elected as the auditor of the Company. Please refer to the Company's announcements dated 17 June 2015 and 30 June 2015 for further details.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors as at 30 March 2017, being the latest practicable date prior to the issue of this report, there was sufficient public float for the Shares.

On behalf of the Board
Zhang Chenguang
Chairman of the Board of Directors
30 March 2017

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The board of Directors (the "Board") will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimise return for shareholders.

The Company has applied the corporate governance code as set out in Appendix 14 to the Listing Rules as amended and revised from time to time (the "CG Code"). For the year under review, the Company has complied with the CG Code, except for the deviation as disclosed in this report.

DEVIATION FROM CG CODE

Under the code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Due to personal commitments, the following Directors did not attend the following general meetings:

Mr. Xu Xiaoliang (who retired as a non-executive Director at the 2016 annual general meeting of the Company held on 23 June 2016), Mr. Gong Ping and Dr. Xu Changsheng did not attend the annual general meeting of the Company held on 23 June 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2016.

The composition of the Board for the year ended 31 December 2016 and up to the latest practicable date for the purposes of the information in this annual report (i.e. 21 April 2017) was as follows:

Executive Directors

Mr. Qiu Haibin *(Chairman)* (appointed on 13 April 2017)
Mr. Zhong Guoxing
Mr. Zhang Huagang (appointed on 13 April 2017)
Ms. Li Li Hua
Mr. Zhang Chenguang (resigned on 13 April 2017)
Dr. Wang Hao (resigned on 13 April 2017)

Non-executive Directors

Mr. Gong Ping
Ms. Jiang Zhengyan (appointed on 13 April 2017)
Mr. Xu Xiaoliang (retired on 23 June 2016)
Mr. Pan Wen (appointed on 23 June 2016 and resigned on 13 April 2017)

Independent non-executive Directors

Mr. Lai Chik Fan
Mr. Li Man Wai
Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng

The term of appointment of non-executive Directors are 2 years.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;

- to review and monitor the training and continuous professional development of the directors and senior management;

- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and

- to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

ATTENDANCE AT BOARD MEETINGS AND GENERAL MEETINGS DURING THE YEAR UNDER REVIEW

	Number of meetings attended/ total number of meetings	
Name of director	**Board meeting**	**Annual General Meeting**
Mr. Zhang Chenguang *(Note 1)*	8/11	1/1
Mr. Zhong Guoxing	4/11	0/1
Dr. Wang Hao *(Note 1)*	5/11	0/1
Ms. Li Li Hua	11/11	1/1
Mr. Xu Xiaoliang *(Note 2)*	2/3	0/1
Mr. Gong Ping	2/11	0/1
Mr. Pan Wen *(Note 3)*	7/8	1/1
Mr. Lai Chik Fan	9/11	1/1
Mr. Li Man Wai	11/11	1/1
Mr. Chow Alexander Yue Nong	10/11	1/1
Dr. Xu Changsheng	9/11	0/1

Note 1: resigned on 13 April 2017
Note 2: retired on 23 June 2016
Note 3: appointed on 23 June 2016 and resigned on 13 April 2017

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of Mr. Tang Jian, the Company's chief executive officer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Qiu Haibin (from 13 April 2017) (and was Mr. Zhang Chenguang during the year under review and up to 13 April 2017). The chief executive officer of the Company is Mr. Tang Jian. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company has arranged in-house trainings for Directors and senior management staff in the form of seminar and reading materials. According to the records provided by the Directors, they received relevant training in 2016.

REMUNERATION COMMITTEE

Members of the Remuneration Committee are as follows:

Independent non-executive directors:	Mr. Chow Alexander Yue Nong *(Chairman)* Mr. Lai Chik Fan Mr. Li Man Wai Dr. Xu Changsheng
Executive directors:	Mr. Qiu Haibin (appointed on 13 April 2017) Mr. Zhang Chenguang (resigned on 13 April 2017)

The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company for approval by the Board, assessing performance of executive Directors and approving the terms of executive Directors' service contracts. During the year, the Remuneration Committee met for one time to review the remuneration policy for Directors and senior management of the Company, to make the recommendations for the directors and senior management's remuneration. Mr. Chow Alexander Yue Nong (Chairman), Mr. Lai Chik Fan, Mr. Li Man Wai and Dr. Xu Changsheng attended the meetings.

NOMINATION COMMITTEE

Members of the Nomination Committee are as follows:

Independent non-executive directors:	Mr. Lai Chik Fan Mr. Chow Alexander Yue Nong Dr. Xu Changsheng
Executive Directors:	Mr. Qiu Haibin *(Chairman)* (appointed on 13 April 2017) Mr. Zhang Chenguang (resigned on 13 April 2017)

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the CG Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. During the year under review, one meeting was held to make recommendation to the board of directors of the Company, and Mr. Lai Chik Fan, Mr. Chow Alexander Yue Nong and Dr. Xu Changsheng attended the meeting.

The Nomination Committee is also responsible for reviewing the board diversity policy (the "Board Diversity Policy") of the Company regularly (including any measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving those objectives). The Board Diversity Policy sets out a clear objective and provides that the Company should endeavour to ensure that its Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective.

AUDIT COMMITTEE

Members of the Audit Committee are as follows:

Independent non-executive directors:	Mr. Li Man Wai *(Chairman)*
	Mr. Lai Chik Fan
	Mr. Chow Alexander Yue Nong
	Dr. Xu Changsheng

The Audit Committee's duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls and risk management systems, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2016, the Audit Committee held two meetings, and Mr. Li Man Wai, Mr. Lai Chik Fan, Mr. Chow Alexander Yue Nong and Dr. Xu Changsheng attended all the meetings. During the aforesaid meetings, members of the Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2015 and for the six months ended 30 June 2016 and the accounting principles and practices adopted by the Group. The Audit Committee has reviewed the auditor's independence and objectivity and the effectiveness of the auditor's audit process. The Audit Committee also conducted its annual review of the adequacy and effectiveness of the Company's risk management and internal control systems and external audit and internal audit function. The Company's annual results for the year ended 31 December 2016 has been reviewed by the audit committee of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for evaluating and determining nature and extent of risks it is willing to take in achieving the strategic objectives; ensuring establishment and maintenance of effective risk management and internal control systems; and overseeing management in the design, implementation and monitoring of the risk management and internal control systems.

Risk Management

Main Features of the Risk Management System

The risk management system of the Group consists of the following elements: strategy, risk governance structure, roles and responsibility of various organs, policy and procedures and risk management process.

The roles and responsibilities of the various organs of the Group in terms of risk management

The Board:

- Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems, and review their effectiveness at least once a year; Oversee management in the design, implementation and monitoring of the risk management and internal control systems.

Risk management committee:

- The Risk Management Committee facilitates and supports business units in carrying out risk management procedures;
- Periodically reports to the Board for the risk assessment result;
- Provide recommendations to enhance the control measure to mitigate the key risks;
- Promote the risk management culture.

Business Unit/functional management:

- Identify, evaluate and manage the risks that may potentially impact the major processes of the operations;
- Monitor risks and take measures to mitigate risks.

Process Used to Identify, Evaluate and Manage Significant Risks

A robust risk management process is developed to identify, evaluate and manage significant risks. The risk management procedures include the following 4 steps:

Step 1: Project mobilization.

Step 2: Risk identification – Identify the risks faced by the Company and its subsidiaries.

Step 3: Risk analysis – Analyse the identified risks from two dimensions: potential impact and likelihood of occurrence; prioritize key risks and confirm top risks. Select an appropriate risk treatment and develop the relevant risk management strategies for identified key risks.

Step 4: Risk reporting – Consolidate the results from the risk assessment; establish detailed action plan and report to the Risk Management Committee and the Audit Committee.

INTERNAL CONTROL

Main Features of the Internal Control System

The Group has established internal control system which is referencing with Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework. Our internal control system consisted of 5 elements which was control environment, risk assessment, control activities, information and commmunication, and monitoring and 17 principles.

Internal Audit Department

The internal audit department is responsible for internal audit function of the Group. The Audit Committee has reviewed and is satisfied with the effectiveness of the internal audit function. The Company will strive to continuously improve the internal audit function in order to comply with applicable regulations and the requirements.

Inside Information

The Group has its internal procedures in place for the handling of inside information in accordance with the Listing Rules as follows:

(1) Designated officers and employees of the Group are responsible for monitoring business developments and events of the Group to ensure that any potential inside information is promptly identified.

(2) If potential inside information is identified, it is reported to the company secretary of the Company (or, in his absence, the chief executive officer of the Company) who will then consider, following consultation with external financial or legal adviser if necessary or appropriate, whether the relevant information should be treated as inside information and whether an announcement is required or, where necessary, refer the matter to the Board for its decision.

(3) Record of any meeting and discussion concerning the evaluation of whether certain information constitutes inside information or not will be maintained.

(4) Relevant team members are frequently reminded of the need to preserve confidentiality before inside information is disclosed publicly and to ensure that appropriate non-disclosure agreements are put in place before the Group enters into significant negotiations.

(5) If certain information is determined to be inside information, it will first be disclosed by way of an announcement on the website of the Stock Exchange before it is released in other channels.

Reviews on Risk Management and Internal Control Systems

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management functions. Based on the findings of the outsourced internal audit consultant and the comments of the Audit Committee, the Board considers that the Group's internal control system is effective, despite of identifying areas for improvement.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group contained herein. The reporting responsibilities of PricewaterhouseCoopers, the auditor of the Company, are stated in the auditor's report on pages 63 to 68 of this report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

AUDITOR'S REMUNERATION

As regards annual audit service provided to the Company, the remuneration of HK$2,800,000 made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2016, the Group had engaged its auditor to provide services to the Company in respect of the interim review of the Company's results for the 6 months ended 30 June 2016. The fee paid for such service was HK$960,000. The auditor also provided other services mainly in relation to the Company's circulars on major disposal of subsidiaries. The fees for these services were HK$950,000.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman of the Company and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company shall, for the purpose to keep its shareholders duly informed of their rights, publish from time to time the updated bye-laws of the Company in a consolidated form on the Company's website and the Stock Exchange's website.

The Group establishes communications with shareholders through the publication of announcements, notices, and circulars, interim and annual reports and in the Company's website.

According to the bye-laws of the Company, shareholders, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company, can by written requisition to the Board or the Company Secretary (see below for contact details) to request to convene a special general meeting for the transaction of any business specified in such requisition. Any general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 clear days' notice, whilst others may be called by not less than 14 clear days' notice. The chairman of any general meetings ensures that the shareholders are informed of the procedure for demanding a poll by way of explaining the same during the general meetings. The chairman of general meetings also ensures compliance with the requirements about voting by poll contained in the Listing Rules and the bye-laws of the Company.

Shareholders may put forward proposals to be considered at general meetings of the Company by convening a special general meeting under the procedure set out above.

In order to maintain an on-going dialogue with shareholders, shareholders are encouraged to attend annual general meeting of the Company at which Board members and Board committees are available to answer questions related to the Group's business.

Shareholders, investors and the media can make enquiries to the Board through the following means:

Telephone number:	+86-21-33927888/+852-38977778
By post:	59/F, Bank of China Tower, 1 Garden Road, Hong Kong
Attention:	Company Secretary
By email:	nhwong@zendai.com.hk

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I. FOREWORD

The Group firmly believes that environmental protection is an important issue of the society nowadays and the Group has been, for a long period of time, dedicated to sustainable development and to perform its social responsibility. The Group operates its business in close connection with the concept of energy conservation and environmental protection and has been endeavouring its best efforts to make necessary contribution for solving the issue of global warming and climate change. For the financial year of 2016, the Group has prepared the Environmental, Social and Governance Report (the "ESG Report"), disclosing and presenting such work in respect of environmental protection and the performance of social responsibility conducted by the Group. From our leadership to our employee, the Group has incorporated awareness of the environmental protection issues and social issues into their work and daily life. Moreover, it has continuously achieved some progress regarding energy conservation, emission reduction, and performance of social responsibility.

II. THE PERIOD COVERED BY AND THE CONTENT OF THE ESG REPORT

The scope of operations of the Group covered herein this ESG Report shall include the property operation and hotel business located in Shanghai, Nanjing, Qingdao and others and the headquarters located in the Mainland China and Hong Kong. The period covered by this ESG Report is the financial year of 2016, that is from 1 January 2016 to 31 December 2016.

III. STAKEHOLDER ENGAGEMENT

During the preparation of the Group's ESG Report, the development of this section of STAKEHOLDER ENGAGEMENT helps us to analyse all the individuals and organizations which affect the benefits of the Group and organize the level of concern and importance of the Group in the aspects of environment, society and governance. The Group's stakeholders include the Group's employees, customers, suppliers, shareholders, investors, regulatory authorities, media, governmental authorities and others. The Group believes that stakeholder engagement has produced an impact on the Group's establishment of the sustainable development principles and strategies and performance of the Group's social responsibility and that stakeholder engagement shall be the basis for the Group in formulating strategies and implementing decisions.

For the financial year of 2016, the Group has carried out its stakeholder engagement through various communication channels. Such channels include online questionnaires for survey, interviews by phone calls, face-to-face interviews or dispatch of questionnaires for survey. Stakeholders provided their opinions and suggestions regarding the environmental and social issues involved during the relevant period. In the ESG Report for the financial year of 2016, the Group's stakeholders have shown that they highly respect and value the Group's compliance in respect of environmental protection policies, energy consumption, supply chain management and operation management. The ESG Report covers all aspects of great importance and describe such work conducted by and progress achieved by the Group in relation to the relevant areas. The Group highly values such aspects which are relevant to its long-term operations by formulating corresponding strategies and principles, improving its policies and establishing long-term objectives.

IV. SUSTAINABLE ENVIRONMENT

The Group takes environmental protection as one of the key factors for consideration with respect to its project construction, property operation and hotel operation. In such regard, when the Group is building quality property, it also incorporates the concept of sustainable development into all sections of its business. Moreover, it has been actively participating in various environmental protection activities. The Group has paid attention to the global warming and climate change for a long time, and it truly understands that the Group itself, including its senior management and all employees shall bear the responsibility of improving the climate change situation.

A.1. Emissions

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Water Pollution Prevention and Control (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) and other relevant laws and regulations.

The Group's solid wastes are mainly the living garbage generated from the daily life of employees and customers. For the purposes of reducing the environmental burden brought by living garbage and realizing the maximization of resources, the Group has adopted various practical and effective measures. The Group's hotel properties are equipped with refuse rooms and garbage is collected by classification. An outsourced company specialized in garbage disposal is in charge of handling such garbage and collecting the wastes generated from daily operation of the hotels. As for the waste oil generated from the kitchens of hotels, the Group also adopts the classification method for storing such grease waste which is to be collected regularly for disposal by an outsourced company that is entrusted to be specialized in disposing of such grease waste. As far as construction waste generated from construction projects is concerned, the Group is managing such waste properly and has entrusted an outsourced company specialized in disposing of construction waste to collect such construction waste regularly and dispose of such waste.

The Group's waste water mainly originates from the domestic sewage generated from the daily life of its employees and customers. In order to reduce the quantity of the domestic sewage and realize the maximized utilization of water resources, the Group encourages its employees and customers to save water consumption and strengthen the use of recycled water resources. Domestic sewage is to be transported through the discharge duct network to the local domestic sewage disposal plant for treatment.

For the financial year of 2016, all of the greenhouse gases discharged by the Group came from electricity consumption. Not only has the Group introduced the concept of energy conservation and emission reduction into the operation and management of its hardware facilities, it has also urged all of its employees to "start from oneself" by applying the principle of energy conservation in their act and details of their daily life, for the purposes of making contribution towards reduced carbon emission.

A.2. Resources Utilization

Resources utilised by the Group mainly includes water resources, electric power, paper and hotel amenities. The Group is consistent in implementing the resources management and measures regarding the reasonable utilization and timely promoting the water and electricity conservation among its employees and customers to encourage them to do the same.

The Group's property projects have installed rainwater recovery systems. The quantity of rainwater collected has satisfied the relevant national standards. Such rainwater collected upon sedimentation and purification is used for plantation and cleaning of property facilities. As for all water equipment of the Group's properties and hotels, water-conservative equipment meeting the national standard of water conservation are adopted. Inspection and maintenance in respect of water pipes are conducted regularly to avoid any waste of water due to leakage of the water pipes. In so doing, the efficiency of water consumption can be enhanced.

In its hotel operations, the Group encourages its employees and customers to conserve various kinds of resources and promotes the recycled use thereof. For example, hotels' discarded linens are recycled and re-made into cloth. Such measure fully utilizes the resources involved to prevent any waste thereof.

The Group highly values the control of electric power consumption, aiming at power conservation to the largest extent and enhances the utilization of electric power. The Group's property projects and hotel business adopt lighting devices equipped with energy conservation. In addition, reasonable layout of lighting equipment enables the reduced use of lighting equipment for the areas using natural light. The Group also adopts the following measures for power conservation:

- Within office areas, the air-conditioned temperature is set at 26℃ as the default temperature;
- The operating hours for landscape lights of properties and hotels are shortened. All such landscape lights are kept to the lowest lightness or are turned off except for certain important festive days or the duration of certain meetings;
- The number of lamps used is reduced and the operating hours of such lamps are shortened for certain areas with sufficient natural light;
- Employees are encouraged to turn off all electrical devices in standby mode and power supply of such devices when they leave office premises; and
- Hotel guests staying at the Group's hotels are encouraged to turn off all power-consuming equipment when they leave the rooms.

For purposes of enhancing the utilization of paper and maximizing the reduction of paper consumption, the Group adopts the following measures:

- Paperless office is encouraged to be adopted and online paperless system is adopted for such approval upon examination;
- Except for official documents (i.e. documents that require the signature of the relevant officers or application forms), documents circulated within the office unit should be all printed on both sides;
- When printing a document, font size is reduced and line spacing is narrowed. In so doing, each sheet of paper can accommodate more contents;

- Documents that are required to be printed should be reviewed properly and then printed accordingly. In so doing, misprinting can be reduced;

- Electronic mail notes are being used as much as possible so as to reduce the use of paper for facsimile (used single sided paper is being placed in the paper filler of a facsimile machine); and

- Employees are encouraged to use the single-sided paper as draft paper or as paper for printing, for recycling and reuse.

A.3. Environmental and Natural Resources

The Group is well aware that the natural resources of the earth is limited and has highly valued the conservation of natural resources and the enhancement of the utilization rate of natural resources. The Group has been trying to increase the ratio of green plantation in the landscape layout of its property and hotel projects. For example, garden layout and green plantation layout is adopted while hard laying and use of stones and other materials are reduced. The Group believes that greening and plantation is extraordinarily important for the regions in which its property projects are located and thus it guarantees that an area of each project is classified as the area for plantation. In addition, the Group regularly organizes tree plantation activities for employees to join, aiming at making contribution towards the improvement of the society's natural environment.

V. SUSTAINABLE SOCIETY

Employment and Labour Practices

B.1. Employment

The Group firmly believes that employees are one of the most important assets of an enterprise. Following the continuous growth of an enterprise, sustainable human capital should be established and talented professionals should be absorbed and retained. The Group strictly complies with the labour laws of China and Hong Kong, including Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), Provisions on Minimum Wages (《最低工資規定》), Employment Ordinance (《僱傭條例》), Mandatory Provident Fund Schemes Ordinance (《強制性公積金計劃條例》), Sex Discrimination Ordinance (《性別歧視條例》), Race Discrimination Ordinance (《種族歧視條例》) and other relevant laws, ensuring that it provide employees with legal and reasonable remunerations and benefits, effectively preventing the employment of child labour and offer human and equitable treatment to employees.

The Group respects all of its employees. During the employment, employees enjoy their training, performance management, selection, remuneration review and promotion, and are never discriminated in respect of their racial groups, religions, skin colour, sex, nationality, age, disability and other differences. In the event of any incidents that are in violation of equal opportunity, the Group will take disciplinary actions on the relevant employees. Meanwhile, any termination of the employment contract(s) is made on reasonable and legal grounds. Any unfair or unreasonable dismissal is strictly prohibited. The Group's human resources department regularly examines the latest laws and regulations and updates the relevant policies on human resources. With respect to attracting and retaining talented professionals, the Group provides competitive remuneration and benefits in compliance with the relevant laws and regulations, by taking into consideration of the market conditions, the Company's operating conditions and the salary trend of the relevant industry. Meanwhile, employees are examined and reviewed regularly based on their performance, attitude, ability and other factors. An opportunity of salary adjustment will be provided according to the examination and review results. Corresponding returns shall be offered to such employees with excellent performance.

The working hours and rest time of the Group's employees are in compliance with the local employment laws and are expressly provided for in their labour contracts. In addition to statutory holidays, employees are also entitled to other paid leave, including annual leave, maternity leave, marriage leave, funeral leave and others. For purposes of developing its employees' sense of belonging, the Group provides its employees with other staff benefits and organises various activities. For example, it provides work uniforms suitable for each employee's job nature, well-equipped dormitory, employee symposiums, various employee activities, festive gatherings, ball games etc. in order to promote the friendship among employees and to build up harmonious relationship within the team.

Talented professionals are essential to the business development of the Group. By establishing a timely and effective communicative system between the management and employees, the Group guarantees that each employee will be respected and cared for, and that the management will listen to the voice of junior employees, for purposes of enhancing the cohesion among all employees of the Group. Daily opinions may be conveyed through house phone calls, email notes, notice board and real-time communication software, and employees are encouraged to comment and share their views on the working environment, remuneration and others via the above channels. Completeness and effective implementation of the Group's decisions may benefit from the smooth communication between the employees and the management, helping with the establishment of a harmonious and friendly relationship between the Group and its employees.

B.2. Health and Safety

The Group is dedicated to creating a safe and healthy working environment for its employees and establishing policies regarding occupational safety and health in compliance with the relevant laws and regulations of the Mainland China and Hong Kong, including Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), Occupational Safety & Health Ordinance (《職業安全及健康條例》). Furthermore, the Group urges all personnel in charge at all levels to fulfil and perform their job duties, to implement safety management for their daily work and production process, and to timely eliminate the risk of accidents. Meanwhile, the Group continues to strengthen the employees' awareness of safety and guarantees by providing its employees with a healthy and safe working environment which is clean and free of smoke. All subsidiaries of the Group adopt corresponding measures to safeguard and protect such healthy and safe-for-work environment. During the financial year of 2016, the Group cleaned its air-conditioning systems of the work premises and disinfected the carpets of the work premises; organized seminars on safety training and convened work meetings regarding safety on a regular basis; arranged contingency drills and safety inspection; prohibited people from smoking and drinking alcoholic drinks at the work premises and arranged its employees to undergo regular body check. The Group has provided its employees with such training related to occupational health and safety. Moreover, training on contingency management and on occupational health and safety was specifically provided to employees in the relevant positions.

B.3. Development and Training

The Group is dedicated to developing talented professionals and provides periodic training to its staff members of different positions and with different experience. The Group provides its employees with an employee training centre. The Group's training is profession-oriented, aiming at providing such employees in different business with the relevant vocational skill training for the related positions on a regular basis. The Group will formulate an annual training schedule and such training will be conducted in different forms and layers on a yearly, quarterly or monthly basis. The contents of the Group's training includes orientation training for new comers, business enhancement programmes, managerial capability enhancement programmes and others. In so doing, the Group aims to ensure employees possess the necessary professional knowledge and knowhow and have sufficient ability to handle their daily work.

The Group also encourages its employees to participate in external training, seminars and examinations so as to obtain such professional licenses or qualifications related to their jobs, aiming at continuous addition of value to themselves and enhancement of business knowledge and professional standards. If employees pass the relevant professional examinations, such employees may seek reimbursement for the costs of such professional qualifications from the Group upon approval.

B.4. Labour Standard

The Group strictly prohibits the employment of child labour and mandatory labour and complies with the relevant labour laws and regulations of the Mainland China and Hong Kong, including the Labour Law of the People's Republic of China (《中華人民共和國勞工法》), the Provisions on the Prohibition of Child Labour of China (《中國禁止使用童工規定》), the Law of the People's Republic of China on the Protection of Minors (《中國未成年人保護法》) and others. It is stipulated by the policies of the Group's human resources department that before any candidates are hired as employees, they should provide effective identity documents and should ensure the truthfulness of such information, in order to eliminate child labour completely. If any false information and is identified, the Group shall deem such incident as a violation of the relevant internal rules, whereby disciplinary actions (including a warning or a termination notice of the relevant labour contract) will be imposed depending on the seriousness of the case. During the financial year of 2016, there had been no events of child labour and mandatory labour.

General Practice for Operation

B.5. Supply Chain Management

Property Development and Sales Business

During the process of selection of suppliers, the Group mainly adopts the mode of bidding by invitation for hiring suppliers. During the bidding process, the Group expressly states the required standards for the suppliers and their services to comply with and adopts the relevant market practices and standards. Suppliers are required to submit their bid and provide at the same time business licenses, qualification certificates, permit for safe production, credential handbook and the certificates of the relevant personnel (such as a constructor certificate, safety certificate and others). After reviewing the basic information, the Group will conduct business survey. Suppliers which win the bid will be confirmed after the personnel of the supplier handling the Group's projects have been examined by the Group and have passed its internal audit.

The Group takes into consideration the environmental and social factors in the bidding process and has a policy to prefer suppliers with the sense of social responsibility. Preferred suppliers should have good reputation in environmental and social aspects and their personnel in charge of the work should have been awarded with honoured certificates or outstanding contribution prizes and their business should be in compliance of laws and regulations. Preferred suppliers should also implement greening or environmental protection when they are carrying out the supply chain work for the business of the Group. Generally, the Group selects from no less than three suppliers as the candidates in each bid. The contractual term with suppliers usually covers the whole production and installation period. Moreover, the price thereof is expressly agreed upon in the written contract so as to guarantee the price and quality to be stable. The Group is dedicated to establishing the mutual and collaborative relationship with a win-win situation between the Group and its suppliers. When each project is completed, the Group's contract purchase department（合約採購部）will organize collaborative evaluation of the suppliers. As for unqualified products or services, the return of goods or re-provision of services thereof will be subject to the provisions of relevant laws and regulations, and feedback will be given to suppliers for improvements.

Hotel Operation Business

The main suppliers for the Group's hotel operation business are the suppliers required for purchasing the articles for the hotels' daily operations. During the process of selection of the suppliers, the Group's purchase department may select the suppliers pursuant to the requirements of the department, as recommended by the industry standards and peers or through the suppliers of the Group's hotels. In addition, the contents of the service and product standard will be confirmed by the relevant department which will use such service or products. Generally speaking, suppliers are required to have fixed operating premises. As for the products falling into the categories which are subject to the special provisions of the relevant state regulations, such products and the supplier's operating premises shall comply with the provisions of the relevant regulations. For example, chemicals suppliers shall meet the production conditions which fulfil the requirements of environmental protection; food suppliers' premises shall be subject to the relevant food safety requirements of the governmental authorities. On-site inspection regarding the main suppliers' operating premises is one of the conditions for reviewing the qualifications of such suppliers.

In addition, to ensure that the suppliers meet the requirements of hotel operations, suppliers should provide effective and necessary licenses and qualification certification, including product testing report, permit for production of chemicals, hygiene permit, permit for alcohols wholesaling and others. The Group's hotels will also take into consideration of the suppliers' environmental and social attributes, and in particular, the reputation and credentials of the suppliers and their professionality and capability in the related aspects. Usually, three or more of the existing product suppliers of our hotels will be participating in each bidding (except for the exclusively distributed products). Moreover, the Group organizes evaluation of the suppliers regularly and formulates the contents of such evaluation pursuant to the relevant regulations and standard of the relevant governmental authorities and of the industry, as well as the Group's internal rules and regulations. Unqualified suppliers shall be blacklisted.

Under the principles of equlity, voluntariness, fairness and integrity, the Group and the relevant suppliers conduct regular friendly consultation regarding the purchase of such goods and relevant services, with the aim to reach unanimous agreement on various issues and to jointly observe the rights and obligations of both parties.

B.6. Product Liability

Property Development and Sales Business

The Group's property development and sales business is strictly in compliance with the relevant laws and regulations of the People's Republic of China, including the Regulatory Measures on the Sale of Commercial Houses (《商品房銷售管理辦法》), the Law of the People's Republic of China on the Protection of Consumers' Rights and Interests (《中華人民共和國消費者權益保護法》), the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and others. During the course of house selling, we observe the relevant laws as mentioned hereinabove and has formulated the System of Sales Case Management (《銷售案場管理制度》) and other internal codes(內部守則), in order to adhere to and implement the principle of integrity and eliminate fraud on consumers. In addition, the Group has established review standards regarding the advertising and sale-promotion materials, requiring the contents of such advertising and sale-promotion data to be true and prohibiting false and incorrect statement for advertising. In case of any events in violation of the relevant laws and regulations, the relevant parties will resolve the issue through consultation or legal solutions.

During the course of property development, the local companies of the Group may conduct self-examination regularly in accordance with the policies on safety inspection, including the Incident Reporting Mechanism (《事故上報機制》) and others as issued by the Group to all of its group companies. The headquarters of the Group conducts safety inspection on a quarterly basis and conducts review and assessment for project safety. The contents of such assessment includes: contingency treatment and management, fire equipment management, fire engine access management, on-site inspection of the safe use of electricity and regulatory records, control of renovation materials, on-site inspection of construction sites and monitoring thereof and training on fire-fighting, actual combat drill(實戰演練), contingency plan record and others. Meanwhile, for purposes of safeguarding and protecting the health and safety of employees, all personnel entering into project sites are required to obtain the approval from the Group's engineering department(工程部)in order to comply with the safety management system regarding sites and are required to wear safety helmets and other relevant equipment. The Group also purchases, commercial insurance and employee safety insurance and organizes training on health and safety on a regular basis. Should there be any issues related to the housing quality, the Group's engineering department(工程部) will provide support based on the relevant policies and laws and will propose the relevant solutions. All information of the Group's customers for house selling is required to be filed with Real Estate Management Bureau(房產局)and the Group will properly safe-keep and maintain data privacy of the information of its customers.

Hotel Operation Business

The Group's policy in respect of its hotel operation business has always been based on the concept around serving people and its goal is customer satisfaction by the provision of quality accommodation and catering service. When operating hotels, the Group strictly complies with the laws and regulations of People's Republic of China in relation to hotels. In addition, the Group has passed the ISO9001 quality management system certification, ISO14001 environment management system certification, OHSAS18001 occupational health and safety management system and ISO50001 energy management system certifications in respect of its services.

For purposes of safeguarding the service quality and security of its hotels, the Group's Quality Management Department(設置質量管理部)is set up to be responsible for the monitoring, inspection and audit of various services. The Group conducts a third-party inspection over all of the safety equipment of the hotels on a regular basis so as to ensure the safety of hotel guests. Moreover, hotels may also implement maintenance and cleaning of the central air conditioning system so as to ensure the air quality of the hotels and to provide hotel guests with comfort during their stay at hotels. The standard of such inspection and procedures are implemented in accordance with various internal operating guidelines of the Group, including but not limited to the Fire Hazard Rectification System (《火災隱患整改制度》), the Management and Maintenance Mechanism of Fire hydrant System (《消火栓系統的管理和保養制度》), the Management System of Safe Evacuation Facility (《安全疏散設施管理制度》), Procedures Concerning the Disposal of Suspected Explosives Items/Intimidated Phone Calls (《可疑爆炸物品處理程序/恐嚇電話》) and all other similar policies.

The Group highly values the feedback on its services. In the event that hotels receive any complaints from their hotel guests, such complaints will be immediately handled by the lobby manager. Should such go beyond the authorized scope of the lobby manager, such feedback will be escalated level by level until and when such feedback has reached the general manager. Moreover, the Group will respond to feedback of guests in a timely manner. On the other hand, the hotels implement an annual customer satisfaction survey for analysing and collating statistics in respect of customer satisfaction by collecting the relevant opinions and suggestions in writing. The Group will then calculate the ratings of customer satisfaction and degree of customer satisfaction based on the summary of customer survey for purposes of maintaining and continuously improving the Group's service quality, environmental protection standards, and the results of the management of occupational health and safety, compliance with the laws and regulations related to quality, environment and occupational health and safety, as well as other requirements of the industry, and strengthening the consciousness and responsibility of employees regarding work quality, environment and occupational health and safety.

The Group strictly observes the Advertising Law of the People's Republic of China and the laws and regulations related to advertising. The relevant content of advertising is required to be conducted pursuant to the Group's guidelines regarding the design of advertising and promotional materials. The Group has its own legal department for providing the real-time consultancy and assistance in respect of advertising and promotional materials. For purposes of ensuring that the Company's market position can be consolidated and developed, the Company's employees must implement the confidentiality system regarding the customers' information and privacy in accordance with the Law of Protection of Consumers Rights and Interests and such laws and regulations in respect of privacy as well as the internal relevant system, for purposes of ensuring that the customers' rights are strictly protected. The Group is equipped with a complete regulatory system and security measures are adopted to prevent from any loss or leakage of the relevant data. Such measures shall include:

- All the information related to the stay of hotel guests must be kept in the computer system. All information is kept strictly confidential except for disclosure based on the legal certification provided by the relevant governmental authority;
- Without the consent of the hotel guests staying at the hotels, neither guest room number nor other information (such as the name(s), company, accounts and payment details) may be released. If such unauthorised release is identified, the relevant disciplinary actions shall be imposed; and
- The relevant employees are required to sign and execute the confidential agreement for implementing the confidentiality of daily work and other relevant matters.

B.7. Anti-corruption

The Group strictly complies with the law and regulations regarding anti-corruption and anti-bribery of the Mainland China and Hong Kong, China, including Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and Prevention of Bribery Ordinance of Hong Kong (《香港防止賄賂條例》) and others. The Group highly values employees' ethical awareness and actions regarding integrity and honesty, and employees shall be responsible and accountable. The Group requires all of its employees to strictly comply with the code of professional ethics and to eliminate any act of bribery and corruption in all forms. For purposes of preventing its employees from receiving all bribery, blackmail, fraud and money-laundering, the Group has adopted the following measures:

- The Group has established an internal compliance department which is specially responsible for supervising and reporting any act found in violation of the code of professional ethics;

- The Group has formulated the relevant management system including the provisions regarding anti-corruption and anti-bribery and has strengthened the management and supervision of the internal integrity;

- The Group has provided employees in key positions with regular training on integrity, for purposes of enhancing such employees' self-control; and

- The Group has established the whistleblowing, system of reporting corruption cases whereby employees may report the case directly to the Chief Executive Officer by facsimile, mail or via the Company's internal ERP platform, in their real names or remaining anonymous.

The Group has established functional division of labour and norms of departmental operation for all departments, in order to prevent employees from any act of corruption, money laundering, bribery and other relevant matters, both internally and externally, and to ensure the Group's business is in normal operations. The Group has procedures in place to keep all reported information strictly confidential. In the event that any act in violation of the Group's system and/or the applicable laws is identified, such violating parties shall be subject to the disciplinary action under the Group's system and will be reported to the relevant governmental authorities.

Small Region/Community

B.8. Activities and Investment in the Small Region and Community

The Group truly believes that enterprises should actively bear social responsibilities and engage in more activities to make more contributions to the society. Only by so doing, enterprises can closely interact with the society and create a good eco-environment. For the financial year of 2016, the Group continued to participate in various social activities and has invested great efforts in community charity, environmental protection, culture promotion, small area and employee activities.

Making contribution to the society is an obligation to be performed by a responsible enterprise and citizen. Being a vital real estate enterprise focusing on the development of urban area, the Group's business growth and expansion has, for many years, been steadily facilitated when it is more actively devoting itself to various community charity activities. In addition, the Group has been incorporating act of charity into its corporate activities for a long time and it is actively implementing its social responsibility as an enterprise. For the financial year of 2016, the Group made donations to schools, paid visits to the lonely elderly in the homes for the elderly at the Mid-Autumn Festival, offered support to the popularization of the knowledge about breast carcinoma（乳腺癌）, the prevention, treatment and research of such illness, made donations to the fund dedicated to the prevention and treatment of breast carcinoma, participated in the volunteers' activities of cleaning the community and others. Meanwhile, the Group has organized donations from employees to offer consolation money to other employees in need of assistance and their families.

The Group has dedicated itself to constructing quality property projects and simultaneously, it has devoted great efforts to promote culture and arts. On one hand, foreign culture is being promoted within the Group and cultural exchange is being strengthened. On the other hand, the Group has also paid attention to the heritage and development of the local culture, and has facilitated the promotion and protection of the traditional culture. During the financial year of 2016, the Group has sponsored Nanjing Broadcast Television Station（南京廣電總台）to organize crosstalk shows（相聲大會）and other activities for supporting the Intangible Cultural Heritage of China（非物質遺產文化）.

The Group has always considered the facilitation of the development of the small regions in which its property projects are located as one of its major objectives of the Group's development. During the financial year of 2016, the Group actively participated in various activities in the small regions, such as the development of culture and education in the small regions and the establishment of further relationship with the small regions.

Grand Mercure Shanghai made donations to the fund dedicated to the prevention and treatment of breast carcinoma pwc 羅兵咸永道

To the Shareholders of Shanghai Zendai Property Limited
(Incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Shanghai Zendai Property Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 181, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the valuation of investment properties.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Valuation of investment properties	
Refer to note 16 to the consolidated financial statements	We assessed the competence, capabilities and objectivity of the Valuers.
The Group's investment properties were measured at fair value and carried at HK$2,919 million as at 31 December 2016 with a fair value gain of HK$ 50 million for the year then ended. The fair value of investment properties are determined by the Group based on the valuations performed by independent professional valuers (the "Valuers") engaged by the Group.	We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties (Continued)	
The Group's investment property portfolio mainly included completed investment properties in mainland China. The valuation of investment properties was derived from the income capitalization approach, the direct comparison method or a combination of these approaches. For income capitalization approach, the relevant key assumptions include capitalization rate, reversionary yield and monthly rental. For direct comparison method, the relevant key assumption is the estimated price per square meter, with reference to recent transactions of the comparable properties and adjusted for differences in key attributes such as but not limited to location and property size. All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum of investment properties to the consolidated financial statements and the relevant key assumptions applied in valuation involved significant judgements and estimates.	We assessed the reasonableness of relevant key assumptions used in valuation including capitalization rates, reversionary yield, monthly rental and estimated price per square meter by gathering and analysing the data of comparable properties in the market and the characteristics of individual investment property such as location, age and size. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuers and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations. In light of the above, we found the significant judgements and estimates made by management on relevant key assumptions were in the acceptable range.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND AUDIT COMMITTEE 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 judgment 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.

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

- 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 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 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 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 Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2017

		Year ended 31 December	
		2016	2015
	Notes	**HK$'000**	HK$'000
Revenue	*7*	**1,943,579**	1,787,475
Cost of sales	*9*	**(1,628,257)**	(1,603,216)
Gross profit		**315,322**	184,259
Other income and gains	*8*	**105,200**	98,177
Selling and marketing expenses	*9*	**(154,138)**	(139,159)
Administrative expenses	*9*	**(551,314)**	(405,676)
Change in fair value of investment properties	*16*	**50,471**	4,476
Share of results of associates	*20*	**(70,698)**	(104,737)
Share of results of joint ventures	*21*	**(69,633)**	(103,854)
Finance costs	*11*	**(533,772)**	(586,375)
Loss before income tax		**(908,562)**	(1,052,889)
Income tax (expense)/credit	*12*	**(213,666)**	2,441
Loss for the year		**(1,122,228)**	(1,050,448)
Loss for the year attributable to:			
– Owners of the Company		**(1,034,703)**	(957,138)
– Non-controlling interests		**(87,525)**	(93,310)
		(1,122,228)	(1,050,448)
Loss per share			
– Basic	*14*	**HK(6.95) Cents**	HK (6.43) Cents
– Diluted	*14*	**HK(6.95) Cents**	HK (6.43) Cents

The notes on pages 77 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

		Year ended 31 December	
		2016	2015
	Note	**HK$'000**	HK$'000
Loss for the year		**(1,122,228)**	(1,050,448)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(155,216)**	(606,691)
Release of exchange differences on disposal of foreign operations	*37*	**(32,485)**	–
Release of other revaluation reserve on disposal of properties for sales held by an associate		**–**	(6,435)
		(187,701)	(613,126)
Item that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of investments accounted for using the equity method		**–**	33,980
Other comprehensive loss for the year, net of tax		**(187,701)**	(579,146)
Total comprehensive loss for the year		**(1,309,929)**	(1,629,594)
Total comprehensive loss attributable to:			
– Owners of the Company		**(1,213,570)**	(1,518,752)
– Non-controlling interests		**(96,359)**	(110,842)
Total comprehensive loss for the year		**(1,309,929)**	(1,629,594)

The notes on pages 77 to 181 are an integral part of these consolidated financial statements.

		As at 31 December	
		2016	2015
	Notes	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**667,845**	618,109
Investment properties	*16*	**2,918,991**	2,719,578
Land use rights	*17*	**501,459**	570,663
Goodwill	*18*	**–**	35,490
Investment in associates	*20*	**55,549**	131,719
Investment in joint ventures	*21*	**1,058,657**	1,178,596
Deferred income tax assets	*33*	**31,078**	20,273
Available-for-sale financial assets	*22*	**59,529**	63,701
Pledged bank deposits	*27*	**–**	238,806
Total non-current assets		**5,293,108**	5,576,935
Current assets			
Properties under development and completed properties held-for-sale	*23*	**9,464,908**	9,250,562
Inventories	*24*	**3,314**	3,848
Trade and other receivables	*25*	**769,719**	403,064
Deposits for properties under development	*26*	**46,419**	581,494
Amounts due from associates		**975,241**	1,048,960
Amounts due from joint ventures		**291,795**	1,522,993
Available-for-sale financial assets	*22*	**–**	2,176
Amounts due from minority owners of subsidiaries		**–**	30,090
Pledged bank deposits	*27*	**1,429,233**	939,701
Tax prepayments	*32*	**171,584**	90,584
Cash and cash equivalents	*28*	**709,864**	1,629,164
		13,862,077	15,502,636
Assets of disposal group classified as held-for-sale	*29*	**2,080,568**	263,513
Total current assets		**15,942,645**	15,766,149
Total assets		**21,235,753**	21,343,084
EQUITY			
Equity attributable to owners of the Company			
Share capital	*34*	**297,587**	297,587
Reserves		**2,550,947**	2,739,012
Retained earnings		**395,565**	1,396,288
		3,244,099	4,432,887
Non-controlling interests		**27,289**	216,182
Total equity		**3,271,388**	4,649,069

	Notes	As at 31 December 2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings and loans	*31*	**1,656,661**	5,584,283
Deferred income tax liabilities	*33*	**394,674**	450,794
Other payables	*30*	**159,023**	191,322
Amounts due to minority owners of subsidiaries		**–**	829,214
Total non-current liabilities		**2,210,358**	7,055,613
Current liabilities			
Trade, notes and other payables	*30*	**1,744,789**	1,072,188
Receipts in advance from customers		**3,915,663**	1,140,506
Amounts due to joint ventures		**997,074**	1,156,769
Amounts due to minority owners of subsidiaries		**659,403**	104,645
Borrowings and loans	*31*	**7,431,994**	5,667,208
Tax payables	*32*	**622,681**	455,727
		15,371,604	9,597,043
Liabilities of disposal group classified as held-for-sale	*29*	**382,403**	41,359
Total current liabilities		**15,754,007**	9,638,402
Total liabilities		**17,964,365**	16,694,015
Total equity and liabilities		**21,235,753**	21,343,084

The notes on pages 77 to 181 are an integral part of these consolidated financial statements.

On behalf of the Board of Directors

Li Li Hua
Director

Zhang Chenguang
Director

	Share capital *(Note 34)* HK$'000	Share premium *(a)* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(b)* HK$'000	Special capital reserve *(c)* HK$'000	Statutory surplus reserve HK$'000	Share option reserve HK$'000	Other reserve *(d)* HK$'000	Retained earnings HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	297,587	2,164,682	1,074	157,315	68,541	353,746	34,931	273,089	1,396,288	(348,346)	33,980	4,432,887	216,182	4,649,069
Comprehensive loss														
Loss for the year	–	–	–	–	–	–	–	–	(1,034,703)	–	–	(1,034,703)	(87,525)	(1,122,228)
Other comprehensive loss														
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(146,382)	–	(146,382)	(8,834)	(155,216)
Release of exchange differences on disposal of foreign operations	–	–	–	–	–	–	–	–	–	(32,485)	–	(32,485)	–	(32,485)
Release of other revaluation reserve on deemed disposal of investment accounted for using the equity method, net of tax	–	–	–	–	–	–	–	–	33,980	–	(33,980)	–	–	–
Total other comprehensive loss, net of tax	–	–	–	–	–	–	–	–	33,980	(178,867)	(33,980)	(178,867)	(8,834)	(187,701)
Total comprehensive loss	–	–	–	–	–	–	–	–	(1,000,723)	(178,867)	(33,980)	(1,213,570)	(96,359)	(1,309,929)
Transactions with owners in their capacity as owners														
Grant of share options	–	–	–	–	–	–	19,407	–	–	–	–	19,407	–	19,407
Acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	–	5,375	–	–	–	5,375	(1,865)	3,510
Disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(90,669)	(90,669)
Transactions with owners in their capacity as owners	–	–	–	–	–	–	19,407	5,375	–	–	–	24,782	(92,534)	(67,752)
At 31 December 2016	297,587	2,164,682	1,074	157,315	68,541	353,746	54,338	278,464	395,565	(527,213)	–	3,244,099	27,289	3,271,388

	Share capital (Note 34) HK$'000	Share premium (a) HK$'000	Capital redemption reserve HK$'000	Contributed surplus (b) HK$'000	Special capital reserve (c) HK$'000	Statutory surplus reserve HK$'000	Share option reserve HK$'000	Other reserve (d) HK$'000	Retained earnings HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	297,587	2,164,682	1,074	157,315	68,541	353,746	–	273,089	2,353,426	240,813	6,435	5,916,708	360,234	6,276,942
Comprehensive loss														
Loss for the year	–	–	–	–	–	–	–	–	(957,138)	–	–	(957,138)	(93,310)	(1,050,448)
Other comprehensive loss														
Share of the comprehensive income of investments accounted for using the equity method	–	–	–	–	–	–	–	–	–	–	33,980	33,980	–	33,980
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(589,159)	–	(589,159)	(17,532)	(606,691)
Release of other revaluation reserve on disposal of properties for sales held by associates, net of tax	–	–	–	–	–	–	–	–	–	–	(6,435)	(6,435)	–	(6,435)
Total other comprehensive loss, net of tax	–	–	–	–	–	–	–	–	–	(589,159)	27,545	(561,614)	(17,532)	(579,146)
Total comprehensive loss	–	–	–	–	–	–	–	–	(957,138)	(589,159)	27,545	(1,518,752)	(110,842)	(1,629,594)
Transactions with owners in their capacity as owners														
Grant of share options	–	–	–	–	–	–	34,931	–	–	–	–	34,931	–	34,931
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(33,210)	(33,210)
Transactions with owners in their capacity as owners	–	–	–	–	–	–	34,931	–	–	–	–	34,931	(33,210)	1,721
At 31 December 2015	297,587	2,164,682	1,074	157,315	68,541	353,746	34,931	273,089	1,396,288	(348,346)	33,980	4,432,887	216,182	4,649,069

(a) Amount subscribed for share capital in excess of nominal value.

(b) The Company's contributed surplus represents the credit arising from the effect of share premium offset against accumulated losses in 2006.

(c) The special capital reserve represents the credit arising from the effect of reduction in share capital in previous years.

(d) Other reserve arose from the difference between fair value of any consideration and the carrying amount of relevant net assets for transactions with non-controlling interests in previous years.

The notes on pages 77 to 181 are an integral part of these consolidated financial statements.

	Notes	Year ended 31 December 2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Loss before income tax		**(908,562)**	(1,052,889)
Adjustments for:			
Interest income		**(20,086)**	(51,329)
Dividend income		**(4,380)**	(2,704)
Finance costs	*11*	**533,772**	586,375
Depreciation of property, plant and equipment		**48,550**	37,587
Amortization of land use rights		**21,045**	21,941
Change in fair value of investment properties	*16*	**(50,471)**	(4,476)
Share of results of associates		**70,698**	104,737
Share of results of joint ventures		**69,633**	103,854
Impairment of property under development and completed properties held-for-sale		**–**	92,368
Loss on sale of property, plant and equipment		**416**	248
Release of other revaluation reserve on disposal of properties		**–**	(6,435)
Gain on disposal of investment properties		**(8,199)**	(1,927)
Gain on disposal of subsidiaries	*37*	**(48,733)**	(18,578)
Share-based payments		**19,407**	34,931
Impairment of other receivables		**49,943**	–
Impairment of goodwill	*18*	**113,090**	–
Operating loss before working capital changes		**(113,877)**	(156,297)
Increase in properties under development and completed properties held-for-sale		**(1,315,125)**	(1,970,842)
Decrease in inventories		**534**	212
(Increase)/decrease in trade and other receivables		**(516,997)**	92,756
Decrease in deposits for properties under development		**477,924**	749,471
Increase/(decrease) in trade, notes and other payables		**520,748**	(67,526)
Increase in receipts in advance from customers		**2,723,498**	89,437
Cash generated/(used) in operations		**1,776,705**	(1,262,789)
Interest received		**20,086**	51,329
Interest paid		**(1,030,560)**	(935,772)
Income taxes paid		**(103,771)**	(71,298)
Net cash generated/(used) in operating activities		**662,460**	(2,218,530)

	Notes	Year ended 31 December 2016 HK$'000	2015 HK$'000
Investing activities			
Decrease in amounts due from associates		**5,203**	178,604
Decrease/(increase) in amounts due from joint ventures		**396,713**	(282,978)
Decrease in amounts due from minority owners of subsidiaries		**30,090**	11,571
Increase in pledged bank deposits		**(327,917)**	(403,082)
Repayment of entrusted loan		**–**	126,072
Purchase of property, plant and equipment		**(13,579)**	(2,680)
Purchase of investment properties		**(6,996)**	(6,613)
Proceeds from disposal of investment properties		**10,384**	20,061
Acquisition of subsidiaries, net of cash paid	*36*	**(31,234)**	–
Proceeds from sale of property, plant and equipment		**830**	94
Net cash inflow/(outflow) on disposal of subsidiaries	*37*	**196,300**	(81,715)
Advance from disposal of a subsidiary		**167,373**	–
Net cash inflow on disposal of an associate		**–**	6,090
Dividends received from available-for-sale investments		**4,380**	2,704
Gain on disposal of available-for-sale financial assets		**2,176**	–
Net cash generated/(used) in investing activities		**433,723**	(431,872)
Financing activities			
(Decrease)/increase in amount due to a joint venture		**(91,864)**	228,478
Decrease in amounts due to related companies		**–**	(34,646)
Decrease in amounts due to minority owners of subsidiaries		**(267,602)**	(994,326)
Increase in borrowings and loans		**2,900,692**	9,639,747
Repayment of borrowings and loans		**(4,397,812)**	(5,553,304)
Net cash (used)/generated from financing activities		**(1,856,586)**	3,285,949
Net (decrease)/increase in cash and cash equivalents		**(760,403)**	635,547
Cash and cash equivalents at beginning of year		**1,629,164**	1,098,074
Effect of foreign exchange rate changes		**(114,948)**	(104,209)
Cash of disposal group classified as held-for-sale	*29*	**(43,949)**	(248)
Cash and cash equivalents at end of year		**709,864**	1,629,164

The notes on pages 77 to 181 are an integral part of these consolidated financial statements.

1. GENERAL

Shanghai Zendai Property Limited (the "Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is at 59/F, Bank of China Tower, 1 Garden Road, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property development, property investment and provision of property management and hotel operation. The Company and all its subsidiaries are referred as the Group. The Group has operations mainly in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in HK dollars ("HK$"), unless otherwise stated.

These financial statements have been approved for issue by the Board of Directors (the "Board") on 30 March 2017.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1 Going concern

The Group meets its day-to-day working capital requirements through its operation sales and bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 31.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortization – Amendments to HKAS 16 and HKAS 38
- Annual improvements to HKFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to HKAS 1.

The adoption of amendments has no material impact to the Group.

(b) New and amended standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, 'trade and other receivables' would appear to satisfy the conditions for classification as at amortized costs and hence there will be no change to the accounting for these assets. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 9, 'Financial instruments' *(Continued)*

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The adoption of HKFRS 9 is expected to have no material impact to the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, 'Revenue from contracts with customers'

HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 15, 'Revenue from contracts with customers' *(Continued)*

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$237,343,000, see note 35. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRS or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries

3.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries *(Continued)*

3.2.1 Consolidation (Continued)

(a) Business combinations *(Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement (Note 3.9).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries *(Continued)*

3.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of results of associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

3.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated income statement within "other income and gains".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(b) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates(unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3.7 Properties

(a) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Properties *(Continued)*

(a) *Investment properties (Continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income and increase the revaluation surplus within equity. Any resulting increase in the carrying amount of the property is recognized in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognized in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

(b) *Land use rights*

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.14.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Hotel Buildings	Lower of underlying land lease term or 50 years
– Leasehold improvements	5 years
– Motor vehicles	5 years
– Furniture and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within "other income and gains", in the consolidated income statement.

3.9 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Goodwill *(Continued)*

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

3.10 Disposal groups held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal groups stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held-for-sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

3.11 Financial assets

3.11.1 Classification

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Financial assets *(Continued)*

3.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which are measured at cost. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as "other income and gains".

Interest on available-for-sale securities calculated using the effective interest method are recognized in the consolidated income statement as part of other income and gains. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement as part of other income and gains when the Group's right to receive payments is established.

3.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Impairment of financial assets

(a) Assets classified as available-for-sale

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.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(b) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Impairment of financial assets *(Continued)*

(b) Assets carried at amortized cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

3.14 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprises land use rights, construction costs, borrowing costs and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held-for-sale.

(b) Completed properties held-for-sale

Completed properties held-for-sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Inventories *(Continued)*

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.15 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

3.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.17 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Borrowings and Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

3.20 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Employee benefits

(a) Pension obligations

The Group has only defined contribution plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Bonus plans

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Employee benefits *(Continued)*

(d) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

3.22 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Share-based payments *(Continued)*

(a) Equity-settled share-based payment transactions (Continued)

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) Share-based payment transactions among group entities

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

In the subsidiaries' financial statements, the award is treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognized over the vesting period, with a credit recognized in equity. The credit to equity is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries.

3.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

(a) Sale of properties

Revenue from sales of properties is recognized when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances receipts from customers.

(b) Rental income

Rental income is recognized on a straight-line basis over the lease terms including rent-free period.

(c) Render of services

Revenue from provision of services is recognized in the accounting period in which the services are rendered.

(d) Property management and agency fee income

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(e) Interest income

Interest income is recognized using the effective interest method.

(f) Dividend income

Dividend income is recognized when the right to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.25 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

3.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

3.28 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of certain purchasers of the Group's properties to secure mortgage loans.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 16.

(b) Income taxes and land appreciation tax ("LAT")

The Group is primarily subject to various taxes in the PRC, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(c) Provisions for doubtful debts of receivables

The Group annually tests whether receivables suffer any impairment. Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is recognized at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. Receivables with amounts that are not individually significant along with those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for doubtful debts is determined based on the historical actual loss ratio for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

(d) Provision for properties under development and completed properties held-for-sales

The Group assesses the recoverable amounts of properties under development and completed properties held-for-sales according to their forecast net realisable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of estimation.

4.2 Critical judgements in applying the entity's accounting policies

Revenue recognition

The Group has recognized revenue from the sale of properties held-for-sale as disclosed in Note 3.24. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests to the buyer, upon release of the respective property to the purchaser.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.2 Critical judgements in applying the entity's accounting policies *(Continued)*

Revenue recognition (Continued)

As disclosed in Note 39, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are lodged with the banks by the purchasers. In order to obtain mortgage loans, the purchasers need to settle certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in the calling of the bank guarantees provided. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Policy for managing these risks is set by the Board and summarized below.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when individual company enters into transactions denominated in a currency other than their functional currency.

The Group and the Company undertake certain transactions denominated in United States dollars ("USD"). The Group and the Company's certain cash and cash equivalents also expose to such foreign currency risk. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to USD, management considers that there is no significant foreign exchange risk with respect to USD.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates.

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2016, if interest rates on floating rate borrowings have increased/decreased by 50 basis points with all other variables held constant, the Group's interest expense would increase/decrease by approximately HK$21,969,000 (2015: HK$20,244,000).

(b) Credit risk

Credit risk arises from pledged bank deposits, cash and cash equivalents and trade and other receivables. The carrying amount of pledged bank deposits, cash and cash equivalents, trade and other receivables, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assesses the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

The recoverability of loan and other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors. The management does not expect any significant losses from non-performance by the counterparties.

Credit risk arises from pledged bank deposits is limited, as all counterparties are banks with appropriate credit rankings.

The Group has provided guarantees to banks in favour of certain customers to secure their repayment obligations to banks, for their purchases of property units. If a customer defaults on the payment of its mortgage during the term of the guarantee, banks holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to banks. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecast process takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2016					
Trade, notes and other payables	**1,744,789**	**–**	**–**	**–**	**1,744,789**
Other payables (non-current)	**–**	**8,927**	**26,781**	**239,143**	**274,851**
Borrowings and loans	**7,883,052**	**768,180**	**670,950**	**363,090**	**9,685,272**
Amounts due to joint ventures	**997,074**	**–**	**–**	**–**	**997,074**
Amounts due to minority owners of subsidiaries	**674,760**	**–**	**–**	**–**	**674,760**
Guarantees provided	**1,310,753**	**–**	**–**	**–**	**1,310,753**
	12,610,428	**777,107**	**697,731**	**602,233**	**14,687,499**
At 31 December 2015					
Trade, notes and other payables	1,072,188	–	–	–	1,072,188
Other payables (non-current)	–	9,552	28,657	286,263	324,472
Borrowings and loans	5,942,300	2,657,418	2,749,751	644,093	11,993,562
Amounts due to joint ventures	1,156,769	–	–	–	1,156,769
Amount due to minority owners of subsidiaries	104,645	928,720	–	–	1,033,365
Guarantees provided	956,067	–	–	–	956,067
	9,231,969	3,595,690	2,778,408	930,356	16,536,423

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. The ratio is calculated as net debt dividend by shareholder's funds. For this purpose the Group defines net debt as total debt (which comprises borrowings and loans, amounts due to minority owners of subsidiaries and joint ventures) less amounts due from associates, joint ventures and minority owners of subsidiaries. Shareholder's funds comprise share capital, reserves and retained earnings.

In order to maintain or adjust the appropriate ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged from prior year.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Capital risk management *(Continued)*

The gearing ratio at 31 December 2016 and 2015 was calculated as follows:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Borrowings and loans	**9,088,655**	11,251,491
Amounts due to minority owners of subsidiaries	**659,403**	933,859
Amounts due to joint ventures	**997,074**	1,156,769
Total debt	**10,745,132**	13,342,119
Less:		
Amounts due from associates	**(975,241)**	(1,048,960)
Amounts due from joint ventures	**(291,795)**	(1,522,993)
Amounts due from minority owners of subsidiaries	**–**	(30,090)
Net debt	**9,478,096**	10,740,076
Shareholder's funds	**3,244,099**	4,432,887
Gearing ratio	**292%**	242%

The increase in the gearing ratio during 2016 resulted primarily from the loss incurred for the current year.

5.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value, as at 31 December 2016 and 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation *(Continued)*

See Note 16 for detailed disclosures of the investment properties that are measured at fair value.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
As at 31 December 2016				
Investment properties	**–**	**91,497**	**2,827,494**	**2,918,991**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
As at 31 December 2015				
Investment properties	–	96,716	2,622,862	2,719,578
Available-for-sale financial assets:				
– investments funds *(Note 22)*	2,176	–	–	2,176
	2,176	96,716	2,622,862	2,721,754

There were no transfers among Level 1, Level 2 and Level 3 during the year.

6. SEGMENT REPORTING

Management has determined the operating segments based on the internal reports reviewed by the Board, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

The Board considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organized into three operating segments which comprise (i) sales of properties; (ii) hotel operations; and (iii) properties rental, management and agency services.

The Board assesses the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the Board for assessment of segment performance.

6. SEGMENT REPORTING *(Continued)*

Total segment assets mainly exclude pledged bank deposits and head office and corporate assets, all of which are managed on a centralised basis.

Total segment liabilities mainly exclude unallocated borrowings and loans and unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss before income tax and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Others		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Reportable segment revenue from external sales	**1,379,662**	1,184,009	**190,371**	198,406	**373,546**	402,904	**–**	2,156	**1,943,579**	1,787,475
Reportable segment (loss)/profit before income tax	**(367,406)**	(327,994)	**(73,454)**	(109,280)	**127,559**	59,007	**–**	(337)	**(313,301)**	(378,604)
Other information										
Bank interest income	**18,662**	22,022	**4**	8	**1,352**	5,712	**–**	–	**20,018**	27,742
Interest income from entrusted loan receivables	**–**	9,455	**–**	–	**–**	–	**–**	–	**–**	9,455
Depreciation of property, plant and equipment	**11,370**	6,114	**35,026**	28,758	**2,154**	2,715	**–**	–	**48,550**	37,587
Amortization of land use rights	**–**	–	**21,045**	21,941	**–**	–	**–**	–	**21,045**	21,941
Change in fair value of investment properties	**–**	–	**–**	–	**50,471**	4,476	**–**	–	**50,471**	4,476
Share of results of associates	**3,301**	–	**(73,999)**	(104,737)	**–**	–	**–**	–	**(70,698)**	(104,737)
Share of results of joint ventures	**(69,633)**	(103,854)	**–**	–	**–**	–	**–**	–	**(69,633)**	(103,854)
Loss on sale of property, plant and equipment	**(416)**	(248)	**–**	–	**–**	–	**–**	–	**(416)**	(248)
Gain on disposal of subsidiaries	**44,985**	18,016	**–**	–	**3,748**	562	**–**	–	**48,733**	18,578
Gain on disposal of investment properties	**–**	–	**–**	–	**8,199**	1,927	**–**	–	**8,199**	1,927
Reportable segment assets	**15,762,819**	15,755,482	**818,855**	1,097,313	**3,105,449**	3,227,671	**–**	155	**19,687,123**	20,080,621
Amounts included in the measure of segment assets:										
Additions to non-current assets *(i)*	**12,689**	2,597	**132,646**	83	**463,968**	6,613	**–**	–	**609,303**	9,293
Investment in associates	**55,549**	56,067	**–**	75,652	**–**	–	**–**	–	**55,549**	131,719
Investment in joint ventures	**1,058,657**	1,165,776	**–**	–	**–**	12,820	**–**	–	**1,058,657**	1,178,596
Reportable segment liabilities	**13,684,178**	14,415,530	**79,824**	50,526	**297,751**	333,921	**–**	550	**14,061,753**	14,800,527

(i) Amounts comprise additions to investment properties, property, plant and equipment and land use rights.

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Reportable segment loss before income tax	**(313,301)**	(378,604)
Unallocated bank interest income	**68**	529
Dividend income from available-for-sale financial assets	**4,380**	2,704
Finance costs	**(533,772)**	(586,375)
Unallocated head office and corporate expenses	**(46,530)**	(56,212)
Share-based-payments	**(19,407)**	(34,931)
Loss before income tax	**(908,562)**	(1,052,889)

	As at 31 December	
Assets	**2016**	2015
	HK$'000	HK$'000
Reportable segment assets	**19,687,123**	20,080,621
Pledged bank deposits	**1,429,233**	1,178,507
Head office and corporate assets	**119,397**	83,956
Total assets	**21,235,753**	21,343,084

	As at 31 December	
Liabilities	**2016**	2015
	HK$'000	HK$'000
Reportable segment liabilities	**14,061,753**	14,800,527
Borrowings and loans	**3,856,762**	1,876,669
Unallocated head office and corporate liabilities	**45,850**	16,819
Total liabilities	**17,964,365**	16,694,015

6. SEGMENT REPORTING *(Continued)*

(c) Geographical information

At 31 December 2016 and 31 December 2015, the majority of the Group's revenue and non-current assets other than financial instruments and deferred tax assets are located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the year ended 31 December 2016 and 2015.

7. REVENUE

Revenue representing the aggregate of proceeds from sales of properties and amounts received and receivable from the hotel operations, properties rental, management and agency income is summarized as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Sales of properties	**1,379,662**	1,184,009
Hotel operations	**190,371**	198,406
Properties rental, management and agency income	**373,546**	402,904
Others	**–**	2,156
	1,943,579	1,787,475

8. OTHER INCOME AND GAINS

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Bank interest income	**20,086**	28,271
Interest income from other receivables	**–**	13,603
Interest income from entrusted loan receivables	**–**	9,455
Rental income *(a)*	**5,070**	8,724
Gain on disposal of investment properties	**8,199**	1,927
Gain on disposal of subsidiaries *(Note 37)*	**48,733**	18,578
Dividend income from available-for-sale financial assets	**4,380**	2,704
Government grants	**2,236**	–
Others	**16,496**	14,915
Total	**105,200**	98,177

(a) Rental income was derived from leases of certain office units included in properties for sales, which the Group intends to sell.

9. EXPENSES BY NATURE

Expenses by nature comprise cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Cost of properties sold	**1,564,297**	1,403,906
Business tax and levis	**63,960**	106,942
Impairment of properties under development and completed properties held-for-sale	**–**	92,368
Employee benefit expense *(Note 10)*	**218,954**	214,887
Auditors' remuneration:		
– Audit services	**3,760**	5,060
– Non-audit services	**950**	–
Consulting and service expenses	**39,968**	37,927
Depreciation and amortization charge *(Note 15, Note 17)*	**69,595**	59,528
Impairment of goodwill *(Note 18)*	**113,090**	–
Advertising costs	**67,695**	50,907
Impairment of other receivable *(Note 25)*	**49,943**	–
Operating lease payments	**13,245**	10,449
Maintenance and consumption expenses for hotel business	**66,747**	61,057
Other expenses	**61,505**	105,020
Total	**2,333,709**	2,148,051

10. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Salaries, wages and bonuses	**188,926**	218,764
Share options granted to employees	**15,525**	27,956
Pension costs – defined contribution plans	**37,889**	43,872
	242,340	290,592
Less: capitalised in properties under development	**(23,386)**	(75,705)
Total	**218,954**	214,887

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 1 (2015: 1) director whose emoluments are reflected in the analysis shown in Note 44. The emoluments payable to the remaining 4 (2015: 4) individuals during the year are as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Salaries and other bonuses	**14,646**	9,850
Contribution to retirement benefits schemes	**299**	161
Share-based payments	**4,650**	7,678
Total	**19,595**	17,689

10. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
HK$2,500,001 – HK$3,000,000	**–**	2
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,000,001 – HK$4,500,000	**1**	–
HK$5,000,001 – HK$5,500,000	**1**	–
HK$5,500,001 – HK$6,000,000	**–**	1
HK$6,500,001 – HK$7,000,000	**1**	1

(b) Retirement benefit schemes

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local municipal government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC municipal government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

11. FINANCE COSTS

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Interest expense:		
– Bank borrowings	**570,580**	630,128
– Other borrowings	**454,018**	316,858
Less: amounts capitalized in properties under development at a capitalization rate of 11.49% (2015: 7.97%) per annum	**(490,826)**	(360,611)
FINANCE COSTS – NET	**533,772**	586,375

12. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax in the consolidated income statement represents:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Current Income tax:		
– PRC enterprise income tax	**53,306**	(2,651)
– PRC land appreciation tax ("LAT")	**206,821**	117,197
Deferred income tax	**(46,461)**	(116,987)
	213,666	(2,441)

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2016 and 2015.

PRC Enterprise Income Tax

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2015: 25%) during the year ended 31 December 2016.

12. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures, with an exemption provided for property sales of ordinary residential properties (普通標準住房) if their appreciation values do not exceed 20% of the sum of total deductible items. Certain property development projects are subjected to LAT which is calculated based on deemed levying rates of their revenue under the approved taxation method if the specific circumstances as approved by the local tax authority are met and the companies have been de-registered or the approval has exceeded three years whichever is earlier.

The tax expense/(credit) for the year can be reconciled to the loss before income tax per the consolidated income statement as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Loss before income tax	**(908,562)**	(1,052,889)
Tax calculated at domestic rates applicable in countries concerned	**(158,522)**	(220,373)
Tax effect of share of results of associates	**17,675**	26,184
Tax effect of share of results of joint ventures	**17,408**	25,964
Effect of higher tax rate for LAT in the PRC	**155,116**	87,898
Tax effect of expenses not deductible for tax purposes	**51,632**	31,954
Tax effect of gains not taxable for tax purposes	**(18,211)**	(19,032)
Tax effect of tax losses not recognized as deferred tax assets	**224,529**	152,431
Utilisation of tax losses previously not recognized	**(61,049)**	(24,853)
Reversal of withholding tax on dividend	**(12,122)**	(55,763)
Over provision in respect of prior years	**(2,790)**	(6,851)
Tax expense/(credit)	**213,666**	(2,441)

13. DIVIDENDS

No dividend was proposed for the years ended 31 December 2016 and 2015.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Loss		
Loss attributable to owners of the Company	**(1,034,703)**	(957,138)
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
	HK Cents	HK Cents
Basic and diluted loss per share	**(6.95)**	(6.43)

Assumed exercise of share options have not been included in the computation of diluted loss per share as they are anti-dilutive for the year ended 31 December 2016 and 2015.

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2016					
Cost					
At 1 January 2016	700,762	31,944	945	104,597	838,248
Exchange differences	(36,284)	(1,800)	(55)	(7,242)	(45,381)
Additions	72,392	640	9,631	1,955	84,618
Business combination *(Note 36(b))*	60,254	–	–	463	60,717
Disposals	–	(3,950)	–	(750)	(4,700)
Disposal of subsidiaries *(Note 37)*	–	(574)	–	(805)	(1,379)
Transfer to disposal group classified as held-for-sale *(Note 29)*	(10,153)	(4,194)	–	(9,059)	(23,406)
At 31 December 2016	786,971	22,066	10,521	89,159	908,717
Accumulated depreciation					
At 1 January 2016	148,455	23,489	817	47,378	220,139
Exchange differences	(5,240)	(602)	(48)	(1,456)	(7,346)
Provided for the year	34,719	1,743	121	11,967	48,550
Eliminated on disposals	–	(3,173)	–	(281)	(3,454)
Disposal of subsidiaries *(Note 37)*	–	(408)	–	(662)	(1,070)
Transfer to disposal group classified as held-for-sale *(Note 29)*	(8,118)	(1,838)	–	(5,991)	(15,947)
At 31 December 2016	169,816	19,211	890	50,955	240,872
Net book amount	617,155	2,855	9,631	38,204	667,845

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2015					
Cost					
At 1 January 2015	738,518	35,302	1,004	109,506	884,330
Exchange differences	(37,756)	(2,145)	(59)	(5,876)	(45,836)
Additions	–	154	–	2,526	2,680
Disposals	–	(506)	–	(148)	(654)
Disposal of subsidiaries	–	(861)	–	(1,381)	(2,242)
Transfer to disposal group classified as held-for-sale	–	–	–	(30)	(30)
At 31 December 2015	700,762	31,944	945	104,597	838,248
Accumulated depreciation					
At 1 January 2015	132,215	22,434	599	39,591	194,839
Exchange differences	(6,926)	(1,444)	(36)	(2,313)	(10,719)
Provided for the year	23,166	3,238	254	10,929	37,587
Eliminated on disposals	–	(224)	–	(88)	(312)
Disposal of subsidiaries	–	(515)	–	(728)	(1,243)
Transfer to disposal group classified as held-for-sale	–	–	–	(13)	(13)
At 31 December 2015	148,455	23,489	817	47,378	220,139
Net book amount	552,307	8,455	128	57,219	618,109

As at 31 December 2016, property, plant and equipment transferred to the disposal group classified as held-for-sale amounts to HK$7,459,000 (31 December 2015: HK$17,000). See Note 29 for further details regarding the disposal group held-for-sale.

As at 31 December 2016, certain hotel buildings with net book value of HK$617,155,000 (31 December 2015: HK$552,307,000) are pledged as collateral for the Group's borrowings and loans (Note 31).

16. INVESTMENT PROPERTIES

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
At fair value		
Opening balance at 1 January	**2,719,578**	2,886,730
Exchange differences	**(127,047)**	(160,613)
Additions	**6,996**	6,613
Business combination *(Note 36 (b))*	**461,950**	–
Disposals	**(2,185)**	(17,628)
Net gains from fair value adjustment	**50,471**	4,476
Transfer to disposal group classified as held-for-sale *(Note 29)*	**(185,794)**	–
Other adjustment	**(4,978)**	–
Closing balance at 31 December	**2,918,991**	2,719,578

(a) Amounts recognized in profit and loss for investment properties

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Rental income	**139,590**	139,975
Direct operating expenses from property that generated rental income	**(40,327)**	(47,878)
Direct operating expenses from property that did not generate rental income	**(20,233)**	(10,487)
	79,030	81,610

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 33).

16. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis

An independent valuation of the Group's investment properties was performed by the valuers, DTZ Debenham Tie Leung Limited ("DTZ") and AVISTA Valuation Advisory Limited ("AVISTA"), to determine the fair value of the investment properties as at 31 December 2016. The revaluation gains or losses is included in "Change in fair value of investment properties" in consolidated income statement. The following table analyses the investment properties carried at fair value, by valuation method.

	Fair value measurements at 31 December 2016 using			
Description	**Quoted prices in active markets for identical assets (Level 1) HK$'000**	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurements				
Investment properties:				
– Shopping malls – Shanghai	–	–	1,079,000	1,079,000
– Car Parking Area- Shanghai	–	91,497	–	91,497
– Shopping malls – Yangzhou	–	–	291,230	291,230
– Shopping malls – Qingdao	–	–	995,314	995,314
– Shopping malls – Nantong	–	–	461,950	461,950
	–	91,497	2,827,494	2,918,991

16. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

	Fair value measurements at 31 December 2015 using			
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurements				
Investment properties:				
– Shopping malls – Shanghai	–	–	1,135,523	1,135,523
– Car Parking Area- Shanghai	–	96,716	–	96,716
– Shopping malls – Yangzhou	–	–	311,642	311,642
– Shopping malls – Qingdao	–	–	1,057,910	1,057,910
– Office units – South Africa	–	–	117,787	117,787
	–	96,716	2,622,862	2,719,578

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers among Levels 1, 2 and 3 during the year.

16. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2016					
	Shopping malls				Office Units	
	Shanghai HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	South Africa HK$'000	Total HK$'000
Opening balance	1,135,523	311,641	1,057,910	–	117,788	2,622,862
Exchange differences	(51,044)	(20,411)	(69,604)	–	20,399	(120,660)
Additions	–	–	–	–	6,996	6,996
Business combination	–	–	–	461,950	–	461,950
Disposals	–	–	–	–	(2,185)	(2,185)
Other adjustment	–	–	(4,978)	–	–	(4,978)
Net gains from fair value adjustment	(5,479)	–	11,986	–	42,796	49,303
Transfer to disposal group classified as held-for-sale	–	–	–	–	(185,794)	(185,794)
Closing balance	1,079,000	291,230	995,314	461,950	–	2,827,494

	Year ended 31 December 2015				
	Shopping malls			Office Units	
	Shanghai HK$'000	Yangzhou HK$'000	Qingdao HK$'000	South Africa HK$'000	Total HK$'000
Opening balance	1,173,728	359,304	1,116,994	135,848	2,785,874
Exchange differences	(42,710)	(17,849)	(59,084)	(35,587)	(155,230)
Additions	–	–	–	6,613	6,613
Disposals	–	(17,628)	–	–	(17,628)
Net gains from fair value adjustment	4,505	(12,186)	–	10,914	3,233
Closing balance	1,135,523	311,641	1,057,910	117,788	2,622,862

16. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques

The Group's investment properties were valued at 31 December 2016 and 2015 by independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every year. As at 31 December 2016, the fair values of the properties have been determined by DTZ and AVISTA.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuers.

Changes in Level 2 and 3 fair values are analyzed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team.

Valuation techniques

For car parking area in Shanghai, the valuation was determined using the direct comparison approach which is based on market observable transactions of similar project.

For shopping malls in Shanghai and Qingdao, the valuation was determined using the income approach. For shopping malls in Yangzhou and Nantong, the valuation was determined using a combination of income approach and direct comparison approach (50% each). Rental prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The valuation was based on significant unobservable inputs. These inputs are summarized as the following tables.

16. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques (Continued)

Investment properties held by the Group in the consolidated statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Shopping malls in Shanghai Zendai Thumb Plaza located in Pudong, Shanghai	**Level 3**	**Income Approach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, 3.5% to 5.5% (2015: 4%-6%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB118/sq.m. to 314/sq.m. (2015: RMB100/sq.m. to 330/sq.m.).	The higher the monthly rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 4% to 6% (2015:4.5%-6.5%).	The higher the reversionary yield, the lower the fair value.
Property 2 – Car parking area in Shanghai Zendai Thumb Plaza	**Level 2**	Direct Comparison method based on market observable transactions of similar projects	N/A	N/A

16. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques (Continued)

Investment properties held by the Group in the consolidated statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 3 – Shopping malls in 揚州証大教場 located in Yangzhou City	**Level 3**	**Income Approach and Direct Comparison** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5% (2015: 5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB123/sq.m. (2015: RMB125/sq.m.).	The higher the monthly rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 5.5% (2015: 5.5%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB18,600/sq.m. (2015:18,590/sq.m.) for the base level.	The higher the price, the higher the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques (Continued)

Investment properties held by the Group in the consolidated statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 – Shopping malls of Qingdao Zendai Thumb Plaza located in Qingdao City	**Level 3**	**Income Approach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield.	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 5.5% to 6.5% (2015: 6% to 7%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB70/sq.m. to 233/sq.m. (2015: RMB60/sq.m. to 242/sq.m.).	The higher the monthly rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties range from 6% to 7% (2015: 6.5% to 7.5%).	The higher the reversionary yield, the lower the fair value.

16. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques (Continued)

Investment properties held by the Group in the consolidated statements of financial positions	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 5 – Shopping malls in 南通壹城壹期 located in Nantong City	**Level 3**	**Income Approach and Direct Comparison** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5.5%.	The higher the capitalisation rate, the lower the fair value.
			2) Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB52/sq.m. to 94/sq.m.	The higher the monthly rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 6%.	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB17,300/sq.m. for the base level.	The higher the price, the higher the fair value.

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

(c) Non-current assets pledged as security

As at 31 December 2016 and 2015, investment properties of the Group with fair values of HK$1,340,344,000 and HK$2,392,836,000, respectively, were pledged as collateral for the Group's borrowings and loans (Note 31).

17. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of 40 years or less. The movement is as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
At beginning of the year	**570,663**	625,700
Other adjustment	**(12,268)**	–
Amortization charge	**(21,045)**	(21,941)
Exchange differences	**(35,891)**	(33,096)
At end of the year	**501,459**	570,663

As at 31 December 2016, all land use rights were pledged as collateral for the Group's borrowings and loans (Note 31).

18. GOODWILL

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Opening amount as at 1 January	**35,490**	37,362
Business combination *(Note 36)*	**74,836**	–
Exchange differences	**2,764**	(1,872)
Impairment loss	**(113,090)**	–
Closing amount as at 31 December	**–**	35,490

Goodwill acquired through certain business combination has been allocated to two (2015: one) major cash generating units ("CGU") for impairment testing.

The cash-generating units are property development projects of subsidiaries and located in the city of Shanghai and Nantong respectively. The project in Shanghai is currently available for sale. The project in Nantong comprises investment properties, completed properties held-for-sale and properties under development.

18. GOODWILL *(Continued)*

The recoverable amount for each CGU has been determined based on a value-in-use calculation using cash flow projections based on forecasts covering a five-year period. The pre-tax discount rate applied to the cash flow projections of CGU in Shanghai and Nantong is 10% (2015: 10%) per annum respectively.

The management has adopted the following key assumptions in preparation of the cash flow projections to undertake impairment testing of goodwill:

– Selling prices – The market prices of the comparable properties nearby

– Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts and consistent with external information sources.

19. INVESTMENT IN SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2016:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	indirectly
Shanghai Zendai Real Estate Co., Ltd. 上海証大置業有限公司	The PRC, limited liability company	Property development and rental in the PRC	RMB820,000,000	–	100%
Shanghai Zendai Delta Real Estate Co., Ltd. 上海証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB400,000,000	–	100%
Shanghai Zendai Himalayas Hotel Management Co., Ltd. 上海証大喜瑪拉雅酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	indirectly
Qingdao Shenlan Deluxe Hotel Management Co., Ltd. 青島深藍複式酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%
Nantong Himalayas Hotel Management Co., Ltd. 南通喜瑪拉雅酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%
Shanghai Zendai Xizhen Real Estate Development Co., Ltd. 上海証大西鎮置業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB290,000,000	–	100%
Shanghai Zendai Xizhen Thumb Commercial Management Co., Ltd. 上海証大西鎮大拇指商業經營管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%
Shanghai Zendai Operation & Management Co., Ltd. 上海証大商業經營管理有限公司	The PRC, limited liability company	Properties rental, management and agency services in the PRC	RMB20,000,000	–	100%
Shanghai Zendai Property Management Co., Ltd. 上海証大物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB5,000,000	–	100%
Qingdao Zendai Commercial Traveling and Investment Development Co., Ltd. 青島証大商業旅遊投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB250,000,000	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	indirectly
Shanghai Zendai Commercial Traveling and Investment Development Co., Ltd. 上海証大商業旅遊投資發展有限公司	The PRC, limited liability company	Hotel operation and properties rental in the PRC	RMB200,000,000	–	100%
Hainan New World Development Co., Ltd. 海南新世界發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB120,000,000	–	100%
Hainan Huayi Real Estate Co., Ltd. 海南華意置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB88,000,000	–	60%
Ordos Zendai Real Estate Development Co., Ltd. 鄂爾多斯市証大房地產開發有限公司	The PRC, limited liability company	Property development in the PRC	RMB50,000,000	–	100%
Yangzhou Zendai Commercial Traveling and Investment Development Co., Ltd. 揚州証大商旅發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB30,000,000	–	80%
Yangzhou Thumb Commercial Management Co., Ltd. 揚州大拇指商業經營管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB500,000	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	indirectly
Qingdao Zendai Thumb Commercial Development Co., Ltd. 青島証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	USD12,000,000	–	100%
Jiangsu Zendai Commercial Culture Development Co., Ltd. 江蘇証大商業文化發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB50,000,000	–	100%
Jiangsu Junxin Building Material Co., Ltd. 江蘇駿信建材有限公司	The PRC, limited liability company	Property development in the PRC	RMB5,000,000	–	100%
Yantai Zendai Thumb Real Estate Co., Ltd. 煙臺証大大拇指置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB150,000,000	–	70%
Auto Win Investments Limited	British Virgin, limited company	Properties rental in the PRC	USD 1	100%	–
Shanghai Zendai Nanjing Property Management Co., Ltd. 上海証大南京物業管理有限公司	The PRC, limited liability company	Property development in the PRC	RMB1,000,000	–	60%
Nanjing Lifang Real Estate Co., Ltd. 南京立方置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB700,000,000	–	80%
Nanjing Wudaokou Real Estate Co., Ltd. 南京五道口置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB100,000,000	–	80%
Nanjing Zendai Delta Real Estate Co., Ltd. 南京証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB20,000,000	–	80%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	indirectly
Wenguang Zendai Nantong Cultural Investment & Development Co., Ltd. ("Wenguang Zendai") 文廣証大南通文化投資發展有限公司*(a)*	The PRC, limited liability company	Property development and investment in the PRC	RMB100,000,000	–	100%
Nanjing Shuiqingmuhua Real Estate Co., Ltd. ("Nanjing Shuiqingmuhua") 南京水清木華置業有限公司*(a)*	The PRC, limited liability company	Property development in the PRC	RMB20,000,000	–	80%
Haimen Zendai Binjiang Real Estate CO., Ltd. 海門証大濱江置業有限公司	The PRC, limited liability company	Property development in the PRC	USD49,600,000	–	100%
Haimen Zendai Creative Investment Development Co., Ltd. 海門証大創意投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB3,800,000	–	100%
Haimen Zendai Binjiang Property Management Co., Ltd. 海門証大濱江物業管理有限公司	The PRC, limited liability company	Property development in the PRC	RMB500,000	–	100%
Zendai Development (South Africa) Property Limited	South Africa, limited company	Property development in South Africa	ZAR1	–	100%
Zendai Investment (South Africa) Property Limited	South Africa, limited company	Property investment in South Africa	ZAR1	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

(a) These are the new subsidiaries the Group acquired in 2016 (Note 36). Nanjing Shuiqingmuhua had no business activities except for holding certain land use right at the time of acquisition. The sole intention of the Group to acquire Nanjing Shuiqingmuhua is for its underlying core assets. Accordingly, the Group accounted for the acquisition of this subsidiary as asset acquisition.

The principal activity of Wenguang Zendai is property development and investment. The Group accounted for the acquisition of this subsidiary as business combination.

(b) 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.

(c) The total amount of non-controlling interest is HK$27,289,000 (2015: HK$216,182,000), which is considered not material to the Group.

(d) As at 31 December 2016, the Group pledged several wholly owned subsidiaries' shares held by the Group to secure certain borrowings and loans granted to the Group.

20. INVESTMENT IN ASSOCIATES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
At 1 January	**131,719**	182,808
Share of loss	**(70,698)**	(104,737)
Additions	**–**	56,067
Exchange differences	**(5,472)**	(2,419)
At 31 December	**55,549**	131,719

Set out below are the associates of the Group as at 31 December 2016. The associates as listed below have registered capitals which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

20. INVESTMENT IN ASSOCIATES *(Continued)*

Nature of investment in associates as at 31 December 2016

Name of entity	Place of business	Particulars of pick-up capital	% of ownership interest	Principal operation
Shanghai Zendai Himalayas Company Ltd. ("Zendai Himalayas") 上海証大喜瑪拉雅有限公司	the PRC	Registered capital RMB633,630,000	45%	Hotel operation
Langfang Zhenghetai Real Estate Co., Ltd. ("Langfang Zhenghetai") 廊坊市証合泰房地產開發有限公司	the PRC	Registered capital RMB137,000,000	27%	Property development

(a) There were no contingent liabilities or capital commitments relating to the Group's investments in associates.

20. INVESTMENT IN ASSOCIATES *(Continued)*

(b) Summarized financial information for material associates

Set out below is the summarized financial information in respect of Zendai Himalayas as at 31 December 2016 which, in the opinion of the directors, is material to the Group. The information below reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Group's share of those amounts.

Summarized balance sheet	**As at 31 December**	
	2016	2015
	HK$'000	HK$'000
Current assets	**55,523**	245,164
Non-current assets	**3,855,883**	4,240,879
Current liabilities	**(1,262,506)**	(1,465,058)
Non-current liabilities	**(2,336,466)**	(2,522,410)
Net assets	**312,434**	498,575
Included in the above amounts are:		
Cash and cash equivalents	**17,811**	13,772
Current financial liabilities (excluding trade and other payable)	**(1,036,706)**	(1,252,715)
Non-current financial liabilities (excluding other payable and provision)	**(2,336,466)**	(2,522,410)

Summarized statement of comprehensive income	**Year ended 31 December**	
	2016	2015
	HK$'000	HK$'000
Revenue	**297,444**	299,201
Loss from operations	**(166,554)**	(232,749)
Included in the above amounts are:		
Depreciation and amortization	**(113,535)**	(84,103)
Interest income	**114**	77
Interest expense	**(138,275)**	(158,281)

20. INVESTMENT IN ASSOCIATES *(Continued)*

(c) Reconciliation of the summarized financial information presented to the carrying amount of its interest in all associates.

	2016 HK$'000	2015 HK$'000
Opening net assets 1 January	**706,230**	762,630
Loss for the period	**(154,328)**	(232,749)
Additons	**–**	207,656
Exchange differences	**(33,731)**	(31,307)
Closing net assets	**518,171**	706,230
Group's share of net assets of associates	**55,549**	131,719

21. INVESTMENT IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
At 1 January	**1,178,596**	1,341,952
Share of loss	**(69,633)**	(103,854)
Exchange differences	**(50,306)**	(93,482)
Other comprehensive income	**–**	33,980
At 31 December	**1,058,657**	1,178,596

Set out below is the joint venture of the Group as at 31 December 2016. The joint venture as listed below has registered capital which is held directly by the Group; the country of incorporation or registration is also its principal place of business.

21. INVESTMENT IN JOINT VENTURES *(Continued)*

Nature of investment in joint venture as at 31 December 2016

Name of entity	Place of business	Particulars of issued and paid up	% of ownership interest	Principle activities
Nanjing Thumb Commercial Development Co., Ltd ("Nanjing Zendai") 南京証大大拇指商業發展有限公司	the PRC	Registered capital RMB1,199,682,000	77%	Property development in the PRC

(a) Although the Group holds more than 50% of the equity shares of Nanjing Zendai, the Group exercises joint control under the contractual agreement in the strategic financial and operating policy decisions of the entity. Accordingly, Nanjing Zendai is considered as a joint venture of the Group by the directors.

(b) There were no contingent liabilities or capital commitments relating to the Group's investments in joint ventures.

21. INVESTMENT IN JOINT VENTURES *(Continued)*

(c) Summarized financial information for joint ventures

Set out below is the summarized financial information in respect of Nanjing Zendai as at 31 December 2016 and 2015 which, in the opinion of the directors, is material to the Group. The information below reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Group's share of those amounts.

Summarized balance sheet	**As at 31 December**	
	2016	2015
	HK$'000	HK$'000
Current assets	**4,318,485**	3,863,298
Non-current assets	**360**	916
Current liabilities	**(2,865,920)**	(1,283,204)
Non-current liabilities	**(334,747)**	(1,308,657)
Net assets	**1,118,178**	1,272,353
Included in the above amounts are:		
Cash and cash equivalents	**363,170**	426,145
Current financial liabilities (excluding trade and other payable)	**(1,181,656)**	(734,328)
Non-current financial liabilities (excluding other payable and provision)	**(334,747)**	(1,308,657)

Summarized statement of comprehensive income	**Year ended 31 December**	
	2016	2015
	HK$'000	HK$'000
Revenue	**–**	–
Loss from operations	**(74,147)**	(76,323)
Included in the above amounts are:		
Depreciation and amortization	**(597)**	(706)
Interest income	**2,178**	421

21. INVESTMENT IN JOINT VENTURES *(Continued)*

(d) Reconciliation of the summarized financial information presented to the carrying amount of its interest in joint ventures.

	2016 HK$'000	2015 HK$'000
Opening net assets 1 January	**1,320,632**	1,501,983
Loss for the period	**(128,993)**	(171,865)
Exchange differences	**(73,461)**	(77,446)
Other comprehensive income	**–**	67,960
Closing net assets	**1,118,178**	1,320,632
Group's share of net assets of joint ventures	**1,058,657**	1,178,596

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2016 HK$'000	2015 HK$'000
Equity interests, at cost *(a)*	**59,529**	63,701
Investment funds, at fair value	**–**	2,176
	59,529	65,877
Less: non-current portion	**(59,529)**	(63,701)
Current portion	**–**	2,176

(a) The balance represents investments cost of HK$59,529,000 (2015: HK$63,701,000) in two (2015: two) entities established in the PRC and are classified under non-current assets. They are measured at cost less any impairment at the end of each reporting period because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Properties under development	**8,139,995**	7,652,847
Completed properties held-for-sale	**1,324,913**	1,597,715
	9,464,908	9,250,562

During the year of 2016, no impairment provision has been recognized for properties under development and completed properties held-for-sale.

During the year of 2015, the impairment provision of HK$92,368,000 has been recognized for properties under development and completed properties held-for-sale mainly attributable to the decrease in estimated net realizable value located in Haimen, the PRC due to current market condition.

As at 31 December 2016, certain properties under development and held-for-sale with carrying amount of HK$4,390,410,000 (31 December 2015: HK$3,207,160,000) are pledged to banks to secure certain borrowings and loans (Note 31) granted to the Group.

Properties under development and held-for-sale which are expected to be recovered in more than twelve months after the end of reporting period are classified under current assets as they are expected to be realised in the Group's normal operating cycle. The amounts of properties under development and for sales that are expected by management to be realised after more than twelve months from the end of reporting period are HK$7,332,208,000 (2015: HK$8,202,089,000).

24. INVENTORIES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Food, beverage and low value consumables	**3,314**	3,848

25. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Trade receivables *(a)*	**84,108**	26,363
Prepayments for business tax and others	**502,036**	168,748
Consideration receivables on disposal of subsidiaries	**111,582**	119,403
Deposits	**22,475**	24,285
Other receivables	**99,461**	64,265
Less: provision for impairment of receivables	**(49,943)**	–
Other receivables-net	**49,518**	64,265
	769,719	403,064

As at 31 December 2016 and 2015, the majority of the Group's trade and other receivables are dominated in RMB.

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) The ageing analysis of trade receivables at the end of reporting period is as follows:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Current *(i)*	**73,024**	14,962
Less than 1 month past due	**2,361**	2,404
1 to 3 months past due	**2,090**	2,118
More than 3 months but less than 12 months past due	**2,550**	4,482
More than 12 months past due	**4,083**	2,397
Amount past due but not impaired *(ii)*	**11,084**	11,401
	84,108	26,363

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$11,084,000 (2015: HK$11,401,000) was past due but not impaired. The Group recognized impairment loss on individual assessment based on the accounting policies. The Directors consider the balance would be recoverable.

26. DEPOSITS FOR PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Deposits for acquisition of land use rights and properties in the PRC	**–**	498,297
Prepayments to property construction contractors	**46,419**	83,197
	46,419	581,494

27. PLEDGED BANK DEPOSITS

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Pledged bank deposits	**1,429,233**	1,178,507
Less: non-current portion	**–**	(238,806)
Current potion	**1,429,233**	939,701

Pledged bank deposits represent deposits pledged to banks to secure certain borrowings and loans (Note 31) granted to the Group. The pledged bank deposits carry interest ranging from 1.35% to 1.95% per annum (2015: 1.60% to 3.30% per annum).

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Cash on hand	**796**	1,275
Cash at bank	**709,068**	1,627,889
Cash and cash equivalents	**709,864**	1,629,164

As at 31 December 2016 and 2015, the Group had no bank overdrafts balance.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
RMB	**638,069**	1,570,823
USD	**68,413**	28,166
ZAR	**–**	22,106
HK$	**3,382**	8,069
Cash and cash equivalents	**709,864**	1,629,164

29. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

As at 31 December 2016, the assets and liabilities related to Myway Development Limited, Haimen Zendai Binjiang Real Estate Co., Ltd. (海門証大濱江置業有限公司), Haimen Zendai Creative Investment Development Co., Ltd. (海門証大創意投資發展有限公司), Haimen Zendai Binjiang Property Management Co., Ltd. (海門証大濱江物業管理有限公司), Zendai Development (South Africa) Property Limited, Zendai Investment (South Africa) Property Limited, Zendai Capital Property Limited and Zendai Residential Property Limited, 100% owned subsidiaries of the Group, have been presented as held-for-sale following the Group's decision to dispose these subsidiaries during the year. The disposal is expected to be completed in 2017.

As at 31 December 2015, the assets and liabilities related to Jilin Juncheng Real Estate Development Co., Ltd. (吉林省君誠房地產開發有限公司) ("Jilin Juncheng") was presented as held-for-sale. The disposal was completed in 2016 (note 37).

(a) Assets of disposal group classified as held-for-sale

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Property, plant and equipment	**7,459**	17
Investment properties	**185,794**	–
Properties under development and completed properties held-for-sale	**1,797,130**	258,390
Trade and other receivables	**34,820**	4,762
Tax prepayments	**11,416**	96
Cash and cash equivalents	**43,949**	248
Total	**2,080,568**	263,513

29. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE *(Continued)*

(b) Liabilities of disposal group classified as held-for-sale

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Borrowings and loans	**9,867**	–
Deferred income tax liabilities *(Note 33)*	**4,176**	–
Trade and other payables	**88,322**	41,359
Receipts in advance from customers	**280,038**	–
Total	**382,403**	41,359

(c) Cumulative expense or (income) recognized in other comprehensive income relating to disposal group classified as held-for-sale

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Exchange differences arising on translation of foreign operations	**119,644**	(27,513)

30. TRADE, NOTES AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Trade payables *(a)*	**675,270**	677,113
Consideration payable for acquisition of land use rights *(b)*	**151,971**	162,969
Consideration payable for acquisition of a subsidiary	**197,027**	–
Advances received for disposal group classified as held-for-sale	**167,373**	–
Other payables and accruals	**712,171**	423,428
	1,903,812	1,263,510
Less: non – current liabilities		
Consideration payable for acquisition of land use rights *(b)*	**(143,044)**	(153,417)
Others	**(15,979)**	(37,905)
	1,744,789	1,072,188

(a) The ageing analysis of trade payables at the end of reporting period is as follows:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Current or less than 1 month	**316,356**	392,367
1 to 3 months	**5,466**	84,438
More than 3 months but less than 12 months	**162,143**	124,856
More than 12 months	**157,368**	47,471
	641,333	649,132
Retention money	**33,937**	27,981
	675,270	677,113

The trade payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

30. TRADE, NOTES AND OTHER PAYABLES *(Continued)*

(b) The amount represents consideration for acquisition of land use rights amounting to RMB360,000,000 (equivalent to HK$401,969,000) payable to an independent third party. The balance is repayable in 38 years by annual instalments, starting from February 2009. The carrying amount of the payable of RMB136,196,000 (equivalent to HK$151,971,000) (2015: RMB136,487,000 (equivalent to HK$162,969,000)) of which RMB8,000,000 (equivalent to HK$8,927,000) (2015: RMB8,000,000 (equivalent to HK$9,552,000) is included in current liabilities as at 31 December 2016 represents the expected cash flows from settlement of the payable discounted at the effective interest rate of 6% per annum prevailing at the time of recognition of the payable plus unwinding discount less settlement made up to the end of the reporting period.

31. BORROWINGS AND LOANS

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Secured	**6,954,087**	9,102,237
Unsecured	**2,134,568**	2,149,254
	9,088,655	11,251,491

At the end of reporting period, the borrowings and loans were repayable as follows:

	2016	2015
Within one year	**7,431,994**	5,667,208
More than one year, but not exceeding two years	**706,136**	2,452,343
More than two years, but not exceeding five years	**616,760**	2,537,552
After five years	**333,765**	594,388
Total borrowings and loans	**9,088,655**	11,251,491
Less:		
Amount repayable within one year included in current liabilities	**(7,431,994)**	(5,667,208)
Amount repayable after one year	**1,656,661**	5,584,283

The Group's borrowings and loans bear an interest range from 1.88% to 25% per annum (2015: 1.58% to 13% per annum).

31. BORROWINGS AND LOANS *(Continued)*

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
6 months or less	**6,706,204**	3,044,205
6-12 months	**1,703,251**	4,022,557
1-5 years	**679,200**	4,184,729
	9,088,655	11,251,491

As at 31 December 2016, borrowings and loans of HK$6,954,087,000 (2015: HK$9,102,237,000) were secured by certain hotel properties (Note 15), investment properties (Note 16), land use right (Note 17) and subsidiaries' shares (Note 19), properties under development and completed properties held-for-sale (Note 23).

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
USD	**1,316,629**	1,926,304
RMB	**7,772,026**	9,325,187
	9,088,655	11,251,491

The fair value of non-current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using rates based on the borrowing rate and are within Level 2 of the fair value hierarchy.

32. TAX PREPAYMENTS/PAYABLES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Tax prepayments		
PRC Enterprise Income Tax prepayments	**90,872**	17,709
LAT prepayments	**80,712**	72,875
	171,584	90,584

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Tax payables		
PRC Enterprise Income Tax payable	**121,209**	63,545
LAT provision	**501,472**	392,182
	622,681	455,727

33. DEFERRED INCOME TAX

Details of the deferred income tax assets and liabilities recognized and movements during the current and prior years were as follows:

Deferred income tax assets	**Tax losses**	**Other**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2015	–	–	–
Credited to income statement	6,509	14,320	20,829
Currency translation differences	–	(556)	(556)
At 31 December 2015	6,509	13,764	20,273
Credited/(charged) to income statement	20,056	(5,088)	14,968
Currency translation differences	(1,322)	(2,841)	(4,163)
At 31 December 2016	**25,243**	**5,835**	**31,078**

33. DEFERRED INCOME TAX *(Continued)*

Deferred income Liabilities	Revaluation of property, plant and equipment and land use rights HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties for sale HK$'000	Withholding tax on dividend HK$'000	Total HK$'000
At 1 January 2015	184,081	195,469	83,772	115,227	578,549
Currency translation difference	(7,976)	(7,208)	(3,196)	(11,072)	(29,452)
Credited to income statement	(20,794)	(11,856)	(7,746)	(55,762)	(96,158)
Credited to other comprehensive income	–	–	(2,145)	–	(2,145)
At 31 December 2015	155,311	176,405	70,685	48,393	450,794
Currency translation difference	(10,098)	(10,282)	(4,501)	(3,754)	(28,635)
(Credited)/charged to income statement	(1,634)	2,154	(19,891)	(12,122)	(31,493)
Business combination *(Note 36(b))*	–	–	8,184	–	8,184
Transfer to disposal group classified as held-for-sale *(Note 29(b))*	–	–	(4,176)	–	(4,176)
At 31 December 2016	**143,579**	**168,277**	**50,301**	**32,517**	**394,674**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2016, the Group did not recognize deferred income tax assets of HK$637,797,000 (31 December 2015: HK$547,357,000) in respect of cumulative losses amounting to HK$2,709,634,000 (31 December 2015: HK$2,322,755,000) that can be carried forward against future taxable income.

As at 31 December 2016, cumulative losses amounting to HK$712,513,000 (31 December 2015:HK$856,773,000) can be carried forward indefinitely and the tax losses of HK$1,997,121,000 (31 December 2015: HK$1,465,982,000) will expire in five years' time.

34. SHARE CAPITAL

(a) Authorized and issued share capital

Authorized	As at 31 December			
	2016 Number	**2016 HK$'000**	2015 Number	2015 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000

Issued and fully paid	As at 31 December			
	2016 Number	**2016 HK$'000**	2015 Number	2015 HK$'000
Ordinary shares of HK$0.02 each	**14,879,351,515**	**297,587**	14,879,351,515	297,587

(b) Share option scheme

2012 Share Option Scheme

The Company adopted a share option scheme on 26 June 2012 (the "2012 Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the 2012 Share Option Scheme are as follows:

On 26 June 2012, the Company adopted the 2012 Share Option Scheme which will expire in July 2022. Pursuant to the terms of the 2012 Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant. Options granted are exercisable at any time during a period to be notified by the Board of the Company but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer at the consideration of HK$1.

34. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company shall not exceed 1,243,725,152 shares, being 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted. This represents 8.35% of the current issued shares of the Company.

The 2012 Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the 2012 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the 2012 Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

34. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

During the year, no options have been granted under the 2012 Share Option Scheme (2015: 1,242,000,000 shares with estimated fair value of HK$62,100,000).

As at 31 December 2016, options for 1,242,000,000 shares were outstanding (2015: 1,242,000,000), among which 931,500,000 shares were vested and exercisable (2015: 621,000,000). The options outstanding as at 31 December 2016 had a remaining contractual life were 1.86 years (2015: 2.86 years).

No option had lapsed (2015: Nil) during the year ended 31 December 2016.

34. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

The following tables disclose the movements in such share options during the year:

Date of grant	Exercisable period	Exercise Price HK$	Number of shares in respect of the options granted Outstanding at 1 January 2016	Lapsed during the year	Outstanding at 31 December 2016
Options granted to employees					
26-Oct-15	26 October 2015- 25 October 2018	0.207	497,000,000	–	497,000,000
26-Oct-15	26 October 2016- 25 October 2018	0.207	248,500,000	–	248,500,000
26-Oct-15	26 October 2017- 25 October 2018	0.207	248,500,000	–	248,500,000
			994,000,000	–	994,000,000
Options granted to service suppliers					
26-Oct-15	26 October 2015- 25 October 2018	0.207	124,000,000	–	124,000,000
26-Oct-15	26 October 2016- 25 October 2018	0.207	62,000,000	–	62,000,000
26-Oct-15	26 October 2017- 25 October 2018	0.207	62,000,000	–	62,000,000
			248,000,000	–	248,000,000
			1,242,000,000	–	1,242,000,000
Weighted average exercise price (HK$)			0.207	–	0.207

34. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

Date of grant	Exercisable period	Exercise Price HK$	Number of shares in respect of the options granted: Outstanding at 1 January 2015	Granted during the year	Outstanding at 31 December 2015
Options granted to employees					
26-Oct-15	26 October 2015- 25 October 2018	0.207	–	497,000,000	497,000,000
26-Oct-15	26 October 2016- 25 October 2018	0.207	–	248,500,000	248,500,000
26-Oct-15	26 October 2017- 25 October 2018	0.207	–	248,500,000	248,500,000
			–	994,000,000	994,000,000
Options granted to service suppliers					
26-Oct-15	26 October 2015- 25 October 2018	0.207	–	124,000,000	124,000,000
26-Oct-15	26 October 2016- 25 October 2018	0.207	–	62,000,000	62,000,000
26-Oct-15	26 October 2017- 25 October 2018	0.207	–	62,000,000	62,000,000
			–	248,000,000	248,000,000
			–	1,242,000,000	1,242,000,000
Weighted average exercise price (HK$)			–	0.207	0.207

35. LEASES

Operating leases – lessee

The lease payments recognized as expenses are as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Minimum lease payments	**13,245**	10,449

The total future minimum lease payments are due as follows:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Not later than one year	**35,958**	34,416
Later than one year and not later than five years	**114,768**	76,025
Later than five years	**86,617**	51,575
	237,343	162,016

Operating lease payments in respect of rented premises payable by the Group relate to certain commercial properties for sub-letting and certain of its office premises. Leases are usually negotiated for an average term of two to ten years.

35. LEASES *(Continued)*

Operating leases – lessor

The Group's investment properties and certain properties for sales are leased to a number of tenants for leasing period from 3 to 20 years.

The minimum rent receivables under non-cancellable operating leases are as follows:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Not later than one year	**118,019**	101,431
Later than one year and not later than five years	**369,087**	305,272
Later than five years	**218,700**	227,497
	705,806	634,200

36. ACQUISITION OF SUBSIDIARY AND BUSINESS COMBINATION

(a) During the year, the Group completed the acquisition of 100% interests of a property development company, Nanjing Shuiqingmuhua from a third party. The consideration of the acquisition amounted to RMB1,162,470,000 (equivalent to approximately HK$1,297,110,000) which has been prepaid partly by the Group in 2015. The major asset of Nanjing Shuiqingmuhua comprises a land parcel located in Jiangsu Province, the PRC.

36. ACQUISITION OF SUBSIDIARY AND BUSINESS COMBINATION

(Continued)

(a) *(Continued)*

The above acquisition was accounted for as acquisition of assets as the entity acquired by the Group does not constitute a business. Details of the assets acquired in the above acquisition was as follows:

	Carrying value of the adjusted asset acquired HK$'000
Assets acquired:	
Properties under development	1,297,110
	1,297,110
Total consideration satisfied by:	
Prepayments	398,231
Cash	701,852
Amount due to a third party	197,027
	1,297,110
Net cash outflow arising on acquisition	
Cash consideration paid	701,852

36. ACQUISITION OF SUBSIDIARY AND BUSINESS COMBINATION

(Continued)

(b) Business combination

The Group originally held 50% of Wenguang Zendai and Wenguang Zendai was accounted as a joint venture of the Group. In October 2016, the Group acquired the remaining 50% of Wenguang Zendai (the "Acquisition"). The Acquisition was completed in December 2016 and Wenguang Zendai became a 100% subsidiary of the Group afterwards.

As a result of the acquisition, the Group is able to exercise control over Wenguang Zendai. A goodwill of HK$74,836,000 was recognized from the Acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes. Goodwill impairment review was undertaken as at the year end accordingly (Note 18).

The following table summarizes the consideration paid for Wenguang Zendai, the fair value of assets acquired, liabilities assumed as at the acquisition date.

	As at Acquisition Date HK$'000
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	
Cash and cash equivalents	55,354
Other receivables	40,337
Completed properties held-for-sale	309,975
Properties under development	640,705
Tax prepayments	31,059
	1,077,430

36. ACQUISITION OF SUBSIDIARY AND BUSINESS COMBINATION

(Continued)

(b) Business combination *(Continued)*

	As at Acquisition Date HK$'000
Non-current assets	
Property, plant and equipment *(Note 15)*	60,717
Investment properties *(Note 16)*	461,950
	522,667
Current Liabilities	
Trade and other payables	1,179,523
Receipts in advance from customers	388,886
Deferred tax liabilities *(Note 33)*	8,184
	1,576,593
Total identifiable net assets	23,504
Total cash consideration	86,588
Investment in Wenguang Zendai before the Acquisition	11,752
Less: fair value of net assets acquired by the Group	(23,504)
Goodwill *(Note 18)*	74,836

36. ACQUISITION OF SUBSIDIARY AND BUSINESS COMBINATION

(Continued)

(b) Business combination *(Continued)*

	For the year ended 31 December 2016 HKD'000
Outflow of cash for the Acquisition, net of cash acquired	
– Cash and cash equivalents	55,354
– Cash consideration paid	(86,588)
Cash outflow for the Acquisition	**(31,234)**

Acquisition-related costs of HK$83,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2016.

Wenguang Zendai contributed no revenue or profit or loss to the Group for the period since the Acquisition completed on 31 December 2016. If the acquisition had occurred on 1 January 2016, consolidated revenue and consolidated net loss of the Group for the year ended 31 December 2016 would have increased by HK$78,649,000 and HK$54,846,000 respectively.

The Group recognized a gain of HK$12,301,000 as a result of re-measuring its original 50% equity interest in Wenguang Zendai held before the business combination at fair value. The gain is included in other income and gains in the Group's consolidated income statement for the year ended 31 December 2016.

37. DISPOSAL OF SUBSIDIARIES

Disposal of entire interests in subsidiaries

In 2016, the Group disposed its entire interests in Jilin Juncheng and Jinlin Zendai Chenghua Property Management Co., Ltd. to a third party at a consideration of HKD150,595,000.

In 2016, the Group disposed its entire interests in Changchun Zendai Real Estate Co., Ltd. and Changchun Zendai Property Service Co., Ltd. to a third party at a consideration of HK$52,585,000.

In 2016, the Group disposed entire interests in Jin Qiu Int'l Holdings Limited ("Jinqiu") and Shanghai Zendai Real Estate Ltd. to a third party at consideration of HK$20,772,000.

The effect of disposal of the subsidiaries on the equity attribute to owners of the Company during the period is summarized as follows:

	Year ended 31 December 2016 HK$'000
Proceeds received in cash on disposal of the subsidiaries	203,180
Advance received on disposal of the subsidiaries	20,772
Release of exchange differences on disposal of subsidiaries	32,485
Carrying value of the subsidiaries' net assets disposed – shown as below	(207,704)
Gain on disposal of the subsidiaries	**48,733**

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

Disposal of entire interests in subsidiaries *(Continued)*

The assets and liabilities arising from the disposal are as follows:

	Carrying value HK$'000
Property, plant and equipment	309
Properties under development and Completed properties held-for-sale	330,628
Trade and other receivables	159,349
Deferred tax assets	2,318
Cash and cash equivalents	6,880
Advance receipts from customers	(6,146)
Trade and other payables	(177,111)
Tax payable	(17,854)
Non-controlling interests	(90,669)
Net assets disposed	**207,704**
Inflow of cash to dispose subsidiaries, net of cash disposed	
Proceeds received in cash	203,180
Cash and cash equivalents in subsidiaries disposed	(6,880)
Net cash inflow on disposal	196,300

38. RELATED PARTY TRANSACTIONS/BALANCES

As at 31 December 2016, Smart Success Capital Ltd., the largest shareholder of the Company, held 48.16% in the issued shares of the Company.

Smart Success Capital Ltd. is 40% indirectly owned by China Orient Asset Management (International) Holding Limited ("COAMI"), which is ultimately held by China Orient Asset Management Corporation.

In addition to those disclosed elsewhere in the financial statements, the Group had entered into the following significant transactions and had balances with related parties:

38. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(a) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Short-term benefits	**18,891**	11,665
Post-employment benefits	**386**	218
Share-based-payment expenses	**4,650**	7,678
	23,927	19,561

The remuneration of key management personnel is determined by reference to the performance of individuals and market trends.

(b) Other related party transactions

(i) As at 31 December 2016, COAMI provided guarantees on certain borrowings of the Group amounting to HK$1,653,649,000 (31 December 2015: HK$1,817,127,000). During the year, the service fee relating to the guarantees amounting to HK$137,012,000 (2015: HK$95,226,000) was accrued by the Group.

(ii) As at 31 December 2016, Shenzhen Qianhai Orient Venture Financial Holdings Co., Ltd. (深圳前海東方創業金融控股有限公司), a subsidiary of COAMI, provided entrusted loans to the Group amounting to HK$2,000,669,000 (31 December 2015: HK$2,149,254,000) with an interest rate 12% per annum (31 December 2015: 12% per annum).

(iii) As at 31 December 2016, the Group provided guarantees on certain borrowings of its joint ventures amounting to HK$1,227,405,000 (31 December 2015: HK$747,654,000). No service fee is charged for the guarantee provided.

38. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(c) Balances with related parties

	Amounts owed to the Group by related parties As at 31 December		Amounts owed by the Group to related parties As at 31 December	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Amounts due from associates	**975,241**	1,048,960	**–**	–
Amounts due from joint ventures	**291,795**	1,522,993	**–**	–
Amounts due to joint ventures	**–**	–	**997,074**	1,156,769
Balance included in amounts due to minority owners of subsidiaries	**–**	–	**562,773**	933,859

Except for the amounts of HK$562,773,000 (31 December 2015: HK$863,805,000) due to minority owners of subsidiaries, which borne interest at 12% to 16% per annum, repayable in one year (2015:two years), all other balances with related parties were unsecured, interest-free and repayable on demand, which are cash advances in nature.

The Group had not made any provision for bad or doubtful debts in respect of related party debtors.

39. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2016 and 2015:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Guarantees in respect of mortgage facilities for certain purchasers	**83,348**	208,413

As at 31 December 2016 and 31 December 2015, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties, net of mortgages received and included in receipts in advance from customers. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

40. COMMITMENTS

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Commitments in respect of properties under development and investment properties		
– contracted for but not provided	**7,689,278**	3,257,973
Commitments for acquisition of subsidiaries		
– contracted for but not provided *(a)*	**2,625,361**	3,771,254
Commitments for purchase of completed properties held-for-sale		
– contracted for but not provided	**–**	338,089

40. COMMITMENTS *(Continued)*

(a) In August 2015, the Group entered into equity transfer agreements with a third party to acquire the entire equity interests of six real estate project companies at a total consideration of RMB4,513,609,000 (equivalent to HK$5,036,386,000). The major assets of the acquiree comprise the land parcels located in Nanjing, the PRC. The transfer of equity interests of one of the project companies namely Nanjing Shuiqingmuhua (2015: one project company) was completed during the year ended 31 December 2016 (Note 36). As at 31 December 2016, the Group has paid and accrued amounting to RMB2,160,760,000 (equivalent to HK$2,411,025,000) (as at 31 December 2015: RMB1,355,184,000 (equivalent to HK$1,618,130,000), the remaining balance of RMB2,352,849,000 (equivalent to HK$2,625,361,000) is required to be paid upon the completion of transfer of equity interests in the real estate project companies.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the Group's financial assets and liabilities by category:

	Loans and receivables	Available for sale financial assets	Total
	HK$'000	HK$'000	HK$'000
Assets			
As at 31 December 2016			
Available-for-sale financial assets	–	59,529	59,529
Trade and other receivables excluding prepayments	267,683	–	267,683
Pledged bank deposits	1,429,233	–	1,429,233
Cash and cash equivalents	709,864	–	709,864
Amounts due from associates	975,241	–	975,241
Amounts due from joint ventures	291,795	–	291,795
	3,673,816	59,529	3,733,345

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Loans and receivables HK$'000	Available for sale financial assets HK$'000	Total HK$'000
As at 31 December 2015			
Available-for-sale financial assets	–	65,877	65,877
Trade and other receivables excluding prepayments	234,316	–	234,316
Restricted bank deposits	1,178,507	–	1,178,507
Cash and cash equivalents	1,629,164	–	1,629,164
Amounts due from associates	1,048,960	–	1,048,960
Amounts due from joint ventures	1,522,993	–	1,522,993
Amounts due from minority owner of subsidiaries	30,090	–	30,090
	5,644,030	65,877	5,709,907

	Other financial liabilities at amortized method HK$'000
Liabilities	
As at 31 December 2016	
Borrowings and loans	**9,088,655**
Trade and other payables excluding tax payables	**1,777,389**
Amounts due to minority owners of subsidiaries	**659,403**
Amounts due to joint ventures	**997,074**
	12,522,521
As at 31 December 2015	
Borrowings and loans	11,251,491
Trade and other payables excluding tax payables	1,255,541
Amount due to minority owners of subsidiaries	933,859
Amounts due to joint ventures	1,156,769
	14,597,660

42. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Trade receivables		
Counterparties without external credit rating	**84,108**	26,363
Trade receivables that are neither past due nor impaired	**73,024**	14,962

The recoverability of loan and other receivables including amounts due from associates and joint ventures is assessed taking into account of the financial position of the counter parties, past experiences and other factors. The management does not expect any significant losses from non-performance by the counterparties.

All bank deposits are with reputable corporate banks. None of the bank deposits is considered as exposed to major credit risk.

None of the financial assets that are fully performing has been renegotiated in 2016 and 2015.

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
		2016	2015
	Note	**HK$'000**	HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**1,027,482**	1,027,482
Amounts due from subsidiaries		**–**	910,588
Loans to subsidiaries		**1,217**	833
		1,028,699	1,938,903
Current assets			
Amounts due from subsidiaries		**3,653,427**	3,614,521
Trade and other receivables		**13,611**	61
Deposits for property development		**22,000**	25,571
Cash and cash equivalents		**70,883**	35,826
		3,759,921	3,675,979
Total assets		**4,788,620**	5,614,882
Equity and liabilities			
Equity attributable to owners of the company			
Share capital		**297,587**	297,587
Share premium		**2,164,700**	2,164,700
Other reserves	*(a)*	**281,250**	261,843
Accumulated losses	*(a)*	**(375,234)**	(308,105)
Total equity		**2,368,303**	2,416,025

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

		As at 31 December	
		2016	2015
	Note	**HK$'000**	HK$'000
Liabilities			
Non-current liabilities			
Borrowings and loans		**–**	375,960
Current liabilities			
Amounts due to subsidiaries		**647,805**	893,384
Amounts due to a joint venture		**121,154**	121,154
Trade and other payables		**11,017**	138,987
Borrowings and loans		**1,640,341**	1,669,372
		2,420,317	2,822,897
Total liabilities		**2,420,317**	3,198,857
Total equity and liabilities		**4,788,620**	5,614,882

The balance sheet of the Company was approved by the Board of Directors on 30 March 2017 and was signed on its behalf.

Li Li Hua	**Zhang Chenguang**
Director	*Director*

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

(a) Reserve movement of the Company

	Accumulated losses HK$'000	Other reserves HK$'000
At 1 January 2015	(183,705)	226,912
Loss for the year	(124,400)	–
Grant of share options	–	34,931
At 31 December 2015	(308,105)	261,843
At 1 January 2016	**(308,105)**	**261,843**
Loss for the year	**(67,129)**	**–**
Grant of share options	**–**	**19,407**
At 31 December 2016	**(375,234)**	**281,250**

44. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2016:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:					
	Fees HK$'000	Salary and bonus HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Sub-Total HK$'000	Share-based Payments HK$'000	Total HK$'000
Executive directors:						
Mr. Zhang Chenguang	–	–	–	–	–	–
Ms. Li Li Hua	–	3,285	87	3,372	–	3,372
Mr. Zhong Guoxing	–	–	–	–	–	–
Dr. Wang Hao	–	–	–	–	–	–
Non-executive directors						
Mr. Xu Xiaoliang *(Note (i))*	–	–	–	–	–	–
Mr. Pan Wen *(Note (i))*	–	–	–	–	–	–
Mr. Gong Ping	–	–	–	–	–	–
Independent non-executive directors						
Mr. Lai Chik Fan	240	–	–	240	–	240
Mr. Li Man Wai	240	–	–	240	–	240
Mr. Chow, Alexander Yue Nong	240	–	–	240	–	240
Dr. Xu Changsheng	240	–	–	240	–	240
Chief executive:						
Mr. Tang Jian	–	2,823	18	2,841	2,325	5,166
Total	960	6,108	105	7,173	2,325	9,498

44. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:					
	Fees HK$'000	Salary and bonus HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Sub-Total HK$'000	Share-based Payments HK$'000	Total HK$'000
Executive directors:						
Mr. Zhang Chenguang	–	–	–	–	–	–
Ms. Li Li Hua	–	4,489	81	4,570	–	4,570
Mr. Dai Zhikang	–	1,056	42	1,098	–	1,098
Mr. Zhong Guoxing	–	–	–	–	–	–
Dr. Wang Hao	–	–	–	–	–	–
Mr. Zuo Xingping	–	–	–	–	–	–
Mr. Tang Jian	–	–	–	–	–	–
Non-executive directors						
Mr. Xu Xiaoliang	–	–	–	–	–	–
Mr. Gong Ping	–	–	–	–	–	–
Independent non-executive directors						
Mr. Lai Chik Fan	240	–	–	240	–	240
Mr. Li Man Wai	240	–	–	240	–	240
Mr. Chow, Alexander Yue Nong	121	–	–	121	–	121
Dr. Xu Changsheng	121	–	–	121	–	121
Mr. Lo Mun Lam, Raymond	120	–	–	120	–	120
Mr. Cai Gaosheng	120	–	–	120	–	120
Chief executive:						
Mr. Tang Jian	–	2,239	18	2,257	3,488	5,745
Total	962	7,784	141	8,887	3,488	12,375

44. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

For the year ended 31 December 2016 and 2015, no housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking were provided by the Group to directors or chief executive.

Notes:

(i) Mr. Xu Xiaoliang retired and Mr. Pan Wen was appointed as non-executive director on 23 June 2016.

(ii) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2016.

(iii) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2016, the Group did not pay consideration to any third parties for making available directors' services.

(iv) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by such directors and connected entities with such directors

For the year ended 31 December 2016, the Group did not provide loans, quasi-loans and other dealings in favour of directors.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

45. EVENTS AFTER THE BALANCE SHEET DATE

As disclosed in the Company's announcement dated 24 February 2017, the Company and Hong Kong Riswein Development Co., Limited (冉盛置業發展有限公司) entered into an agreement and pursuance to the agreement, the Company conditionally agreed to issue convertible bonds in an aggregate principal amount of HK$1,650,000,000. The issuance of convertible bonds is subject to the approval of the forthcoming Company's Special General Meeting.

The following table summarises the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,943,579**	1,787,475	1,579,612	2,227,663	1,122,891
(Loss)/profit before tax expenses	**(908,562)**	(1,052,889)	(916,090)	(71,246)	872,607
Tax (expenses)/credit	**(213,666)**	2,441	422,622	151,153	(316,843)
(Loss)/profit for the year	**(1,122,228)**	(1,050,448)	(493,468)	79,907	555,764

ASSETS AND LIABILITIES

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**21,235,753**	21,343,084	21,254,035	17,791,114	15,860,679
Total liabilities	**(17,964,365)**	(16,694,015)	(14,977,093)	(11,160,154)	(10,060,844)
Non-controlling interests	**(27,289)**	(216,182)	(360,234)	(404,811)	(204,164)
Balance of shareholders' funds	**3,244,099**	4,432,887	5,916,708`	6,226,149	5,595,671