珠光控股
ZHUGUANG HOLDINGS

Zhuguang Holdings Group Company Limited

(incorporated in Bermuda with limited liability)

Stock Code: 1176



Annual Report 2016

**For identification purposes only*

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) *(Chairman)*
Mr. Liu Jie *(Chief Executive Officer)*
Mr. Liao Tengjia *(Deputy Chairman)*
Mr. Huang Jiajue *(Deputy Chairman)*
Mr. Chu Muk Chi (alias Mr. Zhu La Yi)
Ms. Ye Lixia

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping *JP*
Mr. Wong Chi Keung
Dr. Feng Ke

AUDIT COMMITTEE

Mr. Leung Wo Ping *JP (Committee Chairman)*
Mr. Wong Chi Keung
Dr. Feng Ke

REMUNERATION COMMITTEE

Mr. Wong Chi Keung *(Committee Chairman)*
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

NOMINATION COMMITTEE

Mr. Wong Chi Keung *(Committee Chairman)*
Mr. Leung Wo Ping *JP*
Mr. Huang Jiajue

REGISTERED OFFICE

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Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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Central
Hong Kong

COMPANY SECRETARY

Mr. Ng Hoi Leung Leo

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

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LEGAL ADVISORS ON HONG KONG LAW

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PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Agricultural Bank of China Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China Limited

WEBSITE

www.zhuguang.com.hk

STOCK CODE

1176

MILESTONE 2016

Jan - Mar 2016

香河縣逸景房地產開發有限公司榮獲「搜狐 — 最具影響力品牌」
Xianghe County Yijing Property Development Company Limited awarded as "SOHU - The Most Influential Branding"*

珠光逸景榮獲「搜狐 — 最具影響力樓盤」
Pearl Yijing awarded as "SOHU - The Most Influential Estate"*

Apr - Jun 2016

珠光控股2016植樹活動 —「播種未來」
Zhuguang Holdings 2016 Planting Activities — "Plantation for future"

* English name is translated for identification purpose only

Jul - Sep 2016

珠光公益行留隍站 —「心系家鄉、情滿珠光」
Zhuguang Charity Walk

— July 2016
Mr. Chu Hing Tsung was awarded the "Chao Shan Culture Award*" from "World Guangdong Business Alliance Magazine*"
「世界粵商聯盟雜誌社」— 授予朱慶凇先生「潮汕文化突出貢獻獎」

— September 2016
Successfully acquired Land Use Rights in Feng Shun County through auction
成功投得豐順縣國有土地使用權

Oct - Dec 2016

珠光控股運動嘉年華會 —「激情飛揚超越夢想」
Zhuguang Holdings Sport Carnival

珠光逸景榮獲「新浪 — 2016 期待樓盤」
Pearl Yijing awarded as "SINA - 2016 The Desired Estate"*

珠光逸景榮獲「新浪 — 2016 影響力樓盤」
Pearl Yijing awarded as "SINA - 2016 The Most Influential Estate"*

珠光逸景榮獲「房天下 — 典範成員」
Pearl Yijing awarded as "Fang.com Model Member"*

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CHAIRMAN'S STATEMENT

I herein present the results and report on the operations of Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

RESULTS

The audited consolidated loss attributable to the owners of the Company for the year ended 31 December 2016 was approximately HK$175,645,000 and the basic loss per share was HK3.68 cents, as compared with the audited consolidated profit attributable to the owners of the Company of approximately HK$591,409,000 and basic earnings per share of HK11.69 cents for the year ended 31 December 2015 as restated (HK12.27 cents for the year ended 31 December 2015 as previously reported).

NET ASSET VALUE

The consolidated net asset value per share attributable to the owners of the Company as at 31 December 2016 was approximately HK$0.70 based on 6,424,417,247 shares in issue, as compared with that of approximately HK$0.79 per share as at 31 December 2015.

BUSINESS REVIEW

2016 was a challenging year as the global economy was still in the process of slow recovery, while the macroeconomic environment in China has been experiencing a slowdown. Regarding the real estate market, the Central Government in China adopted policies such as interest rate reduction, tax reduction and down payment reduction, which facilitated the strong growth of the real estate market in the first and second-tier cities. Under these favourable policies, the transaction volume and prices in the property market rose and the land price records were repeatedly broken. In order to cool down the property market, the local governments had to implement the control policy of restrictions on property purchase and mortgage loans again. In general, throughout 2016, the real estate market in China recorded active trading in the popular first-tier and second-tier cities, and structural imbalance with high level of stock in the third-tier and fourth-tier cities.

LAND ACQUISITIONS

During the year under review, the land markets in China showed a sign of overheating in the first-tier cities and core second-tier cities, and land banking has become more challenging as property developers have acquired land aggressively. The Group had generally been cautious in land acquisitions, with five pieces of land with an aggregate size of approximately of 280,836 sqm located in the Fengshun County, Meizhou City, Guangdong Province in the People's Republic of China (the "PRC") being acquired through Government auction in September 2016.

In a highly competitive land auction environment, the Group has been seeking diversified methods of acquiring land which include utilising private acquisitions of existing land projects from developers or land owners, and engaging in redevelopment or urban village transformations. The Group has had significant success in redevelopment and relocation projects in the past, which is a proof of its abilities to acquire land bank through urban village redevelopment in order to maintain its low land acquisition costs.

FINANCING COSTS AND CHANNELS

As at 31 December 2016, the gearing ratio of the Group was 37% (2015: 36%), which is considered to be a healthy level in the property industry. The bank balances and cash of the Company amounted to approximately HK$5,000 million (2015: HK$5,849 million) and the balance of the interest-bearing debts amounted to approximately HK$7,784 million (2015: HK$8,168 million). The weighted average cost of capital was 9.29% in 2016 (2015: 9.62%). The reduction in weighted average cost of capital was mainly due to a reduction in high costs debts as a result of a disposal of a subsidiary group in 2015.

Another strategic decision made in the year under review was the rights issue on the basis of one rights share for every three existing shares of the Company at the subscription price of HK$0.8 per rights share (the "Rights Issue"), which was completed in December 2016. Net proceeds of approximately HK$1,258 million had been raised through this Rights Issue, which were intended to be used for funding potential acquisition of the Group of a company which owned the land use right to a parcel of land in Guangzhou, the PRC, and potential acquisition(s) of other property development projects of the Group. To support its business development, the Group will put more effort into fine-tuning its debt financing, with a focus on lowering the Group's financing costs, controlling the debts levels and servicing costs of the Group and maintaining an optimal debt maturity structure through a variety of financing channels, so as to strengthen the Group's risk taking capabilities.

OUTLOOK

Looking into 2017, we expect that the growth of Chinese economy will remain steady. The property market policies will remain stable but will be of a tightening nature, with the Central Government in China trying to control the overheated real estate market and to prevent a property bubble, and the local governments trying to launch their own policies based on the growth in the inventory of properties, housing demand and land prices. It is expected that monetary policies will be moderately tightened, with the capital leverage tightened for real estate. The Group is of the view that a more rational market will benefit the long-term healthy development of the real estate industry and businesses. Owing to the scale and the development of new towns in China, real estate will remain a pillar industry to support the healthy and stable development of the national economy. The Group will continue to establish itself intensively in regions where the Group has established its market presence and actively participate in urban redevelopment, in order to greatly boost its market share in those regions. The overall demand in the real estate market is expected to remain stable. But with faster expansion in leading real estate enterprises and increasing industry concentration, competition will become more intense.

In the coming years, based on the management's experience and expertise in the property industry in the PRC, the Group will continue to consider project investment opportunities in tier-one cities and other core tier-two cities in China. The Group recognises the importance of expansion. While the Group remains open to partnership especially in new cities in China meeting its criteria for investment, it will ensure that it will directly manage and exercise control over its investment projects.

APPRECIATION

On behalf of the board of directors of the Company, I would like to thank our management team and every staff member of the Group. The growth of the Group would not have been possible without their dedication and contribution. We would also like to express our appreciation to our investors, customers and business partners for their strong support and confidence in the Group. The management and staff of the Group will continue to dedicate their professional knowledge with excellent team spirit to overcome every difficulty ahead so as to achieve more outstanding results.

Chu Hing Tsung
Chairman
Hong Kong, 28 March 2017

Management Discussion and Analysis

The Group is principally engaged in property development, property investment, project management, and other property development related services in the PRC.

BUSINESS REVIEW

In 2016, under the support of multiple favorable policies including cutting down-payment, tax reduction and credit easing, the real estate market in China experienced strong growth in terms of both transaction volumes and prices. Along with strong growth in real estate sales, differentiation in the property market became more obvious. The transaction volumes in the first tier cities and selected second tier cities rose significantly and prices increased rapidly, and the property market was overheated. However, since the land supply was in shortage in hot cities, the competition for land projects was extremely intense. As a result, the "Land King" frequently came out and overall premium rate reached records high. Market risk was also accumulating and increasing gradually. To control the overheated property market in the first tier cities and some second tier cities, the Chinese government tightened control policies on property market regulation from the second quarter in 2016. In particular, since the end of the third quarter in 2016, control policies have been fully tightened in the first tier cities and some second tier cities by strictly restricting purchase, mortgage and property prices in order to suppress the excessive growth in the price of the properties.

Property development and sales

During the year under review, the Group continued its focus on the first tier cities and key second tier cities with potential growth in demand, as a result, the Group achieved contracted sales of approximately HK$2,505,296,000 and contracted gross floor area ("GFA") of approximately 249,445 square meters ("sqm") for the year under review, representing an increase of approximately 52% and 131% as compared with those of last year respectively. The details are set out below:

	Total contracted sales HK$'000	**GFA sold** sqm
Projects		
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	**1,310,808**	141,422
Pearl Yijing	**708,471**	57,796
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	**363,768**	47,129
Central Park	**15,634**	315
	2,398,681	246,662
Car Park	**106,615**	2,783
	2,505,296	249,445

MANAGEMENT DISCUSSION AND ANALYSIS

It is expected that the following projects will be available for sale/pre-sale and/or leasing in 2017:

		Available for sale/Pre-sale/leasing period	GFA available for sale (sqm)	Usage
Yujing Scenic Garden	— Phase I, II, III	1st quarter	75,144	Sale
	— Phase IV	2nd quarter	127,075	Sale
Tianhu Yujing		1st quarter	63,726	Sale
Zhukong International		1st quarter	8,985	Leasing
Central Park		1st quarter	1,828	Sale
Pearl Yijing		1st quarter	53,964	Sale
Pearl Yunling Lake	— Phase I	1st quarter	38,976	Sale
	— Phase II	3rd quarter	28,777	Sale
Pearl Xincheng Yujing (“Xincheng Yujing”)	— Phase I	1st quarter	47,686	Sale
	— Phase II	3rd quarter	52,389	Sale
			498,550	

As at 31 December 2016, the Group owned the following property development projects and the details are as follows:

Nansha Scenic — 100% interest

“Nansha Scenic” is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC, which is the central business district in Nansha. The project was completed and only certain car parks are available for sale. During the year under review, car parks with area of approximately 282 sqm were delivered. The remaining 458 sqm will be delivered in 2017.

Zhukong International — 80% interest

“Zhukong International” is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, which is at the junction of Guangzhou Avenue and Huang Pu Da Dao. It is developed into a 35-storey high-rise commercial complex including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The aggregate GFA for sale was approximately 109,738 sqm. The complex was completed in 2015. During the year under review, the total areas of the office building and car park delivered were approximately 41,412 sqm and 2,537 sqm respectively. The total GFA of approximately 43,918 sqm was designated as investment properties and held for long-term purpose and GFA of approximately 21,871 sqm will be available for sale.

Central Park 珠光新城國際

Central Park — 100% interest

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and the total GFA for sale of approximately 28,370 sqm is developed into a 30-storey building including service apartments, a street-level commercial podium and a 4-storey underground car park. The aggregate GFA for sale of the service apartment of approximately 22,420 sqm was delivered, of which 763 sqm was delivered during the year under review. The street-level commercial podium of 1,318 sqm was leased out during the year under review.

Yujing Scenic Garden — 70% interest

"Yujing Scenic Garden" is located at Provincial Highway G105 line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. The project is a 20-minute drive from the downtown Conghua and a 10-minute drive from Wenquan Town, Conghua. The project site area is approximately 294,684 sqm and will be developed into a commercial and residential complex, comprising residential and a street-level commercial podium , service apartments and car parks. The total GFA for sale is approximately 754,947 sqm and divided into four phases for development. Properties of GFA for sale of approximately 309,209 sqm in total under Phase I and Phase II have already been delivered. The total GFA of 3,283 sqm of the street-level commercial podium was leased out in pervious year and the remaining part of Phase II will be delivered in 2017. Phase III and IV with total GFA for sale of approximately 373,065 sqm is expected to be completed in 2017 and 2018 respectively.

Tianhu Yujing — 100% interest

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm. The land is located adjacent to Yujing Scenic Garden, and the Group developed the land together with Yujing Scenic Garden to expand the Group's development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA for sale of approximately 227,973 sqm. The development is divided into two phases. The total GFA for sale of Phase I is approximately 96,799 sqm, of which 73,157 sqm was delivered during the year under review. Phase II will be delivered in 2017.

Zhukong International 珠控國際中心

MANAGEMENT DISCUSSION AND ANALYSIS

Pearl Yunling Lake 珠光 • 雲嶺湖

Pearl Yunling Lake — 100% interest

"Pearl Yunling Lake" is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou. The project site area is approximately 200,083 sqm, of which approximately 139,182 sqm will be developed and the remaining area will be reserved for public facilities. The project will be developed into an integrated tourism project and the total GFA is expected to be approximately 127,509 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 43,179 sqm and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 84,330 sqm. Phase I and Phase II will be launched for sale in the first and third quarter of 2017 respectively whilst the hotel will be retained as a long-term investment asset of the Group.

Pearl Yijing — 100% interest

"Pearl Yijing" is located at No.168 Xinkai Street, Xianghe County, Hebei Province, the PRC. The total GFA for sale was approximately 183,033 sqm and developed into two phases with several residential buildings and street-level commercial areas. The pre-sale of Phase I commenced in the first quarter of 2016 and delivery is expected to be in 2017. Phase II was under development and expected to be completed in 2018.

Xincheng Yujing—100% interest

Yujing Scenic Garden 御景山水花園

"Xincheng Yujing" was acquired by the Group in September 2016. It is located at Zhong Su Shang Wei* (種王上圍), Sunshine Village* (陽光村), Tang Nan Town* (湯南鎮), Fengshun County* (豐順縣), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for the hot spring resources which is a major tourism attraction. The project site area is approximately 280,836 sqm and the total GFA of approximately 344,162 sqm is expected to be developed. It will be developed into various types of villas, high-rise apartment buildings and ancillary commercial development. The development of the project will be divided into four phases. Phase I comprising GFA for sale of approximately 54,431 sqm is expected to be launched for pre-sale in the first half of 2017.

* English name is translated for identification purpose only

Land bank

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for at least three years. The Group has actively expanded its land reserve through various channels, including participation in government public auctions, urban redevelopment projects and acquisitions of other property development projects. During the year under review, the Group has successfully acquired a land located in Fengshun County through the government public auction. Up to the date of this annual report, the Group has entered into certain non-legally binding memorandum of understanding to acquire land located in Guangzhou, Shenzhen and second tier cities. The Group continues to explore new opportunities in cities the Group already invested in and explore new cities in the PRC with growth potential and best investment value.

Property investments

The Group owns certain floors of Royal Mediterranean Hotel ("RM Hotel") located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC with GFA of approximately 18,184 sqm, and Zhukong International with GFA of approximately 43,918 sqm as investment properties. Together with certain commercial properties, Zhukong International and the RM Hotel are held on medium to long term leases, and it will be held for medium to long term investments purpose. The Group will continue to seek high quality properties for investment purposes in the future and building up a portfolio of investments properties that generate a steady cash flows. The Group will continue to enhance its investment portfolio at an appropriate price to a portfolio of office buildings, hotels and street-level commercial podium of high quality and capital value.

Project management services

During the year under review, the Group provided several funding and project management services to customers. The Group is entitled to project management services income based on the entrusted construction and management service agreements entered into with these customers. During the year under review, the Group recognised project management services income of approximately HK$383,203,000, which successfully broadened the Group's revenue source. The Group will continue to utilise its expertise in project management in order to maintain a steady revenue stream in the future.

Events after the statement of financial position date

On 3 January 2017, Victory Global Investments Limited ("Victory Global"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with two independent third parties, pursuant to which Victory Global has agreed to acquire 100% equity interests in Guangzhou Zhenchao Property Development Company Limited* (廣州振超房地產開發有限公司) ("GZ Zhenchao") located in Guangzhou, the PRC, at a total consideration of RMB91,879,000 (equivalent to approximately HK$102,714,000). GZ Zhenchao is principally engaged in property development in the PRC.

As at 31 December 2016, Victory Global prepaid RMB15,000,000 (equivalent to approximately HK$16,769,000) to acquire GZ Zhenchao.

On 18 January 2017, the industrial and commercial registration in relation to the equity transfer of GZ Zhenchao was completed and GZ Zhenchao has become a wholly-owned subsidiary of Victory Global since then.

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Management Discussion and Analysis

OUTLOOK

Looking ahead in 2017, the recovery of the global economy is expected to be slow and accompanied with growing instability and uncertainties. The economy is still facing relatively considerable challenge, and the market demand is uncertain. The risk of a downturn of economy remains high. It is anticipated that against such economy downturn challenge, the Chinese government will further enhance the "supply side reform", which is expected to continue to deliver effective results and the macro economy of China would maintain steady speed of growth. The real estate industry will continue to undergo a long-term structural change as new and more specific policies and regulations will continue to be implemented. The real estate industry's policy environment will be tightened as the policies will restore the real estate's positioning of living function, aiming for steady and healthy development of the real estate market. The real estate industry will continue to play a role in stabilizing the economy and promoting growth.

The Group will continue to maintain its market share in cities where the Group has established its market presence and actively participate in urban redevelopment, in order to greatly boost the market share over the regions. The Group will actively participate in construction of featured small towns so as to facilitate the transformation and derive the profits from such transformation.

Apart from engaging in property development, the Group will also proactively participate in primary land development project for the purpose of acquiring land parcels for future development. Going forward to 2017, the Group will accelerate the development pace of its primary land development project in core cities in China, flexibly respond to market changes to procure sales proactively, monitor market risks continuously and strengthen cash flow management.

FINANCIAL REVIEW

Revenue

The Group's revenue included revenue from property sales, rental income, project management services and decoration income. The total revenue of the Group for 2016 was approximately HK$1,908,153,000 (2015: HK$3,293,318,000), which represents a 42% decrease as compared with that of 2015. Revenue from sale of properties for 2016 amounted to approximately HK$1,401,812,000 (2015: HK$3,192,330,000), representing a 56% decrease as compared with that of 2015 because the selling price of the properties delivered in 2016 is lower than that of the properties delivered in 2015. The rental income and project management services recorded an increase of 64% and 100% respectively, as compared with those of 2015. The rental income increased from approximately HK$62,037,000 in 2015 to approximately HK$101,720,000 in 2016, mainly due to the increase of GFA leased out in 2016. The total GFA leased out was approximately 58,139 sqm in 2016 (2015: 39,455 sqm), which represented a 47% increase as compared with that of 2015. The income from project management services contributed approximately HK$383,203,000 (2015: Nil) to the revenue during the year under review, being a new income stream developed by the Group since 2014.

Gross profit and margin

For the year ended 31 December 2016, the Group recorded a gross profit of approximately HK$669,658,000 (2015: HK$651,549,000). The Group's gross profit on property development amounted to approximately HK$182,878,000 (2015: HK$584,687,000), representing a 69% decrease as compared with that of 2015. The decrease was mainly due to the properties delivered in 2016 were middle-end properties, but those delivered in 2015 were high-end properties with higher profit margin.

Investment and other income

The Group's investment and other income increased to approximately HK$155,539,000 (2015: HK$120,815,000) during the year under review, mainly due to the increase in interest income from financial products and other receivables.

Fair value gains on investment properties, net

For the year ended 31 December 2016, the Group recorded the fair value gains on investment properties amounted to approximately HK$309,337,000 (2015: HK$61,198,000), which represents a four times increase as compared with that of 2015. The fair value gains on investment properties was mainly attributable to the capital appreciation of the Zhukong International.

Other gains/(losses), net

Other gains/(losses), net changed from losses of approximately HK$307,997,000 in 2015 to gains of approximately of HK$125,989,000 in 2016, mainly due to (i) reversal of provision for claims and administrative penalties incurred during the year under review; and (ii) reduction in exchange losses in 2016 because there is no material depreciation in RMB during the year under review.

Administrative expenses and selling and marketing costs

Administrative expenses and selling and marketing costs of the Group increased from approximately HK$192,918,000 in 2015 to approximately HK$214,963,000 in 2016. It was primarily due to (i) the increase in marketing campaign in 2016 to boost up the sales; and (ii) the general inflation of administrative expenses in 2016.

Finance costs, net

Finance costs, net for the year under review was approximately HK$798,796,000 (2015: HK$1,004,642,000), which was made up of interest expenses incurred during the year under review after deduction of the amount capitalised to development costs. The decrease in finance costs was mainly due to a reduction in high costs debt as a result of a disposal of a subsidiary group in 2015.

Income tax expenses

Income tax expenses comprised corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC. CIT of approximately HK$273,092,000 (2015: HK$474,674,000) and LAT of approximately HK$153,104,000 (2015: HK$299,417,000) brought about the Group's total income tax of approximately HK$426,196,000 (2015: HK$774,091,000) in 2016. The decrease was mainly due to the lower gross profit margin of the properties delivered in 2016 and fewer projects which were of a high gross margin and subject to high LAT tax rate band during the year under review.

Cash position

As at 31 December 2016, the Group's bank and cash balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$4,999,639,000 (31 December 2015: HK$5,848,861,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings, charges on group assets and gearing ratio

The Group's bank and other borrowings comprised the following:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Bank loans — secured	**317,231**	1,443,118
Senior notes — secured	**3,013,591**	2,914,608
Other borrowings — secured	**4,453,564**	3,652,517
Other borrowings — unsecured	**—**	158,118
	7,784,386	8,168,361

(a) As at 31 December 2016, the bank and other borrowings were secured by (i) investment properties; (ii) land use rights; (iii) the construction in progress; (iv) properties under development; (v) completed properties held for sale; (vi) charge over the entire issued share capital of certain subsidiaries of the Group; (vii) corporate guarantee executed by the Company, certain subsidiaries, related parties and controlling shareholder of the Company; (viii) guarantees executed by three directors of the Company (the "Directors"), namely Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Zhu Qing Yi) and Mr. Chu Muk Chi (alias Zhu La Yi), and an independent third party; (ix) 3,021,112,000 ordinary shares of the Company (the "Shares") beneficially owned by the controlling shareholder of the Company; and (x) charge over the assets provided by Beijing Zhuguang Property Development Company Limited* (北京珠光房地產開發有限公司), Beijing Zhuguang Yujing Property Development Company Limited* (北京珠光御景房地產開發有限公司), Guangdong Fengshun Luhu Hotspring Resort Company Limited* (廣東豐順鹿湖溫泉度假村有限公司) and Xianghe Zhuguang Property Development Company Limited* (香河珠光房地產開發有限公司).

(b) 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 the shareholders of the Company and benefits for the stakeholders and to maintain an optimal capital structure to reduce the costs of capital. The Group monitors its capital structure using the gearing ratio. The gearing ratio of the Company is measured by the Company's net debt (total interest-bearing borrowings net of the Company's cash and cash equivalents, terms deposits with initial terms of over three months and restricted cash) over the Company's total capital. In general, the higher the gearing ratio, the more aggressive the Group has been financing its growth using debts. As at 31 December 2016, the gearing ratio of the Company was 37% (2015: 36%).

(c) As at 31 December 2016, total borrowings were made up of financing from (i) bank loans; (ii) senior notes; and (iii) other borrowings including trust loans. The senior notes and other borrowings carried fixed interest rates and the bank loans carried fixed and floating interest rates. The Group had bank credit facilities which have been fully utilised as at 31 December 2016. The Group has uncommitted credit facilities provided by banks and other financial institutions when a new project is acquired by the Group and certain conditions are met.

* English name is translated for identification purposes only.

FINANCIAL GUARANTEE CONTRACTS

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,760,359**	1,124,355

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with 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 mortgages. The Directors are of the view that the fair value of financial guarantees is not significant.

(b) Financial guarantee contract for a previous owner of the Group's subsidiary:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Financial guarantee contract for a previous owner of the Group's subsidiary	**–**	134,283

FOREIGN EXCHANGE RATE

During the year under review, the Group conducted its business almost exclusively in RMB except that certain borrowings were in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During the year under review, the Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 176 employees in Hong Kong and the PRC as at 31 December 2016 (31 December 2015: 148). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefit. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Group's remuneration policy and the prevailing market conditions.

The Group encourages sustainable training by its employees through coaching and further studies. In-house training has been provided to eligible employees during the year under review, including training on "Business tax to VAT", training on updates of accounting standards and training on market and business updates.

The Group has not experienced any significant problem with its employees or disruption to its operations due to labour discipline nor has it experienced any difficulty in the recruitment and retention of experienced staffs. The Group maintains a good relationship with its employees. Most of the employees have been working for the Group for many years.

BIOGRAPHY OF DIRECTORS

The board of Directors (the "Board") currently comprises nine Directors, six of whom are executive Directors and three of whom are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung (alias Zhu Qing Yi) ("Mr. Chu HT"), aged 47, is the chairman of the Company (the "Chairman") and an executive Director. He has been appointed as an executive Director since September 2009 and he was appointed as the chief executive officer of the Company (the "Chief Executive Officer") on 9 September 2009. In February 2010 he was appointed as the deputy chairman of the Company (the "Deputy Chairman"). In December 2013, he was re-designated as the Chairman. With effect from 21 August 2015, Mr. Chu HT has resigned as the Chief Executive Officer. Mr. Chu HT is a shareholder of Rong De Investment Limited ("Rong De"), a controlling shareholder of the Company. Mr. Chu HT has over 10 years of extensive experience in corporate management and property development in the PRC. He is the younger brother of Mr. Chu Muk Chi, an executive Director.

Mr. Liu Jie ("Mr. Liu"), aged 53, was appointed as an executive Director and the Chief Executive Officer on 17 March 2017. He obtained a degree of Bachelor of Science from the Guangzhou Teachers College* (廣州師範學院) (now known as Guangzhou University) in 1985. Mr. Liu was a Deputy Mayor (副區長) of the People's Government of Haizhu District of Guangzhou Municipality of the PRC (廣州市海珠區人民政府) from November 2006 to April 2015 and the Mayor (區長) of the People's Government of Liwan District of Guangzhou Municipality of the PRC (廣州市荔灣區人民政府) from April 2015 to September 2016. Mr. Liu has over 10 years of experience in administrative and operation management in the PRC.

Mr. Liao Tengjia ("Mr. Liao"), aged 53, is a Deputy Chairman and an executive Director. He was appointed as the Chairman and an executive Director in September 2009 and director of certain subsidiaries of the Group. In December 2013, Mr. Liao resigned as the Chairman. With effect from 21 August 2015, Mr. Liao has been appointed as the Chief Executive Officer. With effect from 17 March 2017, Mr. Liao has resigned as the Chief Executive Officer and was appointed as a Deputy Chairman. Mr. Liao is a shareholder and the sole director of Rong De, a controlling shareholder of the Company. He has over 10 years' management experience in the property development industry in the PRC.

Mr. Huang Jiajue ("Mr. Huang"), aged 46, is a Deputy Chairman, an executive Director and a member of each of the nomination committee and the remuneration committee of the Company. He has been appointed as an executive Director since September 2009 and a director of certain subsidiaries of the Group. With effect from 21 August 2015, Mr. Huang has been appointed as a Deputy Chairman. Mr. Huang obtained a Master's Degree in Business Administration from the Sun Yat-Sen University in the PRC. He has over 10 years of financial management experience in the property development industry in the PRC.

Mr. Chu Muk Chi (alias Zhu La Yi) ("Mr. Chu MC"), aged 59, has been appointed as an executive Director since September 2009. He obtained a Bachelor's Degree in Medicine from the Guangzhou College of Traditional Chinese Medicine (now known as Guangzhou University of Chinese Medicine). Mr. Chu MC has over 10 years of extensive experience in corporate management, Chinese medicine and property development in the PRC. He is the elder brother of Mr. Chu HT, the Chairman and an executive Director.

Ms. Ye Lixia ("Ms. Ye"), aged 52, was appointed as an executive Director on 17 June 2015. Ms. Ye obtained a Master's Degree in Economics from the Sun Yat-Sen University in 1989. Before joining the Company, Ms. Ye served as the General Manager of the Investment and Finance Management Centre of Guangdong Pearl River Investment Holdings Limited* (廣東珠江投資股份有限公司) from July 2007 to April 2015. She has over 8 years of financial management experience in the property development industry in the PRC.

* English name is translated for identification purposes only.

BIOGRAPHY OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping ("Mr. Leung") *JP*, aged 73, has been appointed as an independent non-executive Director since October 2009. He is also the chairman of the audit committee of the Company, and a member of each of the nomination committee and the remuneration committee of the Company. Mr. Leung is a certified public accountant with extensive experience in Hong Kong tax and international tax planning for over 30 years. Currently, he is a senior advisor to Crowe Horwath (HK) CPA Limited. Mr. Leung is a fellow member of The Institute of Chartered Accountants in England and Wales, The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. Apart from his professional work, Mr. Leung has actively participated in community affairs. He had been a Regional Councillor for 5 years and a District Councillor for 18 years. Mr. Leung is currently a Councillor of the New Territories Heung Yee Kuk. He also serves as members of various boards and committees, including the Hospital Authority's Hospital Governing Committee of Tai Po Hospital and United Christian Nethersole Community Health Service Management Committee. Mr. Leung was awarded a Badge of Honour by Her Majesty Queen Elizabeth II in 1994 for his service to the community. He was a District Advisor to the Hong Kong Branch of Xinhua News Agency before 1997. He was also appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2000. Mr. Leung was an independent non-executive director of Heng Xin China Holdings Limited (a company listed on the Growth Enterprise Market the ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with stock code: 8046) from August 2009 to June 2016.

Mr. Wong Chi Keung ("Mr. Wong"), aged 62, has been appointed as an independent non-executive Director since June 2012. He is also the chairman of each of the nomination committee and the remuneration committee of the Company, and a member of the audit committee of the Company. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants.

Mr. Wong has over 34 years of experience in finance, accounting and management. He was a Responsible Officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the Securities and Futures Ordinance (the "SFO") from 23 March 2010 to 16 April 2016. Mr. Wong was a director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 0123, which is now known as Yuexiu Property Company Limited), for over ten years.

Mr. Wong was an independent non-executive director of FU JI Food and Catering Services Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1175 and provisional liquidators appointed from 19 October 2009 to 1 July 2013, and now known as Fresh Express Delivery Holdings Group Co., Ltd.), for the period from 22 November 2004 to 23 June 2011. He was also an independent non-executive director and a member of each of the audit committee and the remuneration committee of First Natural Foods Holdings Limited ("First Natural Foods") (a company listed on the Main Board of the Stock Exchange with stock code: 1076 and provisional liquidators appointed from 6 January 2009 to 4 September 2012, which is now known as Imperial Pacific International Holdings Limited) for the period from 26 November 2007 to 20 November 2013, and a member of the nomination committee of First Natural Foods from 4 September 2012 to 20 November 2013. Mr. Wong had been an independent non-executive director of PacMOS Technologies Holdings Limited ("PacMOS") (a company listed on the Main Board of the Stock Exchange with stock code: 1010, which is now known as PacRay International Holdings Limited) since August 1995, and he ceased to be an independent non-executive director and the chairman of each of the audit committee, remuneration committee and nomination committee of PacMOS with effect from 1 July 2014.

Mr. Wong is currently an independent non-executive director of Asia Orient Holdings Limited (stock code: 0214), Asia Standard International Group Limited (stock code: 0129), Century City International Holdings Limited (stock code: 0355), China Shanshui Cement Group Limited (stock code: 0691), China Ting Group Holdings Limited (stock code: 3398), ENM Holdings Limited (stock code: 0128), Fortunet e-Commerce Group Limited (stock code: 1039), Golden Eagle Retail Group Limited (stock code: 3308), Heng Xin China Holdings Limited (stock code: 8046), Nickel Resources International Holdings Company Limited (stock code: 2889), Paliburg Holdings Limited (stock code: 0617), Regal Hotels International Holdings Limited (stock code: 0078), TPV Technology Limited (stock code: 0903) and Yuan Heng Gas Holdings Limited (stock code: 0332). Save for Heng Xin China Holdings Limited which is listed on GEM, all of the companies above are listed on the Main Board of the Stock Exchange.

Dr. Feng Ke ("Dr. Feng"), aged 45, was appointed as an independent non-executive Director on 17 June 2015. He is also a member of the audit committee of the Company. He graduated from the Guangdong University of Finance* (廣東金融學院) (previously known as Guangdong Academy of Finance* (廣州金融高等專科學校)) majoring in International Finance in July 1993. Dr. Feng obtained a Master's Degree in Economics from the Guangdong Academy of Social Sciences* (廣東省社會科學院) in July 1999. He obtained a Doctor's Degree in Economics from the Peking University* (北京大學) in July 2002. He was the assistant manager of Golden Eagle Asset Management Co., Ltd.* (金鷹基金管理有限公司) from July 2002 to January 2006. Dr. Feng was an independent director of Sichuan Guang'an AAA Public Co., Ltd* (四川廣安愛眾股份有限公司) (a company whose shares are listed on the Shanghai Stock Exchange with stock code: 600979) from November 2011 to September 2014, and an independent director of Nan Hua Bio-medicine Co., Ltd.* (南華生物醫藥股份有限公司) (previously known as Beijing CCID Media Investments Co., Ltd* (北京賽迪傳媒投資股份有限公司)), a company whose shares are listed on the Shenzhen Stock Exchange with stock code: 000504) from December 2013 to December 2014. He had also been an independent director of Guangdong Provincial Expressway Development Co., Ltd.* (廣東省高速公路發展股份有限公司) (a company listed in the Shenzhen Stock Exchange with stock code: 000429) from June 2009 to April 2016, and an independent director of Tande Co., Ltd.* (天地源股份有限公司), a company listed on the Shanghai Stock Exchange with stock code: 600665, from December 2009 to December 2015. Dr. Feng was an independent non-executive director of Yingde Gases Group Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 2168) from November 2016 to March 2017. He was an independent non-executive director of Asian Capital Resources (Holdings) Limited (a company listed on GEM with stock code: 8025), from October 2008 to August 2013 and has been re-designated as an executive director since 1 September 2013. Dr. Feng is currently an independent director of China Great Wall Computers Shenzhen Co. Ltd.* (中國長城計算機深圳股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000066), and an independent non-executive director of China Huirong Financial Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1290).

SENIOR MANAGEMENT

The six Directors holding executive offices above are directly responsible for the various businesses of the Group. They are regarded as members of the senior management of the Group.

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CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The Company firmly believes that a good, solid and sensible framework of corporate governance will allow the Company to run its business in the best interest of its shareholders as a whole. The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Corporate Governance Code (the"CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Code") as contained in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code for the year ended 31 December 2016 save for the incident disclosed below.

Rule A.3(a)(ii) of the Code provides that a director must not deal in any securities of the issuer on any day on which is financial results are published and during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results. Rule B.8 of the Code provides that a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. In his own case, the chairman must first notify the board at a board meeting, or alternatively notify a director (otherwise than himself) designated by the board for the purpose and receive a dated written acknowledgement before any dealing. Paragraph 7(a) of the Code states that "dealing" includes any creation of pledge, charge or any other security interest in any securities of the issuer.

On 3 August 2016, Rong De (a company beneficially owned as to 36% by Mr. Liao, 34.06% by Mr. Chu HT and 29.94% by Mr. Chu MC, each being an executive Director, with Mr. Chu HT also being the Chairman and Mr. Liao being the then Chief Executive Officer) executed a share charge (the "Share Charge") of 2,542,000,000 shares of the Company in favour of an independent security agent, as collateral security for the senior secured guaranteed notes (the "Senior Notes") issued by the Company in the aggregate principal amount of up to US$500 million under a note purchase agreement signed between the Company, Rong De and the beneficial owners of Rong De, further details of which are set out in the Company's announcement dated 3 August 2016. The security and guarantee created in favour of the independent security agent under the Senior Notes was a continuation and, in effect, a "re-charge" of the shares of the Company which had been charged or under the custody of the independent security agent for the purpose of securing the Company's obligations under the Senior Notes issued by the Company in 2013 and 2014. As the Share Charge was created on 3 August 2016, which was within 30 days immediately before the Company published its interim results for the six months ended 30 June 2016 on 30 August 2016, and neither Mr. Liao, Mr. Chu HT nor Mr. Chu MC provided the notification as required in accordance with Rule B.8 of the Code before creating the Share Charge under the mistaken belief of Mr. Liao, Mr. Chu HT, Mr. Chu MC and the Company that the re-charge of the shares of the Company under the Share Charge did not fall within the scope of "dealing" under paragraph 7(a) of the Code, Mr. Liao, Mr. Chu HT and Mr. Chu MC were in breach of Rules A.3(a)(ii) and B.8 of the Code during the year under review.

To prevent such an incident of non-compliance with the Code in the future, the Company has designated a personnel to double check before entering into a transaction involving a dealing of the Company's shares held by the Directors, whether any compliance requirements under the Code are required. In addition, where they considered necessary, the Directors would consult external legal advisers to advise with relevant compliance requirements under the Code in any dealings of the Company's shares held directly or indirectly by the Directors.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions set out in the CG Code during the year ended 31 December 2016, other than Code Provisions A.1.8 and E.1.2 of the CG Code.

Under Code Provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Such insurance cover has not yet been arranged for the Directors during the year ended 31 December 2016 as the Company has been negotiating and reviewing proposed insurance plans, with an aim to securing an insurance plan appropriate for the Directors at reasonable costs. The Company understands the importance of arranging insurance cover for its Directors and will make the required arrangements as soon as practicable.

Code Provision E.1.2 of the CG Code requires that the Chairman should attend the annual general meeting of the Company (the "AGM"). Mr. Chu HT, the Chairman, did not attend the AGM held on 29 June 2016 (the "2016 AGM") due to his prior engagement.

SECURITIES TRANSACTIONS BY MANAGEMENT AND STAFF

The management and staff have been individually notified and advised about the Code by the Company.

Financial Officer

The financial officer (the "Financial Officer") of the Company is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensures that the financial statements truly reflect the Group's results and financial position as well as in compliance with the disclosure requirements under the applicable provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the chairman of the audit committee of the Company and coordinates with external auditors on a regular basis. In addition, the Financial Officer reviews the controls of financial risks of the Group and provides advice thereon to the Board.

Company Secretary

The company secretary (the "Company Secretary") of the Company reports directly to the Chairman. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the board meeting procedures are properly followed and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advice to the Board with respect to the Directors' obligations on securities interest disclosure, and disclosure requirements on notifiable transactions, connected transactions and inside information. The Company Secretary provides advice to the Board with respect to the Company's compliance with the laws, requirements and the Company's bye-laws (the "Bye-Laws") as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long-term value to the shareholders of the Company. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to the legal, supervisory and other continuous obligations for being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

BOARD OF DIRECTORS

I The Responsibilities of The Board

The principal functions of the Board are to consider, set and approve the strategies, financial objectives, annual budget, investment proposals, director appointment and re-appointment, and accounting policies of the Group. The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the CG Code. The Board also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems by the Group to manage these risks. The day-to-day operations of the Group are delegated to the management of the Group.

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's management independently. The daily management, administration and operation of the Group are delegated to the management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board recognises that corporate governance should be the collective responsibility of the Directors and the Board delegates the corporate governance duties to the management which include:

(i) to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

(iv) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance Shareholders' relationship with the Company.

II Board Composition and Diversity

As at 31 December 2016, the Board consist of a total of eight Directors, comprising five executive Directors and three independent non-executive Directors. The independent non-executive Directors are expressly identified in all corporate communications that disclose the names of the Directors. The number of independent non-executive Directors exceeded one-third of the Board during the year under review. The Company seeks to achieve board diversity through consideration of a number of factors, including but not limited to gender, age, skills, knowledge and length of service. The ultimate selection decision will be based on merit and contribution to the Board. The Directors have professional background in property development, finance, taxation, investment and management. They have extensive experience and independent views in their respective areas of expertise so that they can provide professional advice to the Board in respect of the long-term development of the Company. The Company has formal letters of appointment with all Directors setting out the key terms and conditions related to their appointment.

The composition of the Board during the year ended 31 December 2016 and up to the date of this report was as follows:

Executive Directors:
Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) *(Chairman)*
Mr. Liu Jie *(Chief Executive Officer, appointed on 17 March 2017)*
Mr. Liao Tengjia *(Chief Executive Officer* from 1 January 2016 to 16 March 2017,
and Deputy Chairman from 17 March 2017 to the date of this report)
Mr. Huang Jiajue *(Deputy Chairman)*
Mr. Chu Muk Chi (alias Mr. Zhu La Yi)
Ms. Ye Lixia

Independent non-executive Directors:
Mr. Leung Wo Ping *JP*
Mr. Wong Chi Keung
Dr. Feng Ke

Mr. Chu HT, the Chairman and an executive Director, and Mr. Chu MC, an executive Director, are brothers. Biographical details of the Directors and the relationships between Board members are set out in the section headed "BIOGRAPHY OF DIRECTORS" in this annual report. Save as disclosed above and in the section headed "BIOGRAPHY OF DIRECTORS" in this annual report, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

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

BOARD MEETING AND ANNUAL GENERAL MEETING

The Board meets regularly and as warranted by particular circumstances. Notices and agendas are prepared by the Company Secretary as delegated by the Chairman and distributed to the Board members within reasonable time before the meetings. Relevant meeting papers are also sent to the Directors well before the meetings, informing them of the background and giving explanation on matters to be brought before the Board. All Directors are given the opportunity to include matters in the agendas for Board meetings. Draft and final versions of the minutes of Board meetings are sent to all Directors for their comment and records, respectively, within a reasonable time after the Board meetings and are kept by the Company Secretary.

During the financial year ended 31 December 2016, the Directors have made active contribution to the affairs of the Group and 11 Board meetings were held to consider, among other things, various transactions contemplated by the Group, and to review and approve the interim results and annual results of the Group. To ensure the Directors will make decisions objectively and in the interests of the Company, Bye-Law No.103(1) of the Bye-Laws provides that any Director shall abstain from voting on any resolutions in which he/she or his/her associates is/are materially interested nor be counted in the quorum of the meeting. Any Board meeting in which a Director has abstained from voting or has not been counted in the quorum of the meeting shall not be taken into account in determining that Director's attendance record.

Except for the Chairman, Mr. Chu MC and Mr. Leung Wo Ping *JP*, the other members of the Board all attended the 2016 AGM and were available to answer questions.

The individual attendance of each Director in the Board meetings held during the year under review and the 2016 AGM is as follows:

	Attended/Eligible to attend	
	Board meetings	**2016 AGM**
Executive Directors		
Mr. Chu Hing Tsung	5/11	0/1
Mr. Liao Tengjia	9/11	1/1
Mr. Huang Jiajue	9/11	1/1
Mr. Chu Muk Chi	1/11	0/1
Ms. Ye Lixia	6/11	1/1
Independent non-executive Directors		
Mr. Leung Wo Ping *JP*	4/11	0/1
Mr. Wong Chi Keung	4/11	1/1
Dr. Feng Ke	0/11	1/1

NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Each of the independent non-executive Directors was appointed for a term of two years. All of the independent non-executive Directors are subject to retirement by rotation once every three years and should be subject to re-election.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance, other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director.

Pursuant to Code Provision A.6.5 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses to ensure that they are fully aware of their responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

Pursuant to the requirements of the CG Code, all Directors should provide their records of continuous professional development to the Company. According to the records provided by the Directors, the training received by them during the year ended 31 December 2016 is summarised as follows:

	Training received Notes
Executive Directors	
Mr. Chu Hing Tsung	(1)(2)
Mr. Liao Tengjia	(1)(2)
Mr. Huang Jiajue	(1)(2)
Mr. Chu Muk Chi	(1)(2)
Ms. Ye Lixia	(1)(2)
Independent non-executive Directors	
Mr. Leung Wo Ping *JP*	(1)(2)
Mr. Wong Chi Keung	(1)(2)
Dr. Feng Ke	(1)(2)

Notes:

(1) Reading articles/other materials in relation to legal and regulatory changes which are relevant for the Directors in discharging their duties.

(2) Participation in seminars/conferences/courses/workshops on subjects relating to directors' duties, and financial, legal and corporate governance matters.

All Directors as disclosed above confirmed that they have complied with Code Provision A.6.5 of the CG Code on directors' continuous professional development during the year under review.

BOARD COMMITTEES

The Board has set up three specialised committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") to oversee particular aspects of the Company's affairs. The three committees were established with defined written terms of reference approved by the Board, which set out the major duties of each committee. These terms of reference are posted on the websites of the Stock Exchange and of the Company and are available to shareholders. Members of the committees are mainly independent non-executive Directors. The list of the chairman and members of each committee is set out in each of the following Board committee sections. The meeting procedures of each committee follow the procedures of Board meetings.

The members of the committees are provided with sufficient resources to discharge their duties and in appropriate circumstances, the Company can retain external auditors, financial advisers and lawyers and other relevant independent professionals to provide independent professional advice to assist members of the committees in fulfilling their responsibilities.

I Audit Committee

The Company established the Audit Committee in 1999 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke. Mr. Leung Wo Ping *JP* is the chairman of the Audit Committee.

The major roles and functions of the Audit Committee are as follows:

(1) to consider, and to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the audit fee and other terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(2) to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards;

(3) to discuss with the external auditor before the audit commences in respect of the nature and scope of the audit and reporting obligations;

(4) to monitor the integrity of the Company's financial statements, annual report, accounts and half-year report, and to review significant financial reporting judgements contained in them;

(5) to review the Company's financial controls and internal control and risk management systems, and to ensure that management has discharged its duty to establish an effective internal control system;

(6) to review the external auditor's management letter, and material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control as well as management's response to the points raised; and

(7) to ensure that the Board responds promptly to the matters raised by the external auditor in the management letter.

The Audit Committee shall meet with the external auditor without the presence of the executive Directors to discuss the Group's financial reporting and any major and financial matters arising during the year under review at least twice a year.

The Audit Committee held three meetings during the year under review. Individual attendance of each committee member is set out as below:

	Attended/ Eligible to attend
Independent non-executive Directors	
Mr. Leung Wo Ping *JP* *(Chairman)*	3/3
Mr. Wong Chi Keung	3/3
Dr. Feng Ke	0/3

During the financial year ended 31 December 2016, the Audit Committee has held two meetings with the external auditor to discuss the general scope of their audit work and the audit findings. The Audit Committee also reviewed the Group's annual audited results for the year ended 31 December 2015 and unaudited interim results for the period ended 30 June 2016, and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made, and submitted them to the Board for approval. In addition, the Audit Committee also made a review of the effectiveness of the financial reporting, internal audit function, and risk management and internal control systems of the Group.

II Remuneration Committee

The Company established the Remuneration Committee in September 2005 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties. The Remuneration Committee has adopted the approach under Code Provision B.1.2(c)(ii) of the CG Code and made recommendations to the Board on the Group's overall policy and structure of the remuneration of Directors and senior management.

The Remuneration Committee comprises an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, namely Mr. Wong Chi Keung and Mr. Leung Wo Ping *JP*. Mr. Wong Chi Keung is the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

The major roles and functions of the Remuneration Committee are as follows:

(1) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(3) to determine with delegated responsibility and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payment (including any compensation payable for loss or termination of their office or appointment);

(4) to make recommendations to the Board on the remuneration of the non-executive Directors;

(5) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(6) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and otherwise fair and not excessive;

(7) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and otherwise reasonable and appropriate; and

(8) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee did not hold any meetings during the year under review.

The remuneration of the executive Directors, who are regarded as the senior management of the Group (save for Mr. Liu Jie who was appointed as an executive Director on 17 March 2017), by band for the year ended 31 December 2016 is set out below:

HK$0 to HK$2,000,000	**1**
HK$2,000,001 to HK$4,000,000	**2**
Over HK$4,000,001	**2**
	5

The remuneration of the Directors is determined by reference to their qualifications, experience, duties and responsibilities, the Group's renumeration policy and the prevailing market trends. Neither the Chief Executive Officer nor any of the Directors waived any emoluments during the year under review.

III Nomination Committee

The Company established the Nomination Committee in September 2005 with specific written terms of reference in accordance with the requirements of the Stock Exchange which deal clearly with its authority and duties.

The Nomination Committee comprises an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, namely Mr. Leung Wo Ping *JP* and Mr. Wong Chi Keung. Mr. Wong Chi Keung is the chairman of the Nomination Committee.

The major roles and functions of the Nomination Committee are as follows:

(1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(2) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship;

(3) to assess the independence of the independent non-executive Directors; and

(4) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee selects and recommends candidates for directorship based on certain criteria and procedures. The major criteria include (i) the candidates' professional background, especially their experience in the industry in which the Group operates; (ii) their financial management experience and track record with other companies engaged in similar business as the Group's; and (iii) the recommendations from the management team and other knowledgeable individuals. The Nomination Committee will shortlist the candidates and then submit them to the Board for final approval.

The Nomination Committee held one meeting during the year under review. Individual attendance of each committee member is set out as below:

	Attended/ Eligible to attend
Executive Director	
Mr. Huang Jiajue	1/1
Independent non-executive Directors	
Mr. Wong Chi Keung *(Chairman)*	1/1
Mr. Leung Wo Ping *JP*	1/1

During the meeting held in the year ended 31 December 2016, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors coupling with the relevant requirements under the Listing Rules, and the suitability of the Directors who were subject to re-election at the AGM.

INTERNAL CONTROL

Risk Management and Internal Control

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the assets of the Group and interests of the shareholders. The Board is clearly aware of the key role played by the Group's risk management and internal control systems in risk management and ensuring that the Group complies with the relevant laws and regulations on an on-going basis. The Board and the Group's management have the following responsibilities over the Group's risk management and internal control systems, respectively:

- **The Board** is responsible for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving its strategic business objectives, ensuring the Group establishes and maintains appropriate and effective risk management and internal controls systems, and overseeing the management's design, implementation and monitoring of risk management and internal controls systems.

- **The management** is responsible for the design, implementation and monitoring of the risk management and internal control systems and confirming to the Board whether or not the risk management and internal control systems are effective.

Such risk management and internal control systems of the Group 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 losses.

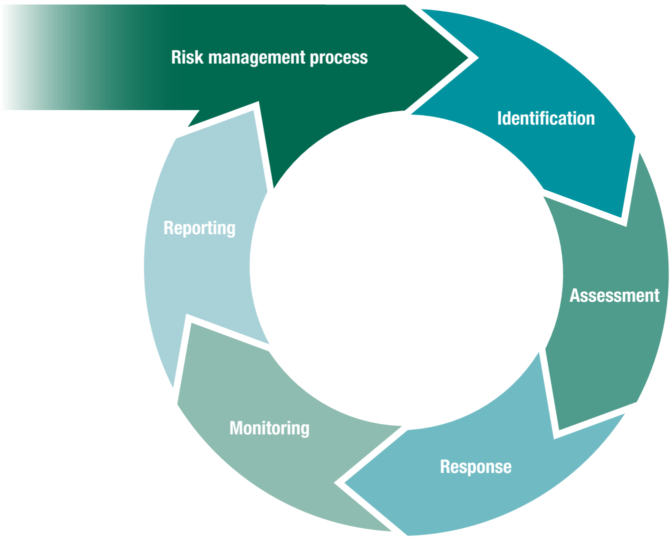
The Audit Committee keeps monitoring the Group's risk management and internal control systems. The Board also reviews the effectiveness of the Group's risk management and internal control systems on a regularly basis. Based on the Board's review, the Audit Committee provides advice to the Board as to the adequacy of the Group's risk management and internal control systems.

Risk Management

In 2016, the Group reinforced the establishment of its risk management systems and consciously enhanced the Group's risk management culture internally primarily by the following:

- **Construction of basic risk management structure** — the Group has established an organisational structure and functions for risk management practices covering different levels of decision-making (the Board and the Audit Committee), leadership (the Group's management) and implementation (management of each function center of the Company and the regional subsidiaries in the Group), specifying in writing the duties and responsibilities of each level of decision-making, leadership and implementation and classifying the Group's major risks into different categories, including strategy, operation, market, finance and laws so as to create a risk database. From the perspective of the Group's strategic objective and the management's risk appetite, appropriate risk assessment dimension and criteria as well as qualitative and quantitative approaches of assessment have been established. Meanwhile, approaches and criteria of assessment identified by the management are used to assess risks most likely to affect the achievement of the Group's corporate target.

- **Risk management process** — the Group has established closed-loop procedures in respect of sustainable risk management, covering the identification, assessment, response, monitoring and reporting of risks (see Chart 1: Major Steps of Risk Management Process), in addition to risk management procedures and tools used to support the implementation of such procedures. The Board analyses and prioritises risks identified to determine key risks exposed to the Group and discusses how to manage such key risks. Besides, existing risk mitigation measures are identified and recorded against each significant risk, with improvement suggestions being made based on the management's risk appetite.



(Chart 1: Major Steps of Risk Management Process)

During the year under review, the management of the Group was assisted by an external consultant in reviewing its overall risk management systems through identifying, assessing and analysing significant risks which existed in its principal business scope, including changes in the nature and degree of significant risks exposed to the Group. As a result, top ten risks within the Group as well as corresponding governance and control measures were identified and departments within the Group relevant to the risks were assigned to implement response measures and improvement plans. Results of assessment and implementation of the governance and control measures were reported to the Audit Committee.

In the years to follow, the management of the Group will continue to strengthen the construction of the risk management systems through measures, including on-going risk management training, regular risk alert and risk management reporting, and will perform review and assessment of the responses to significant risks at least annually and report the results to the Audit Committee.

Internal Audit

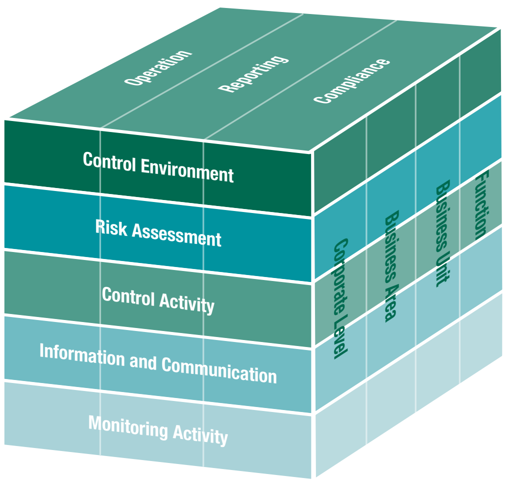
The Group has in place an internal audit function which acts as a management centre of risk control and audit separately as the third line of defense, responsible for assisting the Audit Committee in making analysis and independent assessment of the adequacy and effectiveness of the Group's risk management and internal control systems. The Board has reviewed the resources and staff qualification and experiences of the Group's internal audit function, and concluded the training received by the staff and the budget allocated to the internal audit function were adequate.

CORPORATE GOVERNANCE REPORT

Internal Control

The Group has established its own internal control framework by reference to the internal control management framework from Committee of Sponsoring Organizations of the Treadway Commission) (see Chart 2: Internal Control Management Framework from COSO ("COSO"). The Group's risk management systems consist of five elements, i.e. control environment, risk assessment, control activity, information and communication, and monitoring activity, which are related to, interacting with and relying on each other, and, collectively, are to safeguard the performance of the Group's internal control function. An established organisational structure is included in such control systems, clearly defining the power and obligations of each department in the Group, in order to protect the Group's assets against improper use, maintain appropriate accounts and ensure compliance with rules and regulations. The scope of review of the effectiveness of risk management and internal control systems covers significant controls, including operations and risk management. Annual review of the effectiveness of the Group's risk management and internal control systems has been performed by reference to the Group's internal control framework.

If there is any material internal control defect, members of the internal audit department will meet with various members of the management of the Group to review and assess the risks and develop solutions. Risks are compiled, ratings are assigned to the risks and mitigation plans are documented. This risks assessment is reviewed by members of the management of the Group and presented to the Audit Committee and Board for their review.



(Chart 2: Internal Control Management Framework from COSO)

During the year under review, the Board has through the Audit Committee, performed an overall review of the effectiveness of the Group's risk management and internal control systems for the year under review, considering changes in the nature and degree of significant risks exposed to the Group, as well as the Group's capability of responding to changes in its business and external environment. The management will continue monitoring the scope and quality of the risk management and internal control systems, the work performed by the internal audit function and the reports provided by the internal audit department to the Audit Committee. The Board considered the Group's risk management and internal control systems effective and adequate.

INSIDE INFORMATION

The Company takes every precaution in its handling of inside information. The Company regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding inside information. Also, the Company keeps the Directors, management and employees abreast of the latest regulatory updates. Employees who are privy or have access to inside information have also been notified to observe the restrictions regarding the handling and dissemination of inside information from time to time. The Board is generally responsible for ensuring that the Company complies with its disclosure obligations regarding inside information. Inside information should be disclosed by way of an announcement in accordance with the requirements of the SFO and the Listing Rules. Before relevant information is fully disclosed to the public, the Board will ensure that such information is kept strictly confidential.

CORPORATE GOVERNANCE FUNCTIONS

The Company is committed to enhancing its corporate governance practices relevant to the model and growth of its business. In order to achieve a right balance between governance and performance, the Board is responsible for introducing and proposing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company. The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the CG Code and has established the following corporate governance duties to serve this purpose:

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

(2) review and monitor the training and continuous professional development of directors and management;

(3) review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and

(4) review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

There was no meeting held by the Board in respect of corporate governance functions during the year ended 31 December 2016. However, the Company has from time to time provided updated information to the Directors and management on the relevant rules and regulations relating to corporate governance, ensuring that they have a proper understanding of the latest development of the best corporate governance practice.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Nature of services	**Fee paid/payable** HK$'000
Audit services	3,600
Other services	
— Internal control services	1,144
— Rights Issue services	280
Total	5,024

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2016, which were prepared in accordance with statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgement and estimates made are prudent and reasonable.

In respect of Code Provision C.1.3 of the CG Code, the Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the external auditor on the consolidated financial statements are set out in the "Independent Auditor's Report" on pages 60 to 65 of this annual report.

SHAREHOLDERS' RIGHTS

The Company treats all its shareholders equally and ensures that shareholders' rights are protected and every convenience is provided to the shareholders for them to exercise their rights in ways that they are entitled to. The memorandum of association of the Company (the "Memorandum of Association") and the Bye-Laws set out the rights of the shareholders of the Company.

(1) Rights and procedures for shareholders to convene special general meeting ("SGM")

Pursuant to Bye-Law No.58 of the Bye-Laws, shareholders holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings may request the Company to convene a SGM by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition. The requisition must be signed by the requisitionists and deposited at the Company Secretary at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Before convening the SGM, the request will be verified with the Company's share registrar in Bermuda or the Hong Kong branch share registrar with their confirmation that the request is proper and in order.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, i.e. shareholders holding not less than one-twentieth of the paid-up capital of the Company, may themselves convene a meeting in accordance with the requirements and procedures set out in Sections 74(3) and 74(4) of the Bermuda Companies Act 1981 (as amended), but any meeting so convened shall not be held after the expiration of three months from the said date.

(2) Rights and procedures for shareholders to make proposals at general meetings

(i) Rights and procedures for proposing a person for election as a Director at a general meeting are as follows:

Pursuant to Bye-Law No.88 of the Bye-Laws, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected including that person's biographical details as required by Rule 13.51(2) of the Listing Rules, shall have been lodged at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong, or at the Hong Kong branch share registrar provided that the minimum length of the period, during which such notice is given, shall be at least 7 days before the date of the general meeting.

If the notice is submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgment of such notice shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

If the notice is received less than 10 business days prior to the date of such general meeting, the Company will need to consider the adjournment of such general meeting in order to allow shareholders 14 days' notice (the notice period must include 10 business days) of the proposal.

The procedures for shareholders to propose for election as a Director is posted on the Company's website (www.zhuguang.com.hk).

(ii) Rights and procedures for proposing resolution to be put forward at a general meeting are as follows:

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981 (as amended), (i) shareholders holding not less than one-twentieth of the total voting rights; or (ii) not less than 100 shareholders, are entitled to request the Company to give shareholders notice of a resolution which is intended to be moved at the next AGM or SGM. A written notice to that effect signed by the requisitionists with contact information must be deposited at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong (addressed to the Company Secretary). The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such a proposal and any material interest of the proposing shareholder in such a proposal. The request will be verified with the Company's share registrar in Bermuda or the Hong Kong branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

CORPORATE GOVERNANCE REPORT

The notice period to be given to all the shareholders for consideration of the proposal raised by the shareholders concerned at the AGM or the SGM varies according to the nature of the proposal, the details of which are as follows:

- At least 14 days' notice (the notice period must include 10 business days) in writing if the proposal constitutes an ordinary resolution of the Company in SGM.

- At least 21 days' notice (the notice period must include 20 business days) in writing if the proposal constitutes an ordinary resolution of the Company in AGM or a special resolution of the Company in AGM or SGM.

In the event of failure in serving the notice to the Company by the requisitionist within reasonable time, the Company reserves the right to claim from the requisitionist any expenses incurred by the Company in serving the notice of the resolution and circulating the statement given by that requisitionist to all shareholders in accordance with the requirements under the Listing Rules (unless the Company otherwise resolves).

The rights and procedures for proposing resolution to be put forward by shareholders at a general meeting is posted on the Company's website (www.zhuguang.com.hk).

(3) Procedures to send enquiries to the Board

Any enquiry is welcome to be presented to the Board by shareholders and any proposal relating to the business, strategy and management of the Company is welcome to be presented at general meeting for review and discussion. It can be submitted in writing with contact information and deposited at the Company Secretary at the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

COMPANY SECRETARY

Pursuant to the requirements of Rule 3.29 of the Listing Rules, the Company Secretary, Mr. Ng Hoi Leung, Leo confirmed that he had taken no less than 15 hours of relevant professional training during the year ended 31 December 2016.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS

During the year under review, the Company has not made any changes to its Memorandum of Association and Bye-Laws. An up-to-date version of the Memorandum of Association and Bye-Laws is available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk).

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Company is disseminated to shareholders in a timely manner through a number of formal channels, which include the interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the website of the Company (www.zhuguang.com.hk).

The AGM of the Company provides a useful platform for shareholders to exchange views with the Board. The Chairman and the chairman of each committee of the Board are available at the AGM to answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also available at the AGM to assist the Directors in addressing any relevant queries by shareholders. To ensure the Board is maintaining an on-going dialogue with shareholders, shareholders are encouraged to attend the AGM or other general meetings of the Company. The AGM notice is sent to shareholders at least 20 clear business days before the AGM. The notice is also published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.zhuguang.com.hk). Separate resolutions are proposed at the general meetings on each substantially separate issue. A shareholder is permitted to appoint any number of proxies to attend and vote on his behalf. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and of the Company immediately after the relevant general meetings.

To ensure effective communication with the shareholders, the Company highly values any opinion from the shareholders. Comments and suggestions are welcome and can be addressed to the Company by mail to the Company's Hong Kong office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

DIRECTORS' REPORT

The Directors herein submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance including an analysis on financial key performance indicators of likely future development in the Group business, employment policy and subsequent events can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 6 to 18 of this annual report. These discussions form part of this "directors' report".

The financial risk management objectives and policies of the Group are shown in note 3 to the consolidated financial statements.

An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on page 162 of this annual report.

Important events affecting the Group that occurred subsequent to the year ended 31 December 2016 are shown in note 40 to the consolidated financial statements.

The Group is committed to build a better environment by adopting an environmental friendly approach in its business operations. The Group is committed to comply with all applicable environmental laws and regulations in conducting its business. The Group aims to reduce emissions and use of resources in its operation through the following:

- Enhance the efficiency of resource use in the Group's business operations;
- Adopt the use of energy-efficient equipment across the Group's properties and offices;
- Encourage employees to minimise their daily use of resources, such as electricity;
- Encourage contractors and/or service providers to adopt environmental-friendly practices in their design, services and products; and
- Undertake property development projects which are conducive to environmental protection and to obtain environmental certification on such projects.

During the year under review, the Group has made improvements in energy saving and emission reduction by adopting measures, which include replacing ordinary light bulls with energy-saving ones, regularly updating and maintaining air-conditioning systems and equipment, and using recycling papers.

Further information about the Company's environmental policies and performance will be disclosed in the environmental, social and governance report to be issued by the Company in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. The Group's subsidiaries were incorporated in the British Virgin Islands, Hong Kong and the PRC. The Group's operations are mainly carried out by the Group's subsidiaries in the PRC while the Group also has a corporate and administrative office in Hong Kong.

The Group's principal business activity is property development in the PRC which is a highly regulated industry. Property developers in the PRC must abide by various laws and regulations in the country, including rules stipulated by the national and local governments. To engage in property development, the Group must apply to the relevant government authorities to obtain and renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, qualification certificates for property developers, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sales permits. Before the government authorities will issue or renew any such certificate or permit, the Group must meet the relevant requirements. Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to the Group's operations and business. These include laws and regulations relating to:

- Establishment and qualification of real estate development, including the City Real Estate Management Regulation*《城市房地產管理法》, the PRC City Planing Regulation*《中華人民共和國城鄉規劃法》, the PRC Construction Regulation*《中華人民共和國建築法》and the City Real Estate Development Operation Management Rules*《城市房地產開發經營管理條例》; and

- Sale of commodity properties, including the City Commodity Properties Pre-Sale Management Regulation*《城市商品房預售管理辦法》.

If there is any non-compliance with the above rules and regulations, it will affect the Group's operations, development and financial performance. During the year under review, the Group complied with all the relevant laws and regulations in Bermuda, the British Virgin Islands, the PRC and Hong Kong that have a significant impact on the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, the summary of which is as follows:

Fierce industry competition

The fierce competition among property developers in China may lead to the increase in acquisition costs of land and construction costs in prime location in China, the over-provision of properties, decrease in price of the properties and slower approval and review of new property development projects by the relevant government authority as well as increase in human resource costs, which all have an adverse impact on the profit and business operations of the Group.

Fluctuation of exchange rates

The Group focuses on operations in China, and as a result, most revenues and expenses are denominated in RMB. The exchange rates of the RMB against the U.S. dollars and other foreign currencies fluctuate and are affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Fluctuations in the exchange rates will affect the results of operations of the Group. As the 2016 Senior Notes (as defined in the paragraph headed "EQUITY-LINKED AGREEMENTS" in this directors' report below) are denominated in USD, the depreciation of RMB will further increase the finance costs of the Group.

** for identification purpose only*

Fluctuation of interest rates

Interest-bearing debts are one of the primary financing sources for the Group to fund its operations. Part of the Group's loans are RMB-denominated and obtained from banks in the PRC, and carry floating interest rates thus, any adjustments in the interest rates made by the People's Bank of China will affect the finance costs of the Group.

External contractors and suppliers

In the event that the performance of the external contractors and suppliers entrusted by the Group falls short of the standards, or they encounter financial, operational or managerial difficulties, there may be disruption to the construction progress of the Group's property developments, and the Group may need to incur additional costs as well as may be potentially liable for compensation payable to the customers for delay in completion of property development and delivery of the properties.

SEGMENT INFORMATION

An analysis of the performance of the Group by reportable segments is set out in note 5 to the consolidated financial statements.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: nil).

FIVE-YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on page 162.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 66 and 67, respectively.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on page 70.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2016, the Company's reserves available for distribution, computed in accordance with the Companies Act 1981 of Bermuda (as amended) was nil (2015: nil). However, the Company's share premium account in the amount of approximately HK$4,640,287,000 may be distributed in the form of fully paid bonus shares.

DONATIONS

No donations were made to charities by the Group during the year under review (2015: nil).

PROPERTY AND EQUIPMENT

Movements in property and equipment of the Group during the year ended 31 December 2016 are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Movements in investment properties of the Group during the year under review are set out in note 16 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year under review.

INVENTORIES

Inventories consist of properties under development and completed properties held for sale. Details of inventories of the Group during the year under review are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

On 17 October 2016, the Company proposed the Rights Issue of not less than 1,606,104,312 rights Shares to not more than 1,729,812,213 rights Shares on the basis of one rights Share for every three Shares held on the record date (i.e. 14 November 2016) at the subscription price of HK$0.8 per rights Share. Completion of the Rights Issue took place on 9 December 2016 and 1,606,104,312 Shares were issued.

The Directors considered that it was prudent to finance the Group's long term growth by way of the Rights Issue which would not only strengthen the Group's capital base and enhance its financial position without increasing finance costs, but would also allow all qualifying shareholders the opportunity to participate in the growth of the Group through the Rights Issue at a price lower than the current market price of the Shares. The Board considered that the fund raising through the Rights Issue was in the interests of the Company and the Shareholders as a whole.

The net proceeds of the Rights Issue received by the Company were approximately HK$1,258 million, which were intended to be used for funding (i) potential acquisition of the Group of a company which owned the land use right to a parcel of land in Guangzhou, the PRC, as referred to in the circular of the Company dated 23 September 2016; and (ii) potential acquisition(s) of other property development projects of the Group. None of such net proceeds has been utilised as at 31 December 2016. Further details of the Rights Issue are set out in the announcements of the Company dated 17 October 2016, 2 November 2016, 14 November 2016 and 8 December 2016, and the prospectus of the Company dated 15 November 2016.

Details of movements in the share capital of the Company during the year under review are set out in note 26 to the consolidated financial statements.

BORROWINGS

Particulars of the bank loans and other borrowings of the Group as at 31 December 2016 are set out in note 28 to the consolidated financial statements.

INTEREST CAPITALISED

Interest capitalised by the Group during the year under review amounted to approximately HK$281,913,000 (2015: HK$141,134,000), details of which are set out in note 11 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

The Group contributes to defined contribution retirement schemes which are available to all its employees. With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the scheme. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the schemes. During the year under review, contribution of approximately HK$2,612,000 was provided to these schemes. No forfeited contribution under these schemes is available to reduce the contribution payable in future years.

EQUITY-LINKED AGREEMENTS

2014 Senior Notes and 2014 Warrants

The conditional note purchase agreement dated 20 June 2014 (the "2014 Note Purchase Agreement") entered into among the Company as issuer, Rong De as the controlling shareholder of the Company, Blooming Rose Enterprises Corp. ("Blooming"), Design Time Limited ("Design Time") and Wise Sharp Investments Limited (collectively the "2014 First Tranche Investors") as investors, and Mr. Chu HT, Mr. Liao and Mr. Chu MC (collectively as "Ultimate Shareholders") as personal guarantors, pursuant to which the Company shall (i) issue to the 2014 First Tranche Investors, and investors who are not connected persons of the Company (as defined under the Listing Rules) as identified by the Company which will purchase the 2014 Senior Notes (as defined below) at the closing of the second tranche of the issue and purchase of the 2014 Senior Notes (the "2014 Second Tranche Investors"), in two tranches, the senior secured guaranteed notes (the "2014 Senior Notes") of an aggregate principal amount of up to US$350,000,000; and (ii) in consideration of the purchase of the 2014 Senior Notes by the 2014 First Tranche Investors and the 2014 Second Tranche Investors and the entering into of other transactions contemplated under the relevant transaction documents by such investors, the Company shall issue warrants (the "2014 Warrants") to such investors in two tranches.

The 2014 Warrants represent an aggregate amount of the exercise moneys of US$70,000,000 at adjusted strike price of HK$2.1464 for holders of the warrant shares to subscribe for ordinary shares of the Company. If the subscription rights attached to the 2014 Warrants are exercised in full at the adjusted strike price of HK$2.1464, the 2014 Warrants will entitle the holders thereof (the "2014 Warrantholders") to subscribe for up to 145,359,672 Shares (of an aggregate nominal value of HK$14,535,967) and such Shares will be allotted and issued pursuant to the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 13 June 2014, which is sufficient for such allotment and issue. The shares of the Company to be allotted and issued upon the exercise of the subscription rights attached to the 2014 Warrants, when allotted and issued, will rank pari passu with the existing ordinary shares of the Company as at the date of allotment. The subscription rights attached to the 2014 Warrants will expire on the date falling 36 months from the issue date of such 2014 Warrants. Further details of the 2014 Warrants are set out in the announcements of the Company dated 22 June 2014, 26 June 2014, 17 July 2014, 18 July 2014, 28 December 2014, 8 January 2015 and 13 February 2015.

The subscription money payable by a 2014 Warrantholder upon the exercise of the subscription rights, can be satisfied in the following manner at the 2014 Warrantholder's election:

(i) by setting off the outstanding principal amount of any 2014 Senior Notes held by such 2014 Warrantholder in its capacity as the holder of any amount of 2014 Senior Notes against the exercise moneys equal to the aggregate subscription price; or

(ii) (to the extent that the total outstanding principal amount of any 2014 Senior Notes held by such 2014 Warrantholder is less than the amount required to be set off against the exercise moneys equal to the aggregate subscription price) by setting off against the due and unpaid interest accrued and outstanding to such 2014 Warrantholder in its capacity as the holder of any amount of 2014 Senior Notes; or

(iii) by payment in cash to such bank account as designated by the Company as notified in writing to the 2014 Warrantholder three business days in advance; or

(iv) by a combination of payment in cash and by way of set-off as set forth in the foregoing (i) and (ii); or

(v) by such other method of payment as the Company and such 2014 Warrantholder may reasonably agree.

The Board considered that the issue of the 2014 Warrants represented an opportunity to raise additional funds for (i) the Company's general working capital; and (ii) for the acquisition and development of real estate development projects by the Group in the PRC. Assuming all subscription moneys of the subscription rights attached to the 2014 Warrants will be settled by the 2014 Warrantholders to the Company in cash, the Company will receive gross proceeds of approximately HK$546 million in this regard. In case the Company receives any additional proceeds from the 2014 Warrantholders upon the exercise of the 2014 Warrants, such proceeds will be applied towards the general working capital of the Company. The 2014 Warrants in the aggregate exercise money of US$40,000,000 remained outstanding as at 1 January 2016 and 31 December 2016.

DIRECTORS' REPORT

2016 Senior Notes and 2016 Warrants

The conditional note purchase agreement dated 3 August 2016 (the "2016 Note Purchase Agreement") was entered into among (a) the Company as issuer; (b) Rong De as the controlling shareholder; (c) Blooming and Heroic Day Limited ("Heroic Day"), each in its capacity as a first tranche investor, Blooming, Heroic Day and such investors being persons who are not connected persons of the Company as identified by the Company which will purchase the 2016 Senior Notes (as defined below) at the closing of the second tranche of the issue and purchase of the 2016 Senior Notes (the "2016 Second Tranche Investors"), and SPDB International Investment Management Limited ("SPDBI") as a first tranche investor (Blooming, Heroic Day and SPDBI, collectively the "2016 First Tranche Investors"); and (d) the Ultimate Shareholders as personal guarantors, pursuant to which the Company shall conditionally (aa) issue to the 2016 First Tranche Investors, the 2016 Second Tranche Investors and such investors being persons who are not connected persons of the Company as identified by the Company which will purchase the 2016 Senior Notes (as defined below) at the closing of the third tranche of the issue and purchase of the 2016 Senior Notes ("2016 Third Tranche Investors"), in three tranches, the senior secured guaranteed notes (the "2016 Senior Notes") of an aggregate principal amount of up to US$500,000,000; and (bb) in consideration of the purchase of the 2016 Senior Notes by the 2016 First Tranche Investors, the 2016 Second Tranche Investors and the 2016 Third Tranche Investors and the entering into of other transactions contemplated under the relevant transaction documents by such 2016 First Tranche Investors, the 2016 Second Tranche Investors and the 2016 Third Tranche Investors, the Company shall issue warrants (the "2016 Warrants") to such 2016 First Tranche Investors, the 2016 Second Tranche Investors and the 2016 Third Tranche Investors in three tranches pursuant to a warrant instrument dated 14 October 2016 executed by the Company, representing an aggregate amount of the exercise moneys of up to US$75,000,000, pursuant to the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 11 October 2016, further details of which are set out in the announcements of the Company dated 3 August 2016, 23 September 2016 and 11 October 2016, and the circular of the Company dated 23 September 2016.

Pursuant to the 2016 Note Purchase Agreement, Rong De was required to create a charge (the "Share Change") over 2,542,000,000 ordinary shares that it held in the Company in favour of The Bank of New York Mellon, Hong Kong Branch ("BNY HK") and each of the Ultimate Shareholders have entered into personal guarantees (the "Guarantees") in favour of BNY HK in relation to the 2016 Senior Notes. The Share Charge, which subsisted in the year under review and as at the date of this annual report, is discloseable pursuant to Rule 13.17 of the Listing Rules. The Guarantees subsisted in the year under review and as at 31 December 2016.

The conditions of the 2016 Senior Notes, which subsisted during the year under review and as at the date of this annual report, also contain certain specific performance obligations on Rong De (the controlling shareholder of the Company) and the Ultimate Shareholders, which are required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

It is an event of default under the conditions of the Senior Notes, if, amongst others:

(i) Rong De ceases to beneficially own at least 2,000,000,000 shares of the Company;

(ii) Rong De ceases to (a) control the Company, or (b) beneficially own at least 51% of the total issued share capital of the Company on a fully-diluted basis;

(iii) the Ultimate Shareholders cease to (a) control the Company, or (b) effectively and beneficially own in aggregate at least 51% of the total issued share capital of the Company on a fully-diluted basis;

(iv) the Ultimate Shareholders cease to (a) control Rong De, or (b) legally and beneficially own in aggregate at least 70% of the total issued share capital of Rong De on a fully-diluted basis; and

(v) any of the Ultimate Shareholders ceasing to be a Director.

Upon the occurrence of an event of default, the 2016 Senior Notes shall become immediately due and repayable in accordance with the conditions of the 2016 Senior Notes.

The 2016 Senior Notes constituted direct, unconditional, secured, guaranteed, unsubordinated and general obligations of the Company, which ranked at least pari passu with all other present and future direct, secured, unconditional and unsubordinated obligations, issued, created or assumed by the Company. The Company issued the first tranche of the 2016 Senior Notes (the "First Tranche Notes") to the 2016 First Tranche Investors in the aggregate principal of US$190,000,000 (equivalent to approximately HK$1,482,000,000) on 4 August 2016 and the second tranche of the 2016 Senior Notes (the "Second Tranche Notes") to the 2016 Second Tranche Investors in the aggregate principal amount of US$220,000,000 (equivalent to approximately HK$1,716,000,000) on 23 September 2016. The net proceeds, after deducting issuance costs, received by the Company from the issue of the First Tranche Notes and the Second Tranche Notes amounted to approximately US$389,552,000 (equivalent to approximately HK$3,021,818,000).

On 14 October 2016, the 2016 Warrants representing aggregate exercise moneys of US$28,500,000 were issued to the 2016 First Tranche Investors and the 2016 Warrants representing aggregate exercise moneys of US$33,000,000 were issued to the 2016 Second Tranche Investors.

The 2016 Warrants represent an aggregate amount of the exercise moneys of US$61,500,000 at adjusted strike price of HK$1.8049 for holders of the warrant shares (the "2016 Warrant Shares") to subscribe for ordinary shares of the Company. If the subscription rights attached to the 2016 Warrant are exercised in full at the adjusted strike price of HK$1.8049, the 2016 Warrants will entitle the holders thereof (the "2016 Warrantholders") to subscribe for up to 265,776,497 shares of the Company (of an aggregate nominal value of HK$26,577,650). The shares of the Company to be allotted and issued upon the exercise of the subscription rights attached to the 2016 Warrants, when allotted and issued, will rank pari passu with the existing ordinary shares of the Company as at the date of allotment, and they will be allotted and issued pursuant to the specific mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 11 October 2016. The subscription rights attached to the 2016 Warrant will expire on the date falling 36 months from the issue date of such warrants. Further details of the 2016 Warrants are set out in the announcements of the Company dated 3 August 2016, 23 September 2016 and 11 October 2016 and the circular of the Company dated 23 September 2016.

The subscription money payable by a 2016 Warrantholder upon the exercise of the subscription rights, can be satisfied in the following manner at the 2016 Warrantholder's election:

(i) by setting off the outstanding principal amount of any 2016 Senior Notes held by such 2016 Warrantholder in its capacity as the holder of any amount of 2016 Senior Notes against the exercise moneys equal to the aggregate subscription price; or

(ii) by payment in cash to such bank account as designated by the Company as notified in writing to the 2016 Warrantholder three business days in advance; or

(iii) by a combination of payment in cash and by way of set-off as set forth in the foregoing (i) and (ii); or

(iv) by such other method of payment as the Company and such 2016 Warrantholder may reasonably agree.

Assuming the 2016 Warrants representing exercise moneys of US$61,500,000 are issued and all exercise moneys of the subscription rights attached to the 2016 Warrants will be settled by the 2016 Warrantholders to the Company in cash, the Company will receive gross proceeds of approximately HK$480 million, and net proceeds of approximately HK$479 million in this regard. The net proceeds, after deducting issuance costs, received by the Company will be used for funding potential acquisition of other property development projects in Shenzhen or Hebei Province. None of these 2016 Warrants have been exercised as at 31 December 2016.

The Board considered that the issue of the 2016 Senior Notes and the 2016 Warrants represented an opportunity to raise funds for the Company to repay all 2013 Indebtedness (as defined below) and 2014 Indebtedness (as defined below), and to raise additional funds for financing the costs of the Group's construction projects and to be used as the general working capital of the Company.

The Company intended to use the proceeds from the issue of the 2016 Senior Notes in the following manner:

(i) to use the full amount of the proceeds received from the issue of the First Tranche Notes to partially repay the principal amount of debt (to the extent such principal amount has not been set-off or settled as contemplated under the 2016 Note Purchase Agreement) payable to the 2013 Creditors (as defined below) in relation to the 2013 Indebtedness;

(ii) to use US$200,000,000 of the proceeds received from the issue of the Second Tranche Notes to repay in full the principal amount of debt (to the extent such principal amount has not been set-off or settled as contemplated under the 2016 Note Purchase Agreement) payable to 2014 Creditors (as defined below) in relation to the 2014 Indebtedness (as defined below);

(iii) to use US$5,000,000 of the proceeds received from the issue of the Second Tranche Notes to repay the indebtedness (other than the 2014 Note Indebtedness (as defined below)) owed by the Company to one of the investors under the three tranches of issue and purchase of the 2016 Senior Notes; and

(iv) to use US$15,000,000 of the proceeds received from the issue of the Second Tranche Notes as the general working capital of the Company, and for financing the costs of the Group's construction projects, provided that such proceeds shall not be used for (a) the subscription or acquisition of any shares or securities of any company listed on any stock exchange; or (b) the acquisition of any assets, properties or undertakings from Rong De and/or any of its affiliates.

As at 31 December 2016, the proceeds from the issue of the 2016 Senior Notes have been fully utilised in accordance with (i) to (iv) above.

For the purpose of the above, the defined terms used above shall have the following meanings:

"2013 Indebtedness"	means all outstanding indebtedness incurred by the 2013 Obligors under the transaction documents in connection with the issue by the Company of the 2013 Senior Notes and 2013 Warrants (including the 2013 Note Indebtedness but excluding the 2013 Warrants Indebtedness) as at 4 August 2016;
"2013 Obligors"	means each party to the transaction documents in connection with the issue by the Company of the 2013 Senior Notes and the 2013 Warrants, other than the investors in the 2013 Senior Notes, BNY HK and all other 2013 Creditors;
"2013 Senior Notes"	means the 12.5% senior secured guaranteed notes in the principal amount of up to US$200,000,000 due 2016 issued by the Company, further details of which are set out in the announcements of the Company dated 22 July 2013, 5 August 2013, 26 September 2013, 15 October 2013 and 16 October 2013;
"2013 Warrants"	means the warrants with an aggregate amount of exercise moneys of up to US$40,000,000 of the Company which entitles holders thereof to subscribe for shares of the Company at the initial strike price of HK$2.2691, further details of which are set out in the announcements of the Company dated 22 July 2013, 5 August 2013, 26 September 2013, 15 October 2013 and 16 October 2013;
"2013 Creditors"	means all creditors who are entitled to any payment under the transaction documents in connection with the issue by the Company of the 2013 Senior Notes and the 2013 Warrants, including the registered holders of the outstanding 2013 Senior Notes as at 3 August 2016;
"2013 Note Indebtedness"	means all outstanding indebtedness incurred by the Company under the 2013 Senior Notes as at 4 August 2016;
"2013 Warrants Indebtedness"	means all amounts payable, including all redemption amounts payable by the Company, to the registered holders of the outstanding 2013 Warrants;
"2014 Indebtedness"	means all outstanding indebtedness incurred by the 2014 Obligors under the transaction documents in connection with the issue by the Company of the 2014 Senior Notes and the 2014 Warrants (including the 2014 Note Indebtedness but excluding the 2014 Warrants Indebtedness) as at the date on which the consummation of the issue and purchase of the second tranche of the 2016 Senior Notes takes place;
"2014 Obligors"	means each party to the transaction documents in connection with the issue by the Company of the 2014 Senior Notes and the 2014 Warrants, other than the investors in the 2014 Senior Notes, BNY HK and all other 2014 Creditors;
"2014 Creditors"	means all creditors who are entitled to any payment under the transaction documents in connection with the issue by the Company of the 2014 Senior Notes and the 2014 Warrants, including the registered holders of the outstanding 2014 Senior Notes as at 3 August 2016;

"**2014 Note Indebtedness**" means all outstanding indebtedness incurred by the Company under the 2014 Senior Notes as at the date on which the consummation of the issue and purchase of the second tranche of the 2016 Senior Notes takes place; and

"**2014 Warrant Indebtedness**" means all amounts payable, including all redemption amounts payable by the Company, to the registered holders of the outstanding 2014 Warrants.

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year under review or subsisted at the end of the year under review.

REDEMPTION OF SENIOR NOTES

The 2013 Senior Notes (as defined in the paragraph headed "EQUITY-LINKED AGREEMENTS" in this directors' report above) were due on 4 August 2016. On the maturity date, the Company repaid these 2013 Senior Notes in the aggregate principal amount of US$196,000,000 at US$198,313,888.89, representing repayment of the outstanding principal and interest of the 2013 Senior Notes in the amounts of US$196,000,000 and US$2,313,888.89, respectively. The 2013 Senior Notes were cancelled after their full repayment by the Company upon maturity. None of the 2013 Senior Notes remained outstanding as at 31 December 2016.

On 23 September 2016, the Company early redeemed the 2014 Senior Notes in the aggregate principal amount of US$200,000,000 at the aggregate amount of US$202,779,555.55, representing repayment of the aggregate outstanding principal and interest of these 2014 Senior Notes in the amounts of US$200,000,000 and US$2,779,555.55, respectively. The 2014 Senior Notes were cancelled after their full early redemption by the Company on 23 September 2016. None of the 2014 Senior Notes remained outstanding as at 31 December 2016.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 40 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information on the revenue and purchases attributable to the major customers and suppliers of the Group for the year under review is as follows:

	2016 **%**	2015 %
Revenue		
The largest customer	**19**	33
Five largest customers in aggregate	**30**	40
Purchases		
The largest supplier	**28**	53
Five largest suppliers in aggregate	**66**	89

Save as disclosed in note 36 to the consolidated financial statements, none of the Directors and their close associates or any shareholder (who to the best knowledge of the Directors, own more than 5% of the Company's share capital) had interest in the above customers and suppliers at any time during the year under review.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment for its employees and emphasises the personal development of its employees. The Group organises various social and recreational activities, including annual dinner and birthday parties, to strengthen the bonding among its employees and promote their sense of belonging. During the year under review, there was no material non-compliance with relevant laws and regulations that had a significant impact on the Group relating to the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare with respect to its employee.

The Group understands that it is important to maintain good relationships with its customers and provide its products in a way that satisfy the needs and requirements of its customers. The Group enhances its customer relationships by continuous interaction with its customers to gain an insight on the changing market demand so that the Group can respond proactively. The Group has also established procedures for handling customers' complaints to ensure complaints from customers are dealt with in a prompt and timely manner. Because of its business nature, the Group does not rely on any major customers and no credit terms are granted to them.

The Group is also dedicated to develop good relationships with its suppliers and contractors as long-term business partners to ensure stability of its business. The Group reinforces business partnerships with its suppliers and contractors by ongoing communication with them in a proactive and effective manner so as to ensure the quality and timely delivery of their products and services.

DIRECTORS

The Directors during the year under review and up to the date of this directors' report were:

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)
Mr. Liu Jie (appointed on 17 March 2017)
Mr. Liao Tengjia
Mr. Huang Jiajue
Mr. Chu Muk Chi (alias Mr. Zhu La Yi)
Ms. Ye Lixia
Mr. Leung Wo Ping *JP**
Mr. Wong Chi Keung*
Dr. Feng Ke*

** Independent non-executive director*

Mr. Liu Jie will retire from office at the forthcoming annual general meeting in accordance with Bye-Law No. 86(2) of the Bye-Laws and being eligible, will offer himself for re-election. Mr. Chu Muk chi (alias Mr. Zhu La Yi) and Mr. Leung Wo Ping *JP* will retire from office by rotation at the forthcoming annual general meeting in accordance with Bye-Law No.87 of the Bye-Laws and, being eligible, will offer themselves for re-election.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there are changes in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in the course of the directors' term of office during the year under review. With effect from 2 February 2016, Mr. Wong has been appointed as an independent non-executive director, committee member of the audit committee, nomination committee, remuneration committee and investigation committee of China Shanshui Cement Group Limited (stock code: 0691). Mr. Wong ceased to be the responsible officer of Greater China Capital Limited with effect from 16 April 2016.

Mr. Leung ceased to be an independent non-executive director of Heng Xin China Holdings Limited (a company listed on GEM with stock code: 8046) in June 2016.

Dr. Feng was appointed as an independent non-executive director of Yingde Gases Group Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 2168) on 5 November 2016.

Save as disclosed above, there are no other matters that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or subsisted during the year under review.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with no fixed term of service with the Company. Such service contract can be terminated by either party giving three months' written notice.

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

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2016 are set out in notes 39 and 7 to the consolidated financial statements respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests and short positions of the Directors or chief executive of the Company in the ordinary shares (the "Shares") and underlying Shares (as the case may be) of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or the Chief Executive Officer is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules:

(i) Interest and short position in Shares

Name of director of the Company	Nature of interest	Total number of Shares	Approximate percentage of total issued Shares
Mr. Liao Tengjia	Interest of a controlled corporation (Note)	3,779,299,289 (L)	58.83% (L)
Mr. Chu Hing Tsung	Interest of a controlled corporation (Note)	3,779,299,289 (L)	58.83% (L)

(L) Long position
(S) Short position

Note: Rong De Investments Limited ("Rong De") is legally and beneficially owned as to 36.00% by Mr. Liao Tengjia and as to 34.06% by Mr. Chu Hing Tsung. Mr. Liao Tengjia and Mr. Chu Hing Tsung are deemed to be interested in the 3,779,299,289 Shares beneficially owned by Rong De under the SFO. To the best knowledge of the Directors, among the Shares held by Rong De, 458,000,000 Shares and 3,021,112,000 Shares have been pledged by Rong De to 中國華融資產管理股份有限公司(廣東省)分公司(中國華融), and BNY HK respectively.

(ii) Interest in shares of the Company's associated corporation

Name of director of the Company	Name of associated corporation	Nature of interest	Total number of shares	Approximate percentage of total issued share capital of the associated corporation
Mr. Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Mr. Chu Hing Tsung	Rong De	Beneficial owner	68,120	34.06%
Mr. Chu Muk Chi	Rong De	Beneficial owner	59,888	29.94%

DIRECTORS' INTERESTS IN CONTRACTS

On 17 December 2014, 廣州愉捷貿易有限公司 (in English, for identification purpose only, Guangzhou Yujie Trading Company Limited), a wholly-owned subsidiary of the Company as purchaser, conditionally entered into 50 preliminary sale and purchase agreements (the "SP Agreements") with 廣州黃沙鐵路房地產開發有限公司 (in English, for identification purpose only, Guangzhou Huangsha Railway Real Property Development Company Limited), an independent third party, as vendor (the "Vendor"), in relation to the acquisition of 50 properties (the "Acquired Properties") in Guangzhou, the PRC, jointly developed by 廣州珠光投資有限公司 (in English, for identification purpose only, Guangzhou Zhuguang Investment Company Limited) ("GZ Investment"), a related party of the Group and an independent third party, at the consideration of RMB1,106,820,000 (equivalent to approximately HK$1,403,881,000) which shall be settled by cash (the "Project"). GZ Investment is entitled to 75% of the distributable interests (the "Right") under the Project and the income derived therefrom. In November 2014, Mr. Chu HT, the Chairman and an executive Director, has acquired from GZ Investment, at the consideration of RMB760,000,000 (equivalent to approximately HK$963,978,000), part of the Right (the "Acquired Right"), pursuant to which he is entitled to request the Vendor to transfer three of the buildings (the "Phase I Buildings") in relation to phase I of the Project to him, or alternatively he is entitled to the sale proceeds of the Phase I Buildings if he requests the Vendor to sell the Phase I Buildings for him. The Acquired Properties are part of the underlying interest in the Acquired Right. The SP Agreements subsisted during the year under review. For details of the SP Agreements, please refer to the circular of the Company dated 5 March 2015.

Save as disclosed above and under the paragraph headed "EQUITY-LINKED AGREEMENTS" in this directors' report, no other transactions, arrangements and contracts of significance to which the Company or any of its subsidiaries or its holding company was a party and in which a Director and any entity connected with the Director had a material interest, either directly or indirectly, subsisted at the end of the year ended 31 December 2016 or at any time during the year ended 31 December 2016.

COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, during the year ended and as at 31 December 2016, Mr. Liao Tengjia and Mr. Huang Jiajue, both being executive Directors, were interested as directors in companies that are engaged in the businesses of property development, investment and property rental in the PRC (the "Competing Businesses"). As such, they were regarded as being interested in such Competing Businesses, which competed or might compete with the Group. However, as the above Directors cannot control the Board, and a Director who has material interest in a subject matter to be resolved will abstain from voting in the Board meeting concerned, the interests of the above Directors in the Competing Businesses will not prejudice their capacity as Directors nor compromise the interests of the Group and the shareholders.

Other than as disclosed above, none of the Directors or any of their respective associates of the Company were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Company's business.

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

As at 31 December 2016, as far as the Directors were aware, the following persons (other than the Directors and the Chief Executive Officer) had interests and short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as follows:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (Note 10)	Number of underlying Shares	Approximate percentage of interest (Note 10)
Rong De	Beneficial owner (Note 1)	3,779,299,289 (L)	58.83%	–	–
中國華融 (Note 1)	Security interest	923,000,000 (L)	14.37%	–	–
Central Huijin Investment Limited ("Central Huijin") (Notes 2 and 3)	Interest of controlled corporations	–	–	79,359,502 (L)	1.24%
	Security interest	3,139,212,666 (L)	48.86%	–	–
Agricultural Bank of China Limited ("ABCL") (Note 2)	Interest of controlled corporations	–	–	45,376,475 (L)	0.71%
	Security interest	3,021,112,000 (L)	47.03%	–	–
Ministry of Finance of the People's Republic of China ("MOF") (Note 2)	Interest of controlled corporations	–	–	45,376,475 (L)	0.71%
	Security interest	3,021,112,000 (L)	47.03%	–	–
China Construction Bank Corporation ("CCB") (Note 3)	Security interest	3,139,212,666 (L)	48.86%	–	–
	Interest of controlled corporations	–	–	33,983,027 (L)	0.53%
The Bank of New York Mellon Corporation ("BNY") (Note 4)	Security interest	3,021,112,000 (L)	47.03%	–	–
China Orient Asset Management Co., Ltd. ("COAM") (Note 5)	Interest of controlled corporations	3,167,398,572 (L)	49.30%	146,286,572 (L) 57,780,000 (S)	2.28% 0.90%
	Security interest	55,280,000 (L)	0.86%	–	–

DIRECTORS' REPORT

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (Note 10)	Number of underlying Shares	Approximate percentage of interest (Note 10)
Cheung Fong Wing (Note 6)	Interest of a controlled corporation	418,500,000 (L)	6.51%	–	–
Quan Xing Holdings Limited ("Quan Xing") (Note 6)	Beneficial owner	418,500,000 (L)	6.51%	–	–
China Great Wall Asset Management Corporation ("CGWAMC") (Note 7)	Interest of controlled corporations	1,200,000,000 (L)	18.68%	–	–
China Cinda Asset Management Co., Limited ("CCAM") (Note 8)	Interest of controlled corporations	1,010,000,000 (L)	15.72%	9,841,030 (L)	0.15%
Huarong (HK) International Holdings Limited ("HHKIH") (Note 9)	Security interest	2,190,317,942 (L)	34.09%	19,682,058 (L)	0.31%
	Interest of controlled corporations	15,600,000 (L)	0.24%	20,624,917 (L)	0.32%
		15,600,000 (S)	0.24%	20,624,917 (S)	0.32%

(L) Long position
(S) Short position

Notes:

1. The Shares comprised of the 3,779,299,289 Shares beneficially owned by Rong De as stated under "Directors' interests and short position in the securities of the Company and its associated corporations — Long position in the Shares". Out of the aforesaid 3,779,299,289 Shares, 458,000,000 Shares and 3,021,112,000 Shares have been pledged by Rong De to 中國華融 and BNY HK respectively.

2. According to the disclosure of interest notices filed by ABCL and Heroic Day on 4 January 2017, Heroic Day held direct interest in 3,021,112,000 Shares and 45,376,475 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited ("ABCIIM"). ABCIIM is a wholly-owned subsidiary of ABC International Holdings Limited ("ABCIH"). ABCIH is a wholly-owned subsidiary of ABCL. According to the disclosure of interest notices filed by Central Huijin and MOF on 4 January 2017, ABCL is in turn owned as to 40.41% by Central Huijin and as to 39.21% by MOF. Accordingly, ABCIIM, ABCIH, ABCIH is a wholly-owned subsidiary of ABCL. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and underlying Shares held by Heroic Day by virtue of the provisions of the SFO.

3. According to the disclosure of interest notice filed by CCB on 4 January 2017, Design Time held direct interest in 14,535,967 Shares, and is a wholly-owned subsidiary of CCBI Investments Limited ("CCBII"). CCBII is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH"). CCB International Overseas Limited ("CCBIO") held direct interest in 3,158,659,726 Shares, and is also a wholly-owned subsidiary of CCBIH. CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited ("CCBFH"). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited ("CCBIG"). CCBIG is a wholly-owned subsidiary of CCB. According to the disclosure of interest notice filed by Central Huijin on 4 January 2017, CCB is owned as to 57.31% by Central Huijin. Accordingly, CCBII, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the underlying Shares and Shares held by Design Time and CCBIO respectively by virtue of the provisions of the SFO.

4. According to the disclosure of interest notice filed by BNY on 3 January 2017, BNY HK held direct interest in the Shares and is wholly-owned by BNY. Accordingly, BNY is deemed to be interested in the Shares held by BNY HK by virtue of the provisions of the SFO.

5. According to the disclosure of interest notice filed by COAM on 4 January 2017, Blooming Rose Enterprises Corp. ("Blooming") held direct interest in 3,222,678,572 Shares and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"). China Orient Multi-Strategy Master Fund ("COMS") held direct interest in 55,280,000 Shares and had short position in 57,780,000 underlying Shares and is a wholly-owned subsidiary of China Orient International Fund Management Limited ("COIFM"). COIFM is a wholly-owned subsidiary of COAM International, which is held as to 50% by Wise Leader Assets Limited ("Wise Leader") and 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COIFM, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares and underlying Shares held by Blooming and COMS by virtue of the provisions of the SFO.

6. Quan Xing was the beneficial owner of these Shares, which is wholly-owned by Mr. Cheung Fong Wing. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares held by Quan Xing by virtue of the provisions of the SFO.

7. According to the disclosure of interest notice filed by CGWAMC on 17 July 2014, Evergreat Prosper Limited held direct interest in the Shares and is a wholly-owned subsidiary of Great Wall Pan Asia International Investment Company Limited ("GWPAIICL"). GWPAIICL is a wholly-owned subsidiary of CGWAMC. Accordingly, GWPAIICL and CGWAMC are deemed to be interested in the Shares held by Evergreat Prosper Limited by virtue of the provisions of the SFO.

8. According to the disclosure of interest notice filed by CCAM on 13 January 2015, Finic Resources Limited held direct interest in the Shares and underlying Shares and is a wholly-owned subsidiary of China Cinda (HK) Asset Management Co., Limited ("CCHKAM"). CCHKAM is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited ("CCHKH"). CCHKH is a wholly-owned subsidiary of CCAM. Accordingly, CCHKAM, CCHKH and CCAM are deemed to be interested in the Shares and underlying Shares held by Finic Resources Limited by virtue of the provisions of the SFO.

9. According to the disclosure of interest notice filed by HHKIH on 9 January 2015, Ace City Ventures Limited held direct interest in Shares and underlying Shares, had short position in Shares and underlying Shares and is a wholly-owned subsidiary of HHKIH. Accordingly, HHKIH is deemed to be interested in the Shares and underlying Shares held by Ace City Ventures Limited by virtue of the provisions of the SFO.

10. The total number of issued Shares as at 31 December 2016 (i.e. 6,424,417,247 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

Save as disclosed above, the Directors or the Chief Executive Officer are not aware of any other persons (not being Directors or chief executive of the Company) as at the Latest Practicable Date, who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group.

Mr. Liao Tengjia is the sole director of Rong De.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTIONS

Details of significant related party transactions undertaken by the Group during the year under review in the ordinary course of business are set out in note 36 to the consolidated financial statements. None of those related party transactions fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws or the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

MANAGEMENT DISCUSSION AND ANALYSIS

A management discussion and analysis of the Group's annual results is shown on pages 8 to 18.

CORPORATE GOVERNANCE REPORT

A corporate governance report of the Group is shown on pages 22 to 39.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practice adopted by the Group and the Company's audited results for the year ended 31 December 2016, and discussed with the management regarding audit, internal control and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules during the year under review and up to the date of this annual report.

AUDITOR

RSM Hong Kong has resigned as the auditor of the Company with effect from 8 June 2016 and has not offered itself for re-appointant at the 2016 AGM.

At the special general meeting of the Company held on 29 June 2016, PricewaterhouseCoopers was appointed as the auditor of the Company.

PricewaterhouseCoopers will retire and being eligible, offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
Chu Hing Tsung
Chairman

Hong Kong, 28 March 2017

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of Zhuguang Holdings Group Company Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 161, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss 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 statement of cash flows 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.

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 year. 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.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment on prepayments for acquisition of equity interests in property development projects
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on prepayments for acquisition of equity interests in property development projects *Refer to notes 4(a) and 21 to the consolidated financial statements.* As at 31 December 2016, the Group has prepayments for acquisition of equity interests in property development projects of, aggregating HK$3,998,031,000. Management assessed the feasibility of these property development projects and recoverability of these balances by considering a number of factors, including but not limited to (i) the possibility of obtaining land titles of the entire property development areas for the intended purposes, (ii) creditworthiness of the counterparties, majority of which are related parties of the Group and (iii) past collection history. Impairment arises where events or changes in circumstances indicate that balance may not be collectible.	We understood, evaluated and tested the internal control over management's assessment procedures over impairment on prepayments for acquisition of equity interests in property development projects. We assessed the reasonableness of management's assessment on recoverability of balances by performing the following work: • We assessed the likelihood in obtaining commercial or residential land title by enquiring the management on the status of these projects. We obtained and examined relevant supporting documents, including but not limited to original certificates of land use rights owned by the counterparties, development plans, correspondences with the counterparties and relevant memoranda of internal meetings; • We performed background research of these companies, and tested on a sample basis the accuracy of the ageing profile of these prepayments by checking to the underlying payment correspondences;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Management judgements and estimates are to be made in relation to the recoverability of the Group's prepayments for acquisition of equity interests in property development projects. We paid significant attention to this area due to the material balance of prepayments to the consolidated financial statements of the Group and there is critical judgement involved in determining the critical assumptions and estimates used in the impairment assessment.	• We reviewed the past collection history from these counterparties to the Group by checking to the supporting documents, including bank remittance advices and bank statements, on a sample basis; and • We obtained direct confirmations from the counterparties to confirm the respective balances as at year end date. We found management's assessment are supported by the evidence available.
Valuation of investment properties *Refer to notes 2.6, 4(b) and 16 to the consolidated financial statements.* The Group's investment properties are stated at fair value. As at 31 December 2016, the Group's investment properties amounted to HK$2,165,788,000, which represents 11.6% of the Group's total assets, and the fair value gain on investment properties for the year ended 31 December 2016 amounted to HK$309,337,000. Independent external valuations were obtained for the Group's investment properties in order to support management's estimates. The valuations of investment properties were dependent on certain key assumptions that require significant management judgement, including term yields and reversion yields, market rents and market prices. We paid significant attention to this area due to the material balances of investment properties to the consolidated financial statements of the Group and there was critical judgement involved in determining the critical assumptions and estimates used in the valuations.	Our procedures in relation to management's valuation of investment properties included: • We evaluated the competence, capabilities and objectivity of the independent external valuers; • We used our internal valuation specialists in assessing the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations, including term yields and reversion yields, market rents and market prices. We compared the term yields, reversion yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties, and found them to be comparable; and • We checked the accuracy of the input data used in the valuation to relevant supporting documents, including rental contracts, on a sample basis. We found management's valuations of investment properties to be supported by the evidence available.

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 THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT

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.

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Revenue	5	**1,908,153**	3,293,318
Cost of sales	6	**(1,238,495)**	(2,641,769)
Gross profit		**669,658**	651,549
Fair value gains on investment properties, net	16	**309,337**	61,198
Investment and other income	8	**155,539**	120,815
Selling and marketing costs	6	**(59,639)**	(39,937)
Administrative expenses	6	**(155,324)**	(152,981)
Other gains/(losses), net	9	**125,989**	(307,997)
Operating profit		**1,045,560**	332,647
Gain on disposal of subsidiaries	10	**—**	1,954,560
Finance costs, net	11	**(798,796)**	(1,004,642)
Profit before income tax		**246,764**	1,282,565
Income tax expenses	12	**(426,196)**	(774,091)
(Loss)/profit for the year		**(179,432)**	508,474
(Loss)/profit attributable to:			
Owners of the Company		**(175,645)**	591,409
Non-controlling interests		**(3,787)**	(82,935)
		(179,432)	508,474
(Loss)/earnings per share for profit attributable to owners of the Company for the year (expressed in HK cents per share)	13		(Restated)
— Basic and diluted		**(3.68)**	11.69

The notes on pages 73 to 161 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
	HK$'000	HK$'000
(Loss)/profit for the year	**(179,432)**	508,474
Other comprehensive loss		
Items that have been/may be subsequently reclassified to profit or loss:		
Currency translation differences	**(438,360)**	(180,090)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**–**	(7,543)
Total comprehensive (loss)/income for the year	**(617,792)**	320,841
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(596,100)**	423,717
Non-controlling interests	**(21,692)**	(102,876)
	(617,792)	320,841

The notes on pages 73 to 161 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS			
Non-current assets			
Property and equipment	15	**51,126**	33,707
Investment properties	16	**2,165,788**	1,237,878
Intangible assets	17	**60,842**	67,268
Properties under development	19	**—**	523,358
Deferred income tax assets	29	**31,302**	33,422
Goodwill	18	**15,868**	17,401
Financial assets at fair value through profit or loss	22	**35,651**	23,896
		2,360,577	1,936,930
Current assets			
Properties under development	19	**2,805,689**	2,818,794
Completed properties held for sale	19	**2,335,188**	2,055,350
Trade and other receivables	20	**1,743,034**	2,034,643
Prepayments	21	**4,404,180**	1,719,013
Prepaid income tax		**98,640**	60,087
Financial assets at fair value through profit or loss	22	**—**	954,904
Restricted cash	23	**453,873**	187,747
Term deposits with initial terms of over three months	24	**3,460,105**	—
Cash and cash equivalents	25	**1,085,661**	5,661,114
		16,386,370	15,491,652
Total assets		**18,746,947**	17,428,582
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**642,441**	481,831
Other reserves	27	**4,303,421**	3,626,813
Accumulated losses		**(473,574)**	(297,929)
		4,472,288	3,810,715
Non-controlling interests		**333,803**	355,495
Total equity		**4,806,091**	4,166,210

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	**7,083,675**	4,702,108
Deferred income tax liabilities	29	**600,408**	373,543
Finance lease payable		**658**	1,369
		7,684,741	5,077,020
Current liabilities			
Borrowings	28	**700,711**	3,466,253
Trade and other payables	30	**1,749,072**	1,883,265
Amount due to ultimate holding company		**880**	880
Advances from customers		**2,161,198**	1,189,098
Current income tax liabilities	31	**1,522,132**	1,505,145
Finance lease payable		**711**	833
Derivative financial instruments	32	**121,411**	139,878
		6,256,115	8,185,352
Total liabilities		**13,940,856**	13,262,372
Total equity and liabilities		**18,746,947**	17,428,582

The notes on pages 73 to 161 are an integral part of these consolidated financial statements.

The financial statements on pages 66 to 161 were approved by the Board on 28 March 2017 and were signed on its behalf.

Chu Hing Tsung
Director

Ye Lixia
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$'000 (Note 26)	**Share premium** HK$'000	**Merger reserve** HK$'000	**Exchange reserve** HK$'000	**Contributed surplus** HK$'000	**Statutory reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Balance at 1 January 2015	481,831	3,543,224	(101,922)	107,131	239,404	5,611	(888,281)	3,386,998	458,226	3,845,224
Comprehensive income:										
– Profit/(loss) for the year	–	–	–	–	–	–	591,409	591,409	(82,935)	508,474
Other comprehensive loss:										
– Currency translation difference	–	–	–	(160,149)	–	–	–	(160,149)	(19,941)	(180,090)
– Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	–	–	(7,543)	–	–	–	(7,543)	–	(7,543)
Transfer	–	–	–	–	–	1,057	(1,057)	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	145	145
Change in equity for the year	–	–	–	(167,692)	–	1,057	590,352	423,717	(102,731)	320,986
Balance at 31 December 2015	481,831	3,543,224	(101,922)	(60,561)	239,404	6,668	(297,929)	3,810,715	355,495	4,166,210
Balance at 1 January 2016	481,831	3,543,224	(101,922)	(60,561)	239,404	6,668	(297,929)	3,810,715	355,495	4,166,210
Comprehensive income:										
– Loss for the year	–	–	–	–	–	–	(175,645)	(175,645)	(3,787)	(179,432)
Other comprehensive loss:										
– Currency translation difference	–	–	–	(420,455)	–	–	–	(420,455)	(17,905)	(438,360)
Rights issue (Note 26(b))	160,610	1,097,063	–	–	–	–	–	1,257,673	–	1,257,673
Change in equity for the year	160,610	1,097,063	–	(420,455)	–	–	(175,645)	661,573	(21,692)	639,881
Balance at 31 December 2016	**642,441**	**4,640,287**	**(101,922)**	**(481,016)**	**239,404**	**6,668**	**(473,574)**	**4,472,288**	**333,803**	**4,806,091**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	33	**678,458**	464,543
Interest paid		**(868,034)**	(985,209)
Corporate income tax paid		**(68,194)**	(53,182)
Cash used in operating activities, net		**(257,770)**	(573,848)
Cash flows from investing activities			
Interest received		**150,199**	303,276
Payments for addition of property and equipment		**(16,512)**	(15,241)
Payments for addition of intangible assets		**(1,350)**	(3,679)
Proceeds from disposal of intangible assets and equipment		**1,151**	—
Purchase of financial assets at fair value through profit or loss		**(13,855)**	(1,539,080)
Proceeds from disposals of financial assets at fair value through profit or loss		**933,784**	559,478
Disposal of subsidiaries		**–**	2,512,406
Prepayments for acquisition of equity interests in property development projects		**(3,898,655)**	(1,116,259)
Refund of prepayments for acquisition of equity interests in property development projects		**1,131,697**	1,507,742
(Increase)/decrease of time deposits		**(3,460,105)**	1,823,033
Additions of pledged bank deposits		**–**	(22,838)
Cash advances to third parties		**–**	(665,578)
Repayments of cash advance from third parties		**–**	126,043
Cash (used in)/generated from investing activities, net		**(5,173,646)**	3,469,303

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
		Year ended 31 December	
Cash flows from financing activities			
Proceeds from borrowings		**2,167,546**	2,925,070
Repayments of borrowings		**(2,359,246)**	(2,478,691)
Proceeds from issue of senior notes		**3,074,899**	750,140
Repayments of senior notes		**(3,071,910)**	—
Payments for redemption of warrants		**(49,950)**	—
Proceeds from rights issue		**1,257,673**	—
Decrease of guarantee deposits		**44,691**	—
Repayments of finance lease payables		**(898)**	(801)
Cash advances from related parties	36(b)	**238,153**	—
Repayments of cash advances from related parties	36(b)	**(237,549)**	—
Cash generated from financing activities, net		**1,063,409**	1,195,718
Net (decrease)/increase in cash and cash equivalents		**(4,368,007)**	4,091,173
Cash and cash equivalents at beginning of the year	25	**5,661,114**	2,074,510
Effect of foreign exchange rate changes		**(207,446)**	(504,569)
Cash and cash equivalents at end of the year	25	**1,085,661**	5,661,114

The notes on pages 73 to 161 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1 GENERAL INFORMATION

Zhuguang Holdings Group Company Limited (the "Company") was incorporated in Bermuda on 22 August 1996 as an exempted company with limited liability and was registered under Part XI of the Predecessor Companies Ordinance of Hong Kong. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's principal activity is investment holding. The Company and its subsidiaries (together, the "Group") are principally engaged in property development, property investment, project management, and other property development related services in the People's Republic of China (the "PRC").

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 1996.

These financial statements have been approved for issue by the board of directors (the "Board") of the Company on 28 March 2017.

These financial statements are presented on thousands of HK dollars ("HK$'000"), unless otherwise stated.

2 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.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

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

Certain comparative figures have been regrouped to conform with current presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(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:

HKFRS 14	Regulatory deferral accounts
Amendment to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendment to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendment to HKAS 27	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012-2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15 (Note (i))	Revenue from contracts with customers	1 January 2018
HKFRS 9 (Note (ii))	Financial instruments	1 January 2018
HKFRS 16 (Note (iii))	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(i) HKFRS 15, 'Revenue from contracts with customers'

The 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 recognised 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.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(ii) 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, debt instruments currently classified as available-for-sale ("AFS") financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets.

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 hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

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 amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(iii) HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised 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 recognised. 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$24,458,000, 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 HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 *Consolidation (continued)*

(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 recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the 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 recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised 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 recognised 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.

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 recognised 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 recognised directly in the consolidated statement of profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation (continued)

(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 in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value 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 re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised 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 recognised 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 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.

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in 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 dates of the transactions or valuation where items are re-measured. 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 recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'finance costs, net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains/(losses), net'.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group entities

The results and financial positions of 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:

- assets and liabilities for each statement of financial position of the group entities are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each consolidated statement of comprehensive income of the group entities 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
- all resulting exchange differences are recognised 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 closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. 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 recognised 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 derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Motor vehicles	5 years
Furniture, fitting and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (Note 2.9).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property and equipment *(continued)*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses), net' in the consolidated statement of profit or loss.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2.6 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. 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, representing open market value determined at each statement of financial position date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Changes in fair values are recorded in the consolidated statement of profit or loss as part of a valuation gain or loss in 'fair value gains on investment properties, net'.

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets

(a) Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership right exists. Land use rights are acquired by the Group for development of properties. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortised in the consolidated statement of profit or loss on a straight-line basis over the operating lease periods.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 years).

2.8 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 impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the 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 recognised immediately as an expense and is not subsequently reversed.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) 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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables comprise 'trade and other receivables', 'amounts due from related parties', 'restricted cash' and 'cash and cash equivalents' in the consolidated statement of financial position (Note 2.14 and Note 2.15).

(c) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of profit or loss within 'other gains/(losses), net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss within 'other gains/(losses), net'.

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

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Impairment of financial assets

(a) Assets carried at amortised 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.

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 recognised in the profit or loss. 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 fair value of an instrument 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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

2.13 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Trade and other receivables

Trade receivables are amounts due from customers for properties 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.16 Share capital

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

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables 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 and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Borrowings and borrowing costs

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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 end of the reporting period.

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 capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised 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 consolidated statement of financial position date in the countries where the company's subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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 recognised 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 consolidated statement of financial position 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 recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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 when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised 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 utilised.

(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 taxes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits

(a) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income up to a maximum of HK$1,500 per employee per month. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised 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 consolidated statement of financial position date.

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

2.21 Provisions and contingent liabilities

Provisions are recognised 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 recognised 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Provisions and contingent liabilities *(continued)*

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 recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services income, stated net of discounts returns and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probably 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, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as "advances from customers" under current liabilities.

(b) Rental income

Rental income of property leasing under operating leases is recognised on a straight-line basis over the term of the lease.

(c) Project management

Revenue arising from project management is recognised in the accounting period in which the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.24 Dividend income

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

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Lease income is recognised in the profit or loss on a straight-line basis over the period of the lease.

2.26 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, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised 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 recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised 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 recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of profit or loss within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factor

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the respective group entities, such as US dollars ("US$") and Renminbi ("RMB"). Fluctuation of the exchange rate of different currencies could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective year end dates are as follows:

	31 December	
	2016	2015
	HK$'000	HK$'000
Financial assets		
— RMB	**3,748,709**	1,182,841
— US$	**192,963**	39,975
	3,941,672	1,222,816
Financial liabilities		
— RMB	**313**	—
— US$	**3,096,288**	3,124,070
	3,096,601	3,124,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated financial items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in the functional currencies against the relevant currencies, the effect of post tax profit and net asset for the year is as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Increase/(decrease) in profit for the year:		
5% strengthened in functional currencies against the relevant currencies		
— RMB	**(187,420)**	(59,142)
— US$	**145,166**	154,205
5% weakened in functional currencies against the relevant currencies		
— RMB	**187,420**	59,142
— US$	**(145,166)**	(154,205)

(ii) Price risk

The Group is exposed to public funds price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss, which are not publicly traded. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

As at 31 December 2016, borrowings of the Group bearing floating interest rates amounted to approximately HK$131,715,000 (2015: HK$1,247,955,000). If interest rates on borrowings at floating rates as at 31 December 2016 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by HK$659,000 (2015: HK$6,240,000), most of which have been capitalised in qualified assets.

(b) Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank and financial institutions and trade and other receivables.

For banks and financial institutions, only those with sound credit ratings are accepted. The receivables from related parties are companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low.

For trade receivables arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(b) Credit risk (continued)

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Group also regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 December 2016, the Group was also exposed to concentration of credit risk through its prepayments for acquisition of equity interests in property development projects of approximately HK$3,998,031,000 (2015: HK$1,422,093,000). The directors consider that the credit risk is limited since the directors have regular liaison with the counterparties to identify any early sign of potential problems.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from trade and other receivables is set out in Note 20.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below set out the Group's financial liabilities by relevant maturity grouping at each consolidated statement of financial position date. Trade and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(c) Liquidity risk (continued)

	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					
Borrowings (Note (i))	**1,513,128**	**3,015,715**	**5,306,768**	**–**	**9,835,611**
Trade and other payables (Note (ii))	**1,502,089**	**–**	**–**	**–**	**1,502,089**
Finance lease payables	**746**	**670**	**–**	**–**	**1,416**
Amount due to ultimate holding company (Note 36(d))	**880**	**–**	**–**	**–**	**880**
Derivative financial instruments – cash outflow	**61,672**	**61,672**	**–**	**–**	**123,344**
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (iii))	**1,760,359**	**–**	**–**	**–**	**1,760,359**
	4,838,874	**3,078,057**	**5,306,768**	**–**	**13,223,699**
At 31 December 2015					
Borrowings (Note (i))	4,263,124	2,821,157	2,601,055	–	9,685,336
Trade and other payables (Note (ii))	1,663,333	–	–	–	1,663,333
Finance lease payables	898	746	670	–	2,314
Amount due to ultimate holding company (Note 36(d))	880	–	–	–	880
Derivative financial instruments – cash outflow	49,898	61,639	61,639	–	173,176
Financial guarantee contract for a previous owner of the Group's subsidiary (Note 34)	134,283	–	–	–	134,283
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (iii))	1,124,355	–	–	–	1,124,355
	7,236,771	2,883,542	2,663,364	–	12,783,677

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factor *(continued)*

(c) Liquidity risk (continued)

(i) Interest on borrowings is calculated on borrowings held as at 31 December 2016 and 2015. Floating-rate interest is estimated using the current interest rate as at 31 December 2016 and 2015 respectively.

(ii) It represents payables excluding salaries payables and other taxes payables.

(iii) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments (Note 34).

3.2 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 owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents, restricted cash and term deposits with initial terms of over three months. Total borrowings comprise senior notes, bank and other borrowings. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

The gearing ratios at 31 December 2016 and 2015 are as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Total borrowings (Note 28)	**7,784,386**	8,168,361
Less: Cash and cash equivalents (Note 25)	**(1,085,661)**	(5,661,114)
Term deposits with initial terms of over three months (Note 24)	**(3,460,105)**	—
Restricted cash (Note 23)	**(453,873)**	(187,747)
Net debt	**2,784,747**	2,319,500
Total equity	**4,806,091**	4,166,210
Total capital	**7,590,838**	6,485,710
Gearing ratio	**37%**	36%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016 and 2015. See Note 16 for 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
At 31 December 2016				
Financial assets:				
Financial assets at fair value through profit or loss (Note 22)				
— Investment funds	**—**	**—**	**35,651**	**35,651**
Financial liabilities:				
Derivative financial instruments (Note 32)	**—**	**—**	**121,411**	**121,411**
At 31 December 2015				
Financial assets:				
Financial assets at fair value through profit or loss (Note 22)				
— Investment funds	—	—	23,896	23,896
— Financial products	—	954,904	—	954,904
	—	954,904	23,896	978,800
Financial liabilities:				
Derivative financial instruments (Note 32)	—	—	139,878	139,878

There were no transfers between levels during the year.

There were no other changes in valuation techniques during the year.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. As at 31 December 2016 and 2015, the Group has no financial instruments included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(c) Financial instruments in level 3

The fair values of financial instruments included in level 3 are disclosed in Note 22 and Note 32.

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	31 December	
	2016	2015
	HK$'000	HK$'000
Other receivables	**20,015**	20,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.4 Offsetting financial assets and financial liabilities *(continued)*

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	31 December	
	2016	2015
	HK$'000	HK$'000
Other payables	**(20,895)**	(20,895)

The financial assets and liabilities listed above are subject to enforceable netting agreement signed by the Group and the counterparty, which allows for net settlement of the relevant financial assets and liabilities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment loss of trade and other receivables and prepayments for acquisition of equity interests in property development projects

The Group makes impairment loss for bad and doubtful debts based on assessment of the recoverability of the trade and other receivables (Note 20), including the current creditworthiness and the past collection history of each debtor or counterparty. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and prepayments and impairment losses in the year in which such estimate has been changed.

For prepayments for acquisition of equity interests in property development projects (Note 21), the Group assessed the feasibility of these property development projects and recoverability of these balances by considering a number of factors, including but not limited to (i) the possibility of obtaining land titles of the entire property development areas for the intended purposes, (ii) creditworthiness of the counterparties, majority of which are related parties of the Group and (iii) past collection history. Impairment arises where events or changes in circumstances indicate that balance may not be collectible. Management judgements and estimates are to be made in relation to the recoverability of the Group's prepayments for acquisition of equity interests in property development projects.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Fair value of investment properties

The Group assesses the fair value of its investment properties based on assessments determined by independent and professional qualified valuers.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

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

(iii) term and reversionary method based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Details of the assumptions, judgement used, and the unobservable input used in the valuation are disclosed in Note 16.

(c) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes 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 taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

(e) Provisions for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there is no material impairment for properties under development and properties held for sale at 31 December 2016.

(f) Provisions for claims and administrative penalties

The Group assesses its potential outflow of economic resources for non-compliance of certain contracts, laws or regulations in respect of the Group's property development projects, and corresponding provisions are recognised in the consolidated statement of profit or loss. Management assessed the adequacy of these provisions by considering a number of factors, including but not limited to the terms of the relevant contracts, management's interpretation of relevant laws and regulations, and the likelihood of such economic outflow based on third party legal advises.

(g) Fair value of derivative financial liabilities

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used trinominal tree method for warrants that are not traded in active markets.

The unobservable input used in the valuation are disclosed in Note 32.

5 SEGMENT INFORMATION

The executive directors, as the CODM of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into three business segments: property development, property investment and project management services.

Revenue consists of sales of properties, rental income of investment properties, income of project management services and other property development related services. Revenue of the year consists of the following:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Sales of properties	**1,401,812**	3,192,330
Rental income	**101,720**	62,037
Decoration income	**21,418**	38,951
Project management services (Note 20(c))	**383,203**	—
	1,908,153	3,293,318

Segment results represents the profit earned by each segment without net change in fair value of derivative financial liabilities, finance costs and income tax expenses. The segment results and other segment items included in the loss for the year ended 31 December 2016 are as follows:

	Property development HK$'000	**Property investment HK$'000**	**Project management services HK$'000**	**Group HK$'000**
Gross segment revenue	**1,423,230**	**101,720**	**383,203**	**1,908,153**
Segment results	**248,523**	**409,400**	**380,445**	**1,038,368**
Fair value gains on derivative financial instruments				**7,192**
Finance costs, net (Note 11)				**(798,796)**
Profit before income tax				**246,764**
Income tax expenses				**(426,196)**
Loss for the year				**(179,432)**
Capital expenditure	**24,694**	**–**	**–**	**24,694**
Depreciation (Note 15)	**4,167**	**–**	**–**	**4,167**
Amortisation of intangible assets recognised as expenses (Note 17)	**4,696**	**–**	**–**	**4,696**
Fair value gains on investment properties, net (Note 16)	**–**	**309,337**	**–**	**309,337**

5 SEGMENT INFORMATION *(continued)*

The segment results and other segment items included in the profit for the year ended 31 December 2015 are as follows:

	Property development HK$'000	Property investment HK$'000	Project management services HK$'000	Group HK$'000
Gross segment revenue	3,231,281	62,037	—	3,293,318
Segment results	175,900	119,643	—	295,543
Fair value gains on derivative financial instruments				37,104
Finance costs, net (Note 11)				(1,004,642)
Gain on disposal of subsidiaries				1,954,560
Profit before income tax				1,282,565
Income tax expenses				(774,091)
Profit for the year				508,474
Capital expenditure	21,420	—	—	21,420
Depreciation (Note 15)	2,804	—	—	2,804
Amortisation of intangible assets recognised as expenses (Note 17)	4,426	—	—	4,426
Fair value gains on investment properties, net (Note 16)	—	61,198	—	61,198

5 SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2016 are as follows:

	Property development HK$'000	Property investment HK$'000	Project management services HK$'000	Group HK$'000
Segment assets	**14,849,841**	**2,347,847**	**1,482,306**	**18,679,994**
Other assets				**66,953**
Total assets				**18,746,947**
Segment liabilities	**3,847,163**	**63,987**	**—**	**3,911,150**
Other liabilities				**10,029,706**
Total liabilities				**13,940,856**

Segment assets and liabilities as at 31 December 2015 are as follows:

	Property development HK$'000	Property investment HK$'000	Project management services HK$'000	Group HK$'000
Segment assets	15,103,983	1,312,377	—	16,416,360
Other assets				1,012,222
Total assets				17,428,582
Segment liabilities	3,014,258	58,985	—	3,073,243
Other liabilities				10,189,129
Total liabilities				13,262,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5 SEGMENT INFORMATION *(continued)*

Segment assets are reconciled to total assets as follows:

	31 December	
	2016	2015
	HK$'000	HK$'000
Segment assets	**18,679,994**	16,416,360
Other assets		
— Financial assets at fair value through profit or loss	**35,651**	978,800
— Deferred income tax assets	**31,302**	33,422
Total assets	**18,746,947**	17,428,582

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2016	2015
	HK$'000	HK$'000
Segment liabilities	**3,911,150**	3,073,243
Other liabilities		
— Borrowings	**7,784,386**	8,168,361
— Deferred tax liabilities	**600,408**	373,543
— Current tax liabilities	**1,522,132**	1,505,145
— Finance lease payable	**1,369**	2,202
— Derivative financial liabilities	**121,411**	139,878
Total liabilities	**13,940,856**	13,262,372

Non-current assets, other than financial instruments and deferred income tax assets by geographical location:

	31 December	
	2016	2015
	HK$'000	HK$'000
Hong Kong	**16,035**	3,996
Mainland China	**2,277,589**	1,875,616
Total	**2,293,624**	1,879,612

There are no sales between segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of profit or loss.

5 SEGMENT INFORMATION *(continued)*

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, prepayments for acquisition of equity interests in property development projects, receivables, term deposits and cash and cash equivalents.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation, borrowings, finance lease payable and derivative financial liabilities.

Capital expenditure comprises additions to property and equipment (Note 15) and intangible assets (Note 17).

Revenues of approximately HK$363,382,000 were derived from a single related party customer during 2016 which are attributable to the project management services segment, while HK$1,091,255,000 were derived from a single external customer during 2015 which are attributable to the property development segment.

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Cost of properties sold (excluding staff costs)	**1,235,350**	2,634,058
Staff costs (including directors' emoluments) (Note 7)	**64,455**	53,539
Selling and marketing expenses	**42,459**	35,620
Entertainment expenses	**22,154**	23,414
Other taxation	**19,855**	13,978
Property management fees	**8,511**	2,832
Legal and other consulting fees	**6,790**	11,957
Property rental fees	**7,517**	13,702
Amortisation (Note 17)	**4,696**	4,426
Depreciation (Note 15)	**4,167**	2,804
Auditor's remuneration		
— Audit services	**3,600**	2,400
— Non-audit services	**1,424**	560
Office expenses	**3,121**	2,644
Others	**29,359**	32,753
	1,453,458	2,834,687

7 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Salaries, bonus and allowances	**61,843**	51,369
Pension costs — defined contribution plans	**2,612**	2,170
	64,455	53,539

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2015: four) directors whose emoluments are reflected in the analysis presented in Note 39. The aggregate amounts of emoluments of the remaining one (2015: one) individual during the year are set out below:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Salaries, bonus and allowances	**1,170**	1,170
Pension costs — defined contribution plans	**18**	18
	1,188	1,188

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in HK$)		
HK$1,000,001 – HK$1,500,000	**1**	1

(b) Pension costs — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, with a maximum cap of HK$1,500 per employee per month.

8 INVESTMENT AND OTHER INCOME

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Interest income from bank deposits	**78,314**	89,857
Interest income from other receivables	**61,673**	30,774
Interest income from financial products	**15,552**	184
	155,539	120,815

9 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Reversal of provisions for/(provisions for) claims and administrative penalties	**133,357**	(202,161)
Fair value gains on derivative financial instruments (Note 32)	**7,192**	37,104
Exchange losses	**(6,748)**	(92,810)
Written back of impairment provision	**–**	12,578
Write-down of properties under development	**–**	(28,349)
Sundry income	**3,173**	6,338
Others	**(10,985)**	(40,697)
	125,989	(307,997)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10 GAIN ON DISPOSAL OF SUBSIDIARIES

In 2015, the Group disposed of Joygain Holdings Limited and its subsidiaries (together as "Joygain Group"), which were principally engaged in property development in the PRC. The net gain on disposal of Joygain Group amounted to HK$1,945,560,000.

Net assets at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	5
Goodwill	59,358
Available-for-sale financial assets	18,249
Properties for sale under development	2,749,792
Prepayment, deposits and other receivables	1,179,263
Bank and cash balances	113,580
Accounts payable	(32,605)
Accruals and other payables	(10,588)
Amount due to the Group	(234,516)
Current tax liabilities	(6,978)
Borrowings	(1,551,719)
Financial guarantee contracts	(94,554)
Deferred tax liabilities	(1,493,301)
Net assets disposed of	695,986
Cumulative gains on available-for-sale financial assets reclassified from equity	(18,249)
Release of exchange fluctuation reserve	(7,543)
Non-controlling interests	145
Direct expenses in relation to the disposals	1,087
Gain on disposal of subsidiaries	1,954,560
Total consideration	2,625,986
Consideration satisfied by cash	2,625,986
Net cash inflow arising on disposal:	
Cash consideration received	2,625,986
Cash and cash equivalents disposed of	(113,580)
	2,512,406

11 FINANCE COSTS, NET

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Interest expense:		
— Bank and other borrowings	**525,780**	677,539
— Senior notes	**554,864**	468,140
— Finance lease	**65**	97
Less: interest capitalised	**(281,913)**	(141,134)
	798,796	1,004,642

12 INCOME TAX EXPENSES

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Current income tax:		
— PRC corporate income tax	**168,464**	448,931
— PRC land appreciation tax	**5,875**	272,333
Deferred income tax:		
— PRC corporate income tax	**104,628**	25,743
— PRC land appreciation tax	**147,229**	27,084
	426,196	774,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12 INCOME TAX EXPENSES *(continued)*

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Profit before income tax	**246,764**	1,282,565
Calculated at PRC corporate income tax rate	**61,691**	320,641
Tax losses not recognised as deferred income tax (Note (a))	**251,415**	318,531
Effect of expenses not deductible for income tax (Note (b))	**46,225**	296,447
Effect of income not subject to income tax	**(3,033)**	(6,347)
Effect of provision not subject to income tax	**(38,974)**	(3,145)
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(38,276)**	(74,854)
Effect of different tax rate of the disposed subsidiaries	**—**	(362,456)
Effect of different tax rate	**(5,956)**	(14,143)
PRC corporate income tax	**273,092**	474,674
PRC land appreciation tax	**153,104**	299,417
	426,196	774,091

(a) Tax losses not recognised as deferred income tax consist of losses incurred by domestic and offshore group companies.

(b) Effect of expenses not deductible for income tax mainly consist of the cost of land premium without official invoices resulted from the land acquisitions through acquisitions of companies.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25% (2015: 25%).

According to the Corporate income tax Law, starting from 1 January 2008, a withholding tax of 10% will be levied on immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

12 INCOME TAX EXPENSES *(continued)*

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Hong Kong profits tax

The applicable Hong Kong profit tax rate is 16.5% for the year ended 31 December 2016 (2015: 16.5%).

Overseas income tax

The Company was incorporated in the Bermuda as an exempted company with limited liability and is exempted from Bermuda income tax. The Company's direct subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

13 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company (Note 26).

	Year ended 31 December		
	2016	2015 (as restated)	2015 (as previously reported)
(Loss)/profit attributable to owners of the Company (HK$'000)	**(175,645)**	591,409	591,409
Weighted average number of ordinary shares in issue (thousand shares)	**4,773,226**	5,061,146	4,818,313
Basic (loss)/earnings per share (HK cents per share)	**(3.68)**	11.69	12.27

The comparative figures for the basic earnings per share for the year ended 31 December 2015 are restated to take into account the effect of the Company's rights issue during the year retrospectively.

(b) Diluted

Diluted earnings per share for the year ended 31 December 2016 and 2015 has not been presented as the Company's outstanding warrants had no dilutive effect for the year ended 31 December 2016 and 2015 as the exercise prices of those warrants were higher than the average market price for shares.

14 DIVIDENDS

No dividend in respect of the year ended 31 December 2016 and 2015 was proposed by the Board.

15 PROPERTY AND EQUIPMENT

	Assets under construction HK$'000	Motor vehicles HK$'000	Furniture, fitting and equipment HK$'000	Total HK$'000
Year ended 31 December 2016				
Opening net book amount	**19,444**	**11,189**	**3,074**	**33,707**
Additions	**21,022**	**1,859**	**463**	**23,344**
Disposals	**—**	**—**	**(44)**	**(44)**
Depreciation	**—**	**(2,342)**	**(1,825)**	**(4,167)**
Exchange differences	**(1,231)**	**(447)**	**(36)**	**(1,714)**
Closing net book amount	**39,235**	**10,259**	**1,632**	**51,126**
At 31 December 2016				
Cost	**39,235**	**15,952**	**6,025**	**61,212**
Accumulated depreciation	**—**	**(5,693)**	**(4,393)**	**(10,086)**
Net book amount	**39,235**	**10,259**	**1,632**	**51,126**
Year ended 31 December 2015				
Opening net book amount	25,520	1,324	3,871	30,715
Additions	5,367	11,180	1,194	17,741
Transfers	(10,142)	—	—	(10,142)
Disposals	—	—	(17)	(17)
Disposal of subsidiaries	—	—	(6)	(6)
Depreciation	—	(971)	(1,833)	(2,804)
Exchange differences	(1,301)	(344)	(135)	(1,780)
Closing net book amount	19,444	11,189	3,074	33,707
At 31 December 2015				
Cost	19,444	14,699	6,124	40,267
Accumulated depreciation	—	(3,510)	(3,050)	(6,560)
Net book amount	19,444	11,189	3,074	33,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15 PROPERTY AND EQUIPMENT *(continued)*

Depreciation charges were included in the following categories in the consolidated statement of profit or loss:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Cost of sale	**12**	10
Selling and marketing costs	**12**	9
Administrative expenses	**4,143**	2,785
	4,167	2,804

Borrowing costs of HK$6,832,000 (2015: Nil) have been capitalised in assets under construction for the year ended 31 December 2016.

As at 31 December 2016, assets under construction of HK$39,235,000 (2015: HK$19,444,000) were pledged as collateral for the Group's borrowings (Note 28).

The capitalisation rate of borrowings for the year ended 31 December 2016 is 13.35% (2015: 12.33%).

16 INVESTMENT PROPERTIES

	2016	2015
	HK$'000	HK$'000
At fair value		
Opening balance at 1 January	**1,237,878**	686,465
Transfer from properties held for sale	**738,529**	554,696
Fair value gains, net	**309,337**	61,198
Exchange differences	**(119,956)**	(64,481)
Closing balance at 31 December	**2,165,788**	1,237,878

16 INVESTMENT PROPERTIES *(continued)*

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

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Rental income (Note 5)	**101,720**	62,037
Direct operating expenses arising from investment properties that generate rental income	**(13,711)**	(4,029)
Direct operating expenses arising from investment properties that do not generate rental income	**(3,114)**	—

Investment properties as at 31 December 2016 and 2015 are held in the PRC on leases of 40 to 70 years.

As at 31 December 2016, investment properties of HK$2,006,021,000 (2015: HK$1,192,705,000) were pledged as collateral for the Group's borrowings (Note 28).

(i) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by certain independent and professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2016. The revaluation gains or losses are included in 'Fair value gains on investment properties, net' in the consolidated statement of profit or loss.

As at 31 December 2016 and 2015, as certain of significant inputs used in the determination of fair value of investment properties are derivate from unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value hierarchy.

The Group's policy is to recognise 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. No transfers in or out of fair value hierarchy levels during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16 INVESTMENT PROPERTIES *(continued)*

(a) Amounts recognised in profit and loss for investment properties *(continued)*

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 by independent professionally qualified valuers who hold recognised relevant professional qualifications 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 valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's annual reporting dates. As at 31 December 2016, the fair values of the properties have been determined by Greater China Appraisal Limited and A.G. Wilkinson & Associates (Surveyors) Limited.

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 valuer.

(iii) Valuation techniques

Fair values of investment properties are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversion yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversion yields are derived from analysis prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings, within the subject properties and other comparable properties.

The Group has also used the direct comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

16 INVESTMENT PROPERTIES *(continued)*

(a) Amounts recognised in profit and loss for investment properties *(continued)*

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

Description		Fair value at 31 December 2016 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Office	979,474	Term and reversionary method	Term yields	3.5%	The higher the term yields, the lower the fair value
				Reversion yields	4.0%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square meter/month)	130-140	The higher the market rents, the higher the fair value
Completed investment properties	Retail	574,773	Term and reversionary method	Term yields	3.0%	The higher the term yields, the lower the fair value
				Reversion yields	3.5%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square meter/month)	40-430	The higher the market rents, the higher the fair value
Completed investment properties	Hotel	611,541	Direct comparison method	Market price (RMB/square meter)	21,670-33,540	The higher the market rents, the higher the fair value

16 INVESTMENT PROPERTIES *(continued)*

(a) Amounts recognised in profit and loss for investment properties *(continued)*

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2015 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Office	444,806	Term and reversionary method	Term yields	3.5%	The higher the term yields, the lower the fair value
				Reversion yields	4.0%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square meter/month)	125-135	The higher the market rents, the higher the fair value
Completed investment properties	Retail	144,441	Term and reversionary method	Term yields	2.5%-3.5%	The higher the term yields, the lower the fair value
				Reversion yields	3.5%-4.0%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square meter/month)	40-420	The higher the market rents, the higher the fair value
Completed investment properties	Hotel	648,631	Direct comparison method	Market price (RMB/square meter)	23,499-36,000	The higher the market rents, the higher the fair value

17 INTANGIBLE ASSETS

	Land use rights HK$'000	Computer software HK$'000	Total HK$'000
Year ended 31 December 2016			
Opening net book amount	**58,025**	**9,243**	**67,268**
Additions	**—**	**1,350**	**1,350**
Disposal	**—**	**(1,107)**	**(1,107)**
Amortisation	**(1,760)**	**(2,936)**	**(4,696)**
Exchange differences	**(1,455)**	**(518)**	**(1,973)**
Closing net book amount	**54,810**	**6,032**	**60,842**
At 31 December 2016			
Cost	**84,897**	**13,798**	**98,695**
Accumulated amortisation	**(30,087)**	**(7,766)**	**(37,853)**
Net book amount	**54,810**	**6,032**	**60,842**
Year ended 31 December 2015			
Opening net book amount	62,635	8,693	71,328
Additions	—	3,679	3,679
Amortisation	(1,848)	(2,578)	(4,426)
Exchange differences	(2,762)	(551)	(3,313)
Closing net book amount	58,025	9,243	67,268
At 31 December 2015			
Cost	86,727	14,863	101,590
Accumulated amortisation	(28,702)	(5,620)	(34,322)
Net book amount	58,025	9,243	67,268

Intangible assets consist of computer softwares and land use rights. Intangible assets related to land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2016, land use rights of HK$54,810,000 (2015: HK$58,025,000) were pledged as collateral for the Group's borrowings (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18 GOODWILL

	2016 **HK$'000**	2015 HK$'000
Opening amount at 1 January	**17,401**	77,838
Derecognised on disposal of subsidiaries	**—**	(59,358)
Exchange differences	**(1,533)**	(1,079)
Closing amount as at 31 December	**15,868**	17,401
At 31 December		
Cost	**35,665**	38,080
Accumulated impairment	**(19,797)**	(20,679)
Net book amount	**15,868**	17,401

The recoverable amount of the CGU is determined based on the estimated properties fair value, by reference comparable market transactions, less costs of disposal. The assumptions used in deriving the fair value less costs of disposal are based on management's past experience and expectations in respect of the market development in PRC property market. No impairment was provided in 2016 (2015: Nil).

Key assumptions used for value-in-use calculations in 2016 and 2015 are as follows.

	2016	2015
Unit sales price (RMB/square meter)	**45,000**	40,000
Growth rate for the three-year period	**5%**	5%
Pre-tax discount rate	**12.96%**	12.28%

19 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	31 December 2016 HK$'000	31 December 2015 HK$'000
Properties under development expected to be completed:		
— Within one operating cycle, included under current assets	**2,805,689**	2,818,794
— Beyond one operating cycle, included under non-current assets	**—**	523,358
	2,805,689	3,342,152
Properties under development comprise:		
— Construction costs and capitalised expenditures	**1,292,877**	1,873,932
— Interests capitalised	**203,061**	198,942
— Land use rights	**1,309,751**	1,269,278
	2,805,689	3,342,152
Completed properties held for sale comprise:		
— Construction costs and capitalised expenditures	**1,458,639**	905,060
— Interests capitalised	**198,415**	97,200
— Land use rights	**678,134**	1,053,090
	2,335,188	2,055,350

The completed properties held for sale are all located in the PRC.

As at 31 December 2016, properties under development and completed properties held for sale of approximately HK$1,722,443,000 (2015: HK$2,940,610,000) were pledged as collateral for the Group's borrowings (Note 28).

The capitalisation rate of borrowings for the year ended 31 December 2016 was 13.35% (2015: 12.33%).

During the year of 2016, completed properties held for sale of approximately HK$738,529,000 (2015: HK$554,696,000) were transferred to completed investment properties (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20 TRADE AND OTHER RECEIVABLES

	31 December	
	2016	2015
	HK$'000	HK$'000
Trade receivables (Note (a))	**199,118**	1,062,898
— Related parties (Note 36(d))	**167,690**	—
— Third parties	**31,428**	1,062,898
Less: provision for impairment of trade receivables (Note (a))	**—**	—
Trade receivables, net	**199,118**	1,062,898
Other receivables	**1,543,916**	971,745
— Related parties (Note (c) and Note 36(d))	**1,118,251**	—
— Third parties (Note (d))	**425,665**	971,745
	1,743,034	2,034,643

(a) The majority of the Group's revenue are derived from sales of properties, project management services and rental income. The remaining amounts are with credit terms of related sales and purchase agreements and rental contracts.

	31 December	
	2016	2015
	HK$'000	HK$'000
Not due	**189,524**	1,015,700
Over due	**9,594**	47,198
	199,118	1,062,898

As at 31 December 2016 and 2015, the ageing analysis of overdue trade receivables based on the payment due date were as follows:

	31 December	
	2016	2015
	HK$'000	HK$'000
Within 90 days	**9,005**	47,198
91 days to 180 days	**442**	—
181 days to 365 days	**147**	—
	9,594	47,198

20 TRADE AND OTHER RECEIVABLES *(continued)*

(a) *(continued)*

As at 31 December 2016, trade receivables of HK$9,594,000 (2015: HK$ 47,198,000) were past due but not impaired. The Group consider that these past due trade receivables would be recovered and no provision was made.

(b) As at 31 December 2016 and 2015, the fair value of trade and other receivables approximated their carrying amounts.

(c) HK$1,117,930,000 of other receivables from related parties consist of funding for projects development. Pursuant to a project management service agreement in April 2015, the Group agreed to provide funding (RMB1 billion) and management service to a property development project (the "Project") in the PRC. In return, the Group will be entitled to (i) a fixed percentage of the total funding incurs for the Project and (ii) a bonus which will be determined with reference to the estimated profit of the Project (Note 36(d)(i)).

(d) Other receivables from third parties mainly consist of advances to third parties.

(e) Except for those disclosed in Note (a), no material trade and other receivables were impaired or past due as at 31 December 2016 and 2015.

(f) The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

(g) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31 December	
	2016	2015
	HK$'000	HK$'000
HK$	**3,945**	3,381
RMB	**1,739,089**	2,031,262
	1,743,034	2,034,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21 PREPAYMENTS

	31 December	
	2016	2015
	HK$'000	HK$'000
Prepayments and advances to related parties		
— for acquisition of equity interests in property development projects (Note (a) and Note 36(d))	**2,824,099**	348,351
— for decoration services (Note 36(d))	**157,192**	147,663
Prepayments and advances to third parties		
— for acquisition of equity interests in property development projects (Note (a))	**1,173,932**	1,073,742
— prepaid construction costs	**43,784**	100,223
— others	**959**	2,915
Prepayments for acquisition of land use rights (Note (b))	**147,280**	—
Prepaid business taxes and other levies	**56,934**	46,119
	4,404,180	1,719,013

(a) In 2016, the Group had prepaid a total amount of HK$3,998,031,000 (2015: HK$1,422,093,000) to invest in private project companies in the PRC. The prepayments are to acquire equity interests in certain PRC entities, which owns land use rights or property development projects in the PRC.

(b) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts with local Land and Resources Bureau. The land acquisition costs which are contracted but not provided for are included in commitments (Note 35(a)).

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Non-current portion:		
Opening amount at 1 January	**23,896**	—
Acquisitions	**13,855**	24,261
Exchange differences	**(2,100)**	(365)
Closing amount as at 31 December	**35,651**	23,896
Current portion:		
Opening amount at 1 January	**954,904**	—
Acquisitions	**—**	1,514,819
Disposals	**(933,784)**	(559,478)
Exchange differences	**(21,120)**	(437)
Closing amount as at 31 December	**—**	954,904

The Group subscribed for certain unlisted PRC investment funds for an aggregate amount of HK$35,651,000 (2015: HK$23,896,000). The investment funds are managed with expected return equal to one-year prevailing saving interest rate quoted by the People's Bank of China.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains/(losses), net' in the statement of profit or loss.

As at 31 December 2016, the fair values of the investment funds were quoted by the fund manager (which also act as the agents for the subscription and return of the investment funds) and there is no substantial changes in this year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23 RESTRICTED CASH

	31 December	
	2016	2015
	HK$'000	HK$'000
Guarantee deposit for construction projects (Note (a))	**405,263**	110,844
Guarantee deposit for payment of wages (Note (b))	**48,610**	32,212
Guarantee deposits for bank borrowings	**—**	44,691
	453,873	187,747
Denominated in:		
— HK$	**—**	12,464
— RMB	**453,873**	175,283
	453,873	187,747

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) The Group is required to place a deposit in a designated bank account solely for settlement of the Group's payable to construction workers. The deposit will only be released after completion of the relevant property development project.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

24 TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

	31 December	
	2016	2015
	HK$'000	HK$'000
Term deposits with initial terms of over three months denominated in:		
— Denominated in RMB	**3,460,105**	—

The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 31 December 2016 is 1.99% per annum. The carrying amounts of the Group's term deposits approximate their fair value due to the short term maturities.

25 CASH AND CASH EQUIVALENTS

	31 December	
	2016	2015
	HK$'000	HK$'000
Cash at bank and in hand:		
— Denominated in RMB	**880,683**	5,603,601
— Denominated in HK$	**12,016**	17,538
— Denominated in US$	**192,962**	39,975
	1,085,661	5,661,114

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

26 SHARE CAPITAL

	Number of ordinary shares	Share capital HK$'000
Authorised:		
As at 1 January 2015 and 31 December 2015	6,000,000,000	
Increase in authorised share capital (Note (a))	4,000,000,000	
As at 31 December 2016	10,000,000,000	
Issued and fully paid:		
As at 1 January 2016	4,818,312,935	481,831
Increase in ordinary share capital pursuant to rights issue (Note (b))	1,606,104,312	160,610
As at 31 December 2016	6,424,417,247	642,441
As at 1 January 2015 and 31 December 2015	4,818,312,935	481,831

(a) Pursuant to an ordinary resolution passed at the Company's special general meeting on 11 October 2016, the Company's authorised share capital was increased from HK$600,000,000 divided into 6,000,000,000 shares to HK$1,000,000,000 divided into 10,000,000,000 shares.

(b) On 9 December 2016, the Company completed a rights issue to issue 1,606,104,312 ordinary shares of the Company at HK$0.80 per rights issue share (the "Rights Issue"). Pursuant to the Rights Issue, the share capital and share premium of the Company increased by approximately HK$160,610,000 and HK$1,097,063,000, respectively.

27 OTHER RESERVES

	Share premium HK$'000	Merger reserves HK$'000	Statutory reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Total HK$'000
Balance at 1 January 2016	**3,543,224**	**(101,922)**	**6,668**	**239,404**	**(60,561)**	**3,626,813**
Rights Issue (Note 26(b))	**1,097,063**	**—**	**—**	**—**	**—**	**1,097,063**
Currency translation differences	**—**	**—**	**—**	**—**	**(420,455)**	**(420,455)**
Balance at 31 December 2016	**4,640,287**	**(101,922)**	**6,668**	**239,404**	**(481,016)**	**4,303,421**
Balance at 1 January 2015	3,543,224	(101,922)	5,611	239,404	107,131	3,793,448
Transfer	—	—	1,057	—	—	1,057
Currency translation differences	—	—	—	—	(160,149)	(160,149)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	—	—	—	—	(7,543)	(7,543)
Balance at 31 December 2015	3,543,224	(101,922)	6,668	239,404	(60,561)	3,626,813

28 BORROWINGS

	31 December 2016 HK$'000	31 December 2015 HK$'000
Borrowings included in non-current liabilities:		
Senior notes	**3,013,591**	2,914,608
— senior notes due August 2016 ("2013 Notes") (Note (a)(i))	**—**	1,464,750
— senior notes due July 2017 ("2014 Notes (I)") (Note (a)(ii))	**—**	729,831
— senior notes due January and February 2018 ("2014 Notes (II)") (Note (a)(iii))	**—**	720,027
— senior notes due August and September 2019 ("2016 Notes") (Note (a)(iv))	**3,013,591**	—
Bank borrowings — secured (Note (b))	**285,970**	1,076,977
Other borrowings — secured (Note (c))	**4,453,564**	3,652,517
Other borrowings — unsecured	**—**	158,118
Less: amounts due within one year	**(669,450)**	(3,100,112)
	7,083,675	4,702,108
Borrowings included in current liabilities:		
Bank borrowings — secured (Note (b))	**31,261**	366,141
Current portion of long-term borrowings	**669,450**	3,100,112
	700,711	3,466,253
Total borrowings	**7,784,386**	8,168,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

28 BORROWINGS *(continued)*

(a) Senior notes

(i) 2013 Notes

On 22 July 2013, the Company issued 3-year secured and guaranteed senior notes with an aggregated nominal value of US$200,000,000 to certain investors. The net proceeds, after deducting the issuance costs, amounted to US$194,658,000 (equivalent to approximately HK$1,509,784,000). The 2013 Notes is denominated in US$, due on 4 August 2016, and with an interest rate at 12.5% per annum.

The 2013 Notes are accounted for as a financial liabilities, initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Pursuant to the terms and conditions of the issuance of the 2013 Notes and the supplemental amendments dated 14 July 2014, nil-paid warrants (the "2013 Warrants") representing a total aggregate amount of exercise moneys of US$40,000,000 (the exchange rate to be used for the purchase of HK$ with US$ shall be HK$7.8 per US$1.0) were granted by the Company to the 2013 Notes' investors to subscribe for 137,499,449 ordinary shares of the Company at an initial exercise price of HK$2.2691 per share, which is subject to certain anti-dilutive adjustments. The 2013 Warrants are exercisable at any time up to 36 months from the issue date of such warrant.

The 2013 Warrants granted the holders right to purchase or covert certain portion of 2013 Notes into the ordinary shares of the Company, at the exercise price. In addition, with effect from 14 July 2014, any warrant holder may, at any time during the redemption period, require the Company to redeem in whole or in part of the 2013 Warrants in cash. Accordingly, the nature of the 2013 Warrants are accounted for as derivative financial liabilities, initially recognised at fair value and subsequently measured at fair value through profit or loss.

(ii) 2014 Notes (I)

On 17 July 2014 and 18 July 2014 respectively, the Company issued 3-year secured and guaranteed senior notes, with an aggregated nominal value of US$40,000,000 and US$60,000,000 respectively. The net proceeds, after deducting the issuance costs, amounted to US$94,901,000 (equivalent to approximately HK$735,534,000). The 2014 Notes (I) are denominated in US$, due on 16 and 17 July 2017, and with an interest rate at 11.8% per annum.

The 2014 Notes (I) are accounted for as a financial liabilities, initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

28 BORROWINGS *(continued)*

(a) Senior notes *(continued)*

(ii) 2014 Notes (I) (continued)

Concurrent with the issuance of the 2014 Notes (I), nil-paid warrants (the "2014 Warrants (I)") representing a total amount of exercise moneys of US$20,000,000 (the exchange rate to be used for the purchase of HK$ with US$ shall be HK$7.8 per US$1.0) were granted by the Company to these investors to subscribe for 65,606,863 ordinary shares of the Company at an initial exercise price of HK$2.3778 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. The 2014 Warrants (I) are exercisable at any time up to 36 months from the issue date of such warrant.

As a result of the Rights Issue, the exercise price of 2014 Warrants (I) was downward adjusted to HK$2.1464.

The term and condition of the 2014 Warrants (I) are similar as those of the 2013 Warrants, which are accounted for as derivative financial liabilities, initially recognised at fair value and subsequently measured at fair value through profit or loss. On 23 September 2016, the Company early redeemed the whole principal of 2014 Notes (I).

(iii) 2014 Notes (II)

On 8 January 2015 and 13 February 2015 respectively, the Company issued 3-year secured and guaranteed senior notes, with an aggregated nominal value of US$65,000,000 and US$35,000,000 respectively. The net proceeds, after deducting the issuance costs, amounted to US$96,460,000 (equivalent to approximately HK$747,956,000). The 2014 Notes (II) are denominated in US$, due on 7 January 2018 and 12 February 2018, and with an interest rate at 11.8% per annum.

Concurrent with the issuance of the 2014 Notes (II), nil-paid warrants (the "2014 Warrants (II)") representing a total amount of exercise moneys of US$20,000,000 (the exchange rate to be used for the purchase of HK$ with US$ shall be HK$7.8 per US$1.0) were granted by the Company to these investors to subscribe for 65,606,863 ordinary shares of the Company at an initial exercise price of HK$2.3778 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. The 2014 Warrants (II) are exercisable at any time up to 36 months from the issue date of such warrant.

As a result of the Rights Issue, the exercise price of 2014 Warrants (II) was downward adjusted to HK$2.1464.

The term and condition of the 2014 Warrants (II) are similar as those of the 2013 Warrants and The 2014 Warrants (I), which are accounted for as derivative financial liabilities, initially recognised at fair value and subsequently measured at fair value through profit or loss. On 23 September 2016, the Company early redeemed the whole principal of 2014 Notes (II).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

28 BORROWINGS *(continued)*

(a) Senior notes *(continued)*

(iv) 2016 Notes

On 4 August 2016 and 23 September 2016 respectively, the Company issued 3-year secured and guaranteed senior notes, with an aggregated nominal value of US$190,000,000 and US$220,000,000 respectively. The net proceeds, after deducting the issuance costs, amounted to US$389,552,000 (equivalent to approximately HK$3,021,818,000). The 2016 Notes are denominated in US$, due on 3 August 2019 and 22 September 2019, and with an interest rate at 11% per annum.

Concurrent with the issuance of 2016 Notes, nil-paid warrants (the "2016 Warrants") representing a total amount of exercise moneys of US$61,500,000 (the exchange rate to be used for the purchase of HK$ with US$ shall be HK$7.8 per US$1.0) were granted to these investors to subscribe for 239,909,977 ordinary shares of the Company at an initial exercise price of HK$1.9995 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. The 2016 Warrants are exercisable at any time up to 36 months from the issue date of such warrant. As a result of the Rights Issue, the exercise price of 2016 Warrants was downward adjusted to HK$1.8049.

The term and condition of the 2016 Warrant are similar to those of the 2013 Warrants, the 2014 Warrants (I) and the 2014 Warrants (II) which are accounted for as derivative financial value and subsequently at fair value through profit or loss.

(b) Bank borrowings — secured

The bank borrowings included secured liabilities, which were secured by certain of the Group's construction in progress, investment properties, properties under development and completed properties held for sale.

(c) Other borrowings – secured

Certain subsidiaries in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), pursuant to which the Trustees raised trust funds and injected the funds to the subsidiaries. The funds bear interest at fixed rates, have fixed repayment terms, and are secured by certain properties under development, completed properties held for sale, land use rights, investment properties and shares of certain subsidiaries.

28 BORROWINGS *(continued)*

(d) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier at the end of the year are as follows:

	6 months or less HK$'000	6–12 months HK$'000	1–5 years HK$'000	Total HK$'000
At 31 December 2016	**162,976**	**484,051**	**7,137,359**	**7,784,386**
At 31 December 2015	4,200,298	801,449	3,166,614	8,168,361

(e) The maturity of the borrowings is as follows:

	Senior notes HK$'000	Bank borrowings HK$'000	Other borrowings HK$'000	Total HK$'000
As at 31 December 2016				
Within 1 year	**—**	**255,812**	**444,899**	**700,711**
Between 1 and 2 years	**—**	**61,419**	**2,253,003**	**2,314,422**
Between 2 and 5 years	**3,013,591**	**—**	**1,755,662**	**4,769,253**
	3,013,591	**317,231**	**4,453,564**	**7,784,386**
As at 31 December 2015				
Within 1 year	1,464,750	598,700	1,402,803	3,466,253
Between 1 and 2 years	1,449,858	844,418	10,773	2,305,049
Between 2 and 5 years	—	—	2,397,059	2,397,059
	2,914,608	1,443,118	3,810,635	8,168,361

(f) The weighted average effective interest rates are as follows:

	31 December 2016	2015
Senior notes	**18.52%**	16.83%
Bank and other borrowings	**10.15%**	10.03%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

28 BORROWINGS *(continued)*

(g) The carrying amounts of borrowings are denominated in the following currencies:

	31 December	
	2016	2015
	HK$'000	HK$'000
RMB	**4,770,795**	4,969,687
HK$	**—**	214,870
US$	**3,013,591**	2,983,804
	7,784,386	8,168,361

29 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December	
	2016	2015
	HK$'000	HK$'000
Deferred income tax assets to be realised after more than 12 months	**31,302**	33,422
Deferred income tax liabilities to be settled after more than 12 months	**(600,408)**	(373,543)
Deferred income tax liabilities, net	**(569,106)**	(340,121)

The gross movement on the deferred income tax is as follows:

	2016	2015
	HK$'000	HK$'000
At 1 January	**(340,121)**	(1,790,232)
Tax charged in consolidated statement of profit or loss (Note 12)	**(251,857)**	(52,827)
Disposal of subsidiaries	**—**	1,493,301
Exchange differences	**22,872**	9,637
At 31 December	**(569,106)**	(340,121)

29 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on LAT HK$'000
At 1 January 2016	**33,422**
Exchange differences	**(2,120)**
At 31 December 2016	**31,302**
At 1 January 2015	123,184
Tax credited to consolidated statement of profit or loss	(85,977)
Exchange differences	(3,785)
At 31 December 2015	33,422

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$171,640,000 (2015: HK$84,915,000) in respect of losses amounting to HK$686,560,000 (2015: HK$339,660,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

29 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities

	Temporary difference on revaluation gains of investment properties	Fair value adjustments on business combinations	Undistributed profits of PRC subsidiaries	Temporary difference on LAT	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	**(131,399)**	**(231,418)**	**(9,885)**	**(841)**	**(373,543)**
Tax charged in consolidated statement of profit or loss	**(270,851)**	**18,994**	**—**	**—**	**(251,857)**
Exchange differences	**19,775**	**4,538**	**626**	**53**	**24,992**
At 31 December 2016	**(382,475)**	**(207,886)**	**(9,259)**	**(788)**	**(600,408)**
At 1 January 2015	(45,491)	(1,858,876)	(5,049)	(4,000)	(1,913,416)
Tax charged in consolidated statement of profit or loss	(92,218)	127,356	(5,035)	3,047	33,150
Exchange differences	6,310	6,801	199	112	13,422
Disposal of subsidiaries	—	1,493,301	—	—	1,493,301
At 31 December 2015	(131,399)	(231,418)	(9,885)	(841)	(373,543)

Deferred income tax liabilities of HK$55,657,000 (2015: HK$3,715,600) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled HK$556,572,000 at 31 December 2016 (2015: HK$37,156,000), as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

30 TRADE AND OTHER PAYABLES

	31 December	
	2016	2015
	HK$'000	HK$'000
Trade payables	**1,074,617**	1,266,311
Amounts due to related parties (Note 36(d))	**49,463**	51,850
Provisions for claims and administrative penalties	**79,403**	221,152
Other payables and accruals	**313,679**	135,753
Other taxes payables	**231,910**	208,199
	1,749,072	1,883,265

As at 31 December 2016 and 2015, the ageing analysis of trade payables based on the payment due date were as follows:

	31 December	
	2016	2015
	HK$'000	HK$'000
Within one year	**798,324**	1,165,730
Over one year	**276,293**	100,581
	1,074,617	1,266,311

Other payables and accruals from third parties mainly comprise deposits of customers, professional service and operating expenses.

31 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2016	2015
	HK$'000	HK$'000
Current income tax liabilities		
— PRC corporate income tax payable	**869,113**	846,118
— PRC land appreciation tax payable	**653,019**	659,027
	1,522,132	1,505,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2016 and 2015, the Group had the following derivative financial instruments:

	31 December	
	2016	2015
	HK$'000	HK$'000
2013 Warrants	**—**	45,497
2014 Warrants I	**58,382**	48,273
2014 Warrants II	**55,320**	46,108
2016 Warrants	**7,709**	—
	121,411	139,878

The movements of the warrants during the year are set out below:

	2016	2015
	HK$'000	HK$'000
Opening amount at 1 January	**139,878**	112,961
Issuance	**37,878**	64,021
Redemption	**(49,950)**	—
Net change in fair value recognised in profit or loss (Note 9)	**(7,192)**	(37,104)
Exchange differences	**797**	—
Closing amount as at 31 December	**121,411**	139,878

The above warrants were measured at their fair values on 31 December 2016 and 2015. The fair values (categorised as level 3 measurement under HKFRS 13) of the warrants were based on a valuation, using trinominal tree method, carried out by an independent qualified professional valuer and approved by the directors. The significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

33 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
(Loss)/profit for the year	**(179,432)**	508,474
Adjustments for:		
Income tax expenses (Note 12)	**426,196**	774,091
Depreciation (Note 15)	**4,167**	2,804
Amortisation of land use rights recognised as expense (Note 17)	**4,696**	4,426
Fair value gains on investment properties, net (Note 16)	**(309,337)**	(61,198)
Fair value gains on derivative financial instruments	**(7,192)**	(37,104)
Finance costs, net (Note 11)	**798,796**	1,004,642
Interest income (Note 8)	**(155,539)**	(120,815)
Gain on disposal of subsidiaries	**–**	(1,954,560)
(Reversal of)/provision for claims and administrative penalties	**(133,357)**	202,161
Write-down of properties under development	**–**	28,349
Changes in operating capital:		
Properties under construction and completed properties held for sale	**(605,701)**	1,006,757
Prepayments, trade and other receivables	**68,308**	647,548
Restricted cash	**(310,817)**	6,188
Advances from customers	**972,100**	(1,364,307)
Trade and other payables	**105,570**	(95,282)
Decrease in amount due to the ultimate holding company	**–**	(87,631)
Cash generated from operation	**678,458**	464,543

34 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December	
	2016	2015
	HK$'000	HK$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**1,760,359**	1,124,355
Financial guarantee contract for a previous owner of the Group's subsidiary	**–**	134,283
	1,760,359	1,258,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

34 FINANCIAL GUARANTEE CONTRACTS *(continued)*

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with 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 mortgages. The directors of the Company are of the view that the fair value of financial guarantees is not significant.

35 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2016	2015
	HK$'000	HK$'000
Contracted but not provided for:		
— Properties development activities	**804,221**	1,006,388
— Acquisition of land use rights	**137,567**	—
— Acquisition of property and equipment	**1,365**	3,629
	943,153	1,010,017

(b) Operating leases commitments – the Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December	
	2016	2015
	HK$'000	HK$'000
— Not later than one year	**7,424**	6,215
— Later than one year and not later than five years	**17,012**	103
— Over five years	**22**	49
	24,458	6,367

35 COMMITMENTS *(continued)*

(c) Operating leases commitments – the Group as lessor

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	31 December	
	2016	2015
	HK$'000	HK$'000
— Not later than one year	**95,831**	92,015
— Later than one year and not later than five years	**248,581**	232,110
— Over five years	**43,503**	13,163
	387,915	337,288

36 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	**Relationship**
Rong De Investments Limited ("Rong De")	Ultimate holding company of the Company (incorporated in the British Virgin Islands)
Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)	Major shareholder of Rong De, the Company's chairman of the Board and executive director, and a key management personnel
Mr. Liao Tengjia	Major shareholder of Rong De, the Company's executive director and chief executive officer, and a key management personnel
Mr. Huang Jiajue	The Company's deputy chairman of the Board and executive director, and a key management personnel
Guangdong Zhuguang Group Company Limited ("GD Zhuguang Group")	Mr. Liao Tengjia has significant influence in this company
Guangzhou Zhuguang Investment Company Limited ("GZ Zhuguang Investment")	Mr. Liao Tengjia has significant influence in this company
Guangzhou Conghua Zhuguang Investment Company Limited ("GZ Conghua Zhuguang Investment")	Mr. Liao Tengjia has significant influence in this company
Guangzhou Zhuguang Property Development Company Limited ("GZ Zhuguang Property")	Mr. Liao Tengjia has significant influence in this company
Guangdong Zhujiang Bay Property Company Limited ("GD Zhujiang Bay Property")	Mr. Liao Tengjia has significant influence in this company
Shenzhen Zhuguang Property Company Limited ("SZ Zhuguang Property")	Mr. Liao Tengjia has significant influence in this company
Sanya Zhuguang Investment Company Limited ("Sanya Zhuguang Investment")	Mr. Liao Tengjia has significant influence in this company
Guangdong Jiayuan Investment Company ("GD Jiayuan Investment")	Mr. Huang Jiajue is the legal representative of this company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

(i) During the year ended 31 December 2016 and 2015, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Purchase of properties from key management	**210,321**	981,234
Sales of properties to key management	**250**	9,504
Interest income:		
— GD Zhuguang Group	**–**	11,033
— Sanya Zhuguang Investment	**–**	7,367
	–	18,400
Project management service income:		
— GZ Zhuguang Investment	**363,382**	—
— GZ Conghua Zhuguang Investment	**13,214**	—
— GZ Zhuguang Property	**6,607**	—
	383,203	—
Advances from key management	**4,622**	6,788
Proceed from related parties included in trade receivables:		
— GZ Zhuguang Investment	**210,101**	—
Prepayments to key management for decoration services included in prepayments	**19,727**	153,755

36 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

(i) *(continued)*

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Prepayments for acquisition of equity interests in property development projects included in prepayments:		
— GD Zhuguang Group	**2,684,629**	—
Refund of prepayments for acquisition of equity interests in property development projects included in prepayments:		
— GD Zhuguang Group	**93,378**	621,438
Cash advances to related parties included in other receivables:		
— GZ Zhuguang Investment	**1,167,230**	24,858
— SZ Zhuguang Property	**303,480**	—
— GZ Conghua Zhuguang Investment	**116,723**	—
— GZ Zhuguang Property	**58,362**	—
	1,645,795	24,858
Repayments from related parties included in other receivables:		
— SZ Zhuguang Property	**303,480**	—
— GZ Zhuguang Investment	**—**	24,858
— GZ Conghua Zhuguang Investment	**116,723**	—
— GZ Zhuguang Property	**58,362**	—
	478,565	24,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

(i) *(continued)*

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Cash advances from related parties included in other payables:		
— GD Jiayuan Investment	**234,377**	—
— GD Zhuguang Group	**3,776**	—
	238,153	—
Repayments to related parties included in other payables:		
— GD Jiayuan Investment	**234,377**	—
— GD Zhujiang Bay Property	**1,477**	—
— GZ Zhuguang Property	**1,695**	—
	237,549	—

The above transactions were charged in accordance with the terms of the underlying agreements.

(ii) Certain related parties have provided pledges and guarantees for the Group's bank and other borrowings of HK$1,064,607,000 at 31 December 2016 (2015: HK$971,623,000).

(iii) Certain related parties have provided pledges and guarantees for the Group's senior notes and warrants of HK$3,013,591,000 and HK$121,411,000 at 31 December 2016 (2015: HK$1,464,750,000 and HK$45,497,000), respectively.

(iv) During the year ended 31 December 2016, the Group's principal place of business in the PRC was provided by GD Zhuguang Group for which no charge was made.

(v) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

36 RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Key management compensation		
— Salaries and other employee benefits	**17,219**	14,052
— Pension costs	**134**	106
	17,353	14,158

(d) Balances with related parties

As at 31 December 2016 and 2015, the Group had the following material balances with related parties:

	31 December	
	2016	2015
	HK$'000	HK$'000
Amounts due from related parties included in trade receivables		
GZ Zhuguang Investment (Note (i))	**167,690**	—
Amounts due from related parties included in other receivables		
GZ Zhuguang Investment (Note (i))	**1,117,930**	—
GD Zhuguang Group	**321**	—
	1,118,251	—
Amounts due from related parties included in prepayments		
GD Zhuguang Group (Note (ii))	**2,824,099**	348,351
Key management (Note (iii))	**157,192**	147,663
	2,981,291	496,014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36 RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties *(continued)*

	31 December	
	2016	2015
	HK$'000	HK$'000
Amounts due to related parties included in other payables		
GD Zhuguang Group	**49,463**	48,607
GD Zhujiang Bay Property	**–**	1,510
GZ Zhuguang Property	**–**	1,733
	49,463	51,850
Amounts due to ultimate holding company		
Rong De	**880**	880
Amounts due to key management included in advances from customers	**4,427**	256

(i) Amounts due from GZ Zhuguang Investment included in trade and other receivables were mainly derived from funding and project management services, which would be settled in accordance with mutually agreed terms (Note 20(c)).

(ii) Amounts due from GD Zhuguang Group included in prepayments were deposits paid to GD Zhuguang Group through authorised agents for the proposed acquisitions of equity interests of certain entities of GD Zhuguang Group, which own certain land use rights or property projects in the PRC.

(iii) Amounts due from key management represents the prepayments for decoration service fee.

(iv) Amounts due to key management included in advances from customers were from sales of properties, which are unsecured, interest-free and to be settled according to contract terms.

36 RELATED PARTY TRANSACTIONS *(continued)*

(e) Amounts due from a director and entities ultimately controlled by the director

Particulars of amounts due from a director of the Company and entities ultimately controlled by the director are as follows:

	31 December		Maximum amount outstanding for the year ended 31 December	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
— Mr. Chu Hing Tsung (Note (d))	**157,192**	147,663	**157,192**	147,663

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2016 are set out below.

Name	Place and date of incorporation/ establishment	Legal status	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Nam Fong International Group Limited	British Virgin Islands 14 April 2011	Limited liability company	US$10,000	100%	–	Investment holding in British Virgin Islands
Zhuguang Group Limited	British Virgin Islands 29 September 2009	Limited liability company	US$1	100%	–	Investment holding in British Virgin Islands
South Trend Holdings Limited	British Virgin Islands 18 November 2011	Limited liability company	US$1	100%	–	Investment holding in Hong Kong, project management services in the PRC
Talent Wide Holdings Limited	British Virgin Islands 08 September 2010	Limited liability company	US$1	100%	–	Investment holding in British Virgin Islands
Gains Wide Holdings Limited	British Virgin Islands 02 September 2010	Limited liability company	US$1	100%	–	Investment holding in British Virgin Islands
Cheng Chang Holdings Limited	British Virgin Islands 12 January 2011	Limited liability company	US$55	100%	–	Investment holding in British Virgin Islands

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name	Place and date of incorporation/ establishment	Legal status	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Profaith International Holdings Limited	British Virgin Islands 18 May 2010	Limited liability company	US$1,000	100%	–	Investment holding in British Virgin Islands
Ai De Investments Limited	British Virgin Islands 22 June 2011	Limited liability company	US$1	100%	–	Investment holding in British Virgin Islands
Skyleap Investments Limited	British Virgin Islands 31 October 2013	Limited liability company	US$1,000	100%	–	Investment holding in British Virgin Islands
Perfect Master Enterprises Limited	British Virgin Islands 03 December 2015	Limited liability company	US$1,000	100%	–	Investment holding in British Virgin Islands
New Regent Enterprises Limited	Hong Kong 05 December 1996	Limited liability company	HK$2	100%	–	Investment holding in Hong Kong
D&L Management Limited	Hong Kong 26 March 1996	Limited liability company	HK$1,000	100%	–	Investment holding in Hong Kong
Graceful Link Limited	Hong Kong 23 January 1998	Limited liability company	HK$2	100%	–	Property investment in the PRC
Vanco Investment Limited	Hong Kong 03 August 2009	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Zhuguang Group (Hong Kong) Limited	Hong Kong 12 October 2009	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name	Place and date of incorporation/ establishment	Legal status	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
World Charter Investments Limited	Hong Kong 05 August 2014	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Diamond Crown Limited	Hong Kong 23 January 1998	Limited liability company	HK$2	100%	–	Property investment in the PRC
Speedy Full Limited	Hong Kong 21 July 1997	Limited liability company	HK$2	100%	–	Property investment in the PRC
Fully Wise Investment Limited	Hong Kong 05 February 2003	Limited liability company	HK$1,000,000	100%	–	Investment holding in Hong Kong
Ever Crown Corporation Limited	Hong Kong 27 May 2010	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Top Perfect Development Limited	Hong Kong 15 July 2011	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
East Orient Investment Limited	Hong Kong 24 September 2009	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Polyhero International Limited	Hong Kong 28 April 1997	Limited liability company	HK$1,000	100%	–	Investment holding in Hong Kong
United Talent Investments Limited	Hong Kong 05 August 2014	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name	Place and date of incorporation/ establishment	Legal status	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Joy Way Investments Limited	Hong Kong 05 August 2014	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Victory Global Investments Limited	Hong Kong 05 August 2014	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
China Honest International Investments Limited	Hong Kong 05 August 2014	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Top Asset Development Limited	Hong Kong 24 September 2009	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
香河縣逸景房地產開發有限公司 Xianghe County Yijing Property Development Company Limited	the PRC 19 February 2014	Wholly foreign-owned enterprise with limited liability	RMB97,977,700	100%	–	Property development in the PRC
廣州市潤發房地產有限公司 Guangzhou City Runfa Property Company Limited	the PRC 12 October 2009	Wholly foreign-owned enterprise with limited liability	RMB132,880,000	100%	–	Property development in the PRC
廣東海聯大廈有限公司 Guangdong Hailian Building Company Limited ("Guangdong Hailian")	the PRC 10 June 1994	Sino-foreign joint venture with limited liability	US$99,000,000	80%	20%	Property development and investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name	Place and date of incorporation/ establishment	Legal status	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
廣州東港合眾房地產有限公司 Guangzhou Dong Gang He Zhong Property Company Limited	the PRC 02 January 2008	Wholly foreign-owned enterprise with limited liability	RMB100,000,000	100%	–	Property development in the PRC
廣州御盈房地產有限公司 Guangzhou Yu Ying Property Company Limited ("Guangzhou Yu Ying")	the PRC 30 September 2010	Sino-foreign joint venture with limited liability	RMB160,000,000	70%	30%	Property development and investment in the PRC
廣州市潤啟房地產有限公司 Guangzhou City Runqi Property Company Limited	the PRC 30 October 2009	Wholly foreign-owned enterprise with limited liability	RMB99,652,457	100%	–	Property development in the PRC
豐順佳榮貿易有限公司 Feng Shun Jia Rong Trading Company Limited ("Jia Rong")* (Note (a))	the PRC 29 November 2012	Limited liability company	RMB1,000,000	100%	–	Investment holding in the PRC
廣東喜龍房地產開發有限公司 Guangdong Xilong Property Development Company Limited ("Guangdong Xilong") (Note (a))	the PRC 21 August 2009	Limited liability company	RMB120,000,000	100%	–	Property development, investment and decoration in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name	Place and date of incorporation/ establishment	Legal status	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
廣州愉捷貿易有限公司 Guangzhou Yujie Trading Company Limited	the PRC 26 November 2014	Wholly foreign-owned enterprise with limited liability	RMB500,000	100%	–	Property trading and decoration in the PRC
廣州宏昭貿易有限公司 Guangzhou Hongzhao Trading Company Limited	the PRC 10 December 2014	Limited liability company	RMB500,000	100%	–	Property trading and decoration in the PRC
廣州創貴貿易有限公司 Guangzhou Chuanggui Trading Company Limited	the PRC 10 December 2014	Limited liability company	RMB500,000	100%	–	Property trading and decoration in the PRC
豐順御景房地產有限公司 Fengshun Yujing Property Company Limited	the PRC 28 September 2016	Wholly foreign-owned enterprise with limited liability	RMB200,000,000	100%	–	Property development in the PRC

(a) The directors are of the opinion that, notwithstanding the lack of equity ownership, in substance, based on the Income Right SP Agreement, the Group has control over Jia Rong and Guangdong Xilong. Accordingly, Jia Rong and Guangdong Xilong are accounted for as the Company's 100% indirect subsidiaries.

(b) The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS			
Non-current assets			
Property and equipment		**128**	825
Interests in subsidiaries		**579,805**	579,805
		579,933	580,630
Current assets			
Amounts due from subsidiaries		**7,665,936**	6,788,725
Amount due from ultimate holding company		**20,014**	20,014
Other receivables		**39,862**	158,923
Cash and cash equivalents		**202,597**	52,012
		7,928,409	7,019,674
Total assets		**8,508,342**	7,600,304
EQUITY			
Equity attributable to owners of the Company			
Share capital		**642,441**	481,831
Other reserves	(a)	**5,357,496**	4,260,433
Accumulated losses	(a)	**(1,583,575)**	(947,624)
Total equity		**4,416,362**	3,794,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Statement of financial position of the Company *(continued)*

	31 December	
	2016	2015
	HK$'000	HK$'000
LIABILITIES		
Non-current liabilities		
Borrowings	**3,013,591**	1,449,858
Current liabilities		
Amounts due to subsidiaries	**850,704**	674,735
Other payables and accruals	**106,274**	7,247
Borrowings	**—**	1,533,946
Derivative financial instruments	**121,411**	139,878
	1,078,389	2,355,806
Total liabilities	**4,091,980**	3,805,664
Total equity and liabilities	**8,508,342**	7,600,304

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2017 and was signed on its behalf.

Chu Hing Tsung
Director

Ye Lixia
Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(a) Reserve movements of the Company

	Accumulated losses HK$'000
At 1 January 2015	(2,060,461)
Profit for the year	1,112,837
As at 31 December 2015	(947,624)
At 1 January 2016	**(947,624)**
Loss for the year	**(635,951)**
As at 31 December 2016	**(1,583,575)**

	Share premium HK$'000	**Contributed Surplus** HK$'000	**Total other reserves** HK$'000
At 1 January 2015 and 31 December 2015	3,543,224	717,209	4,260,433
At 1 January 2016	3,543,224	717,209	4,260,433
Rights Issue (Note 26(b))	1,097,063	—	1,097,063
As at 31 December 2016	**4,640,287**	**717,209**	**5,357,496**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2016 are set out below:

	Wages and salaries HK$'000	Retirement scheme contributions HK$'000	Fee HK$'000	Housing allowance HK$'000	Total HK$'000
Executive directors					
Mr. Chu Hing Tsung	**3,751**	**14**	**—**	**—**	**3,765**
Mr. Liao Tengjia	**4,928**	**53**	**—**	**21**	**5,002**
Mr. Huang Jiajue	**4,286**	**53**	**—**	**21**	**4,360**
Mr. Chu Muk Chi	**960**	**14**	**—**	**—**	**974**
Ms. Ye Lixia	**3,252**	**—**	**—**	**—**	**3,252**
Independent non-executive directors					
Mr. Leung Wo Ping	**—**	**—**	**480**	**—**	**480**
Mr. Wong Chi Keung	**—**	**—**	**480**	**—**	**480**
Dr. Feng Ke	**—**	**—**	**480**	**—**	**480**
	17,177	**134**	**1,440**	**42**	**18,793**

The remuneration of each director for the year ended 31 December 2015 are set out below:

	Wages and salaries HK$'000	Retirement scheme contributions HK$'000	Fee HK$'000	Housing allowance HK$'000	Total HK$'000
Executive directors					
Mr. Chu Hing Tsung	3,250	—	—	—	3,250
Mr. Liao Tengjia	4,096	53	—	21	4,170
Mr. Huang Jiajue	3,692	53	—	21	3,766
Mr. Chu Muk Chi	1,040	—	—	—	1,040
Ms. Ye Lixia	1,932	—	—	—	1,932
Independent non-executive directors					
Mr. Leung Wo Ping	—	—	480	—	480
Mr. Wong Chi Keung	—	—	480	—	480
Dr. Feng Ke	—	—	259	—	259
Mr. Law Shu Sang Joseph	—	—	182	—	182
	14,010	106	1,401	42	15,559

39 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(b) Directors' retirement benefits

During the year ended 31 December 2016, there was no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in Note (a) above (2015: same).

(c) Directors' termination benefits

During the year ended 31 December 2016, there was no termination benefit received by the directors (2015: same).

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

During the year ended 31 December 2016, no consideration was paid for making available the services of the directors of the Company (2015: same).

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

During the year ended 31 December 2016, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors (2015: same).

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

Except for the transactions disclosed in Note 36(b), no other 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.

40 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 3 January 2017, Victory Global Investments Limited ("Victory Global"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with two independent third parties, pursuant to which Victory Global has agreed to acquire 100% equity interests in Guangzhou Zhenchao Property Development Company Limited (廣州振超房地產開發有限公司) ("GZ Zhenchao") located in Guangzhou, the PRC, at a total consideration of RMB91,879,000 (equivalent to approximately HK$102,714,000). GZ Zhenchao is principally engaged in property development in the PRC.

As at 31 December 2016, Victory Global prepaid RMB15,000,000 (equivalent to approximately HK$16,769,000) to acquire GZ Zhenchao.

On 18 January 2017, the industrial and commercial registration in relation to the equity transfer of GZ Zhenchao was completed and GZ Zhenchao has become a wholly-owned subsidiary of Victory Global since then.

FIVE-YEAR FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group for the last five years is as follows:

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,908,153**	3,293,318	2,919,522	280,880	571,167
Profit/(Loss) before tax	**246,764**	1,282,565	994,841	(963,830)	234,846
Income tax	**(426,196)**	(774,091)	(798,888)	(3,815)	(56,604)
(Loss)/Profit for the year	**(179,432)**	508,474	195,953	(967,645)	178,242
Attributable to:					
Owners of the Company	**(175,645)**	591,409	180,208	(938,643)	182,349
Non-controlling interests	**(3,787)**	(82,935)	15,745	(29,002)	(4,107)
	(179,432)	508,474	195,953	(967,645)	178,242

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**18,746,947**	17,428,582	20,235,831	11,539,112	6,104,047
Total liabilities	**(13,940,856)**	(13,262,372)	(16,390,607)	(7,806,875)	(3,499,062)
Net assets	**4,806,091**	4,166,210	3,845,224	3,732,237	2,604,985
Equity attributable to:					
Owners of the Company	**4,472,288**	3,810,715	3,386,998	3,327,370	2,281,573
Non-controlling interests	**333,803**	355,495	458,226	404,867	323,412
Total equity	**4,806,091**	4,166,210	3,845,224	3,732,237	2,604,985

PARTICULARS OF PROPERTIES

Investment properties		Attributable beneficial interest to the Group	Total Saleable GFA m^2	Type	Lease term
1.	Levels 31-33, 35-39, 40-43 and 45 Royal Mediterranean Hotel No. 518 Tianhe Road Tianhe District Guangzhou Guangdong Province The PRC	100%	18,184	H	Medium lease
2.	Various floors Zhukong International Lot A2-1 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	43,918	C/O	Medium lease
3.	Block 7 Yujing Scenic Garden Provincial Highway G105 line Jiulibu District Jiangpu Town Conghua Guangzhou Guangdong Province The PRC	70%	3,283	C	Medium lease
4.	Various Units Central Park Lot H3-3 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	1,318	C	Medium lease

Detail of property development projects		Attributable beneficial interest to the Group	Site area m^2	Total GFA m^2	Total Saleable GFA m^2	Completed and sold properties m^2	Completed properties held for sale m^2	Under development m^2	Completed properties held as investment properties m^2	Type	Estimated/ actual date of completion
5.	Zhukong International Lot A2-1, Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	10,449	133,297	109,738	43,949	21,871	–	43,918	C/CP/O	2015

PARTICULARS OF PROPERTIES

	Detail of property development projects	Attributable beneficial interest to the Group	Site area m²	Total GFA m²	Total Saleable GFA m²	Completed and sold properties m²	Completed properties held for sale m²	Under development m²	Completed properties held as investment properties m²	Type	Estimated/ actual date of completion
6.	Yunling Lake Provincial Highway S355 line Jiekou Street Conghua Guangzhou Guangdong Province The PRC	100%	200,083	127,509	94,864	–	–	94,864	–	R/H/V	2017-2018
7.	Yujing Scenic Garden Provincial Highway G105 line Jiulibu District Jiangpu Town Conghua Guangzhou Guangdong Province The PRC	70%	294,684	886,270	754,947	309,209	63,228	379,227	3,283	R/C/CP/S	2014-2018
8.	Tianhu Yujing Shui Di Village Jiulibu District Wenquan Town Conghua Guangzhou Guangdong Province The PRC	100%	55,031	241,556	227,973	73,157	154,816	–	–	R/C/CP	2016
9.	Central Park Lot H3-3 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	3,430	36,489	28,370	22,420	4,632	–	1,318	S/C/CP	2015
10.	Pearl Yijing No.168 Xin Kai Street West Section Xianghe County Langfang City Hebei Province The PRC	100%	63,044	192,441	183,033	–	–	183,033	–	R/C/CP	2017-2018
11.	Xincheng Yujing Zhong Su Shang Wei Sunshine Village Tang Nan Town Fengshun County Meizhou City Guangdong Province The PRC	100%	280,836	344,162	272,291	–	–	272,291	–	R/V	2018-2020

R-Residential C-Commercial CP-Car park H-Hotel O-Office V-Villa S-Service Apartment