北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925

2017 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. QIAN Xu *(Chairman)*
Mr. HU Yebi *(Vice Chairman)*
Mr. SIU Kin Wai *(Chief Executive Officer)*
Mr. ZHAO Jiansuo
Mr. LI Shuping
Mr. DONG Qilin
Mr. LI Changfeng
Mr. CHENG Ching Fu *(Chief Financial Officer)* (appointed on 7 July 2017)
Mr. YU Luning
Mr. ANG Renyi
Mr. WAN Lee Cham (resigned on 7 July 2017)

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. XIE Ming (appointed on 15 May 2017)
Mr. CHAN Yuk Cheung (resigned on 15 May 2017)

AUDIT COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. ZHU Wuxiang
Mr. James CHAN
Mr. SONG Lishui
Mr. XIE Ming (appointed on 15 May 2017)
Mr. CHAN Yuk Cheung (resigned on 15 May 2017)

INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mr. HU Yebi *(Chairman)*
Mr. QIAN Xu
Mr. SIU Kin Wai
Mr. YU Luning
Mr. ZHU Wuxiang
Mr. ANG Renyi

NOMINATION COMMITTEE

Mr. James CHAN *(Chairman)*
Mr. GOH Gen Cheung
Mr. QIAN Xu
Mr. YU Luning
Mr. SONG Lishui
Mr. XIE Ming (appointed on 15 May 2017)
Mr. CHAN Yuk Cheung (resigned on 15 May 2017)

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. YU Luning
Mr. James CHAN
Mr. SONG Lishui
Mr. XIE Ming (appointed on 15 May 2017)
Mr. CHAN Yuk Cheung (resigned on 15 May 2017)

COMPANY SECRETARY

Mr. CHENG Ching Fu

STOCK CODE

925

AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Ernst & Young

WEBSITE

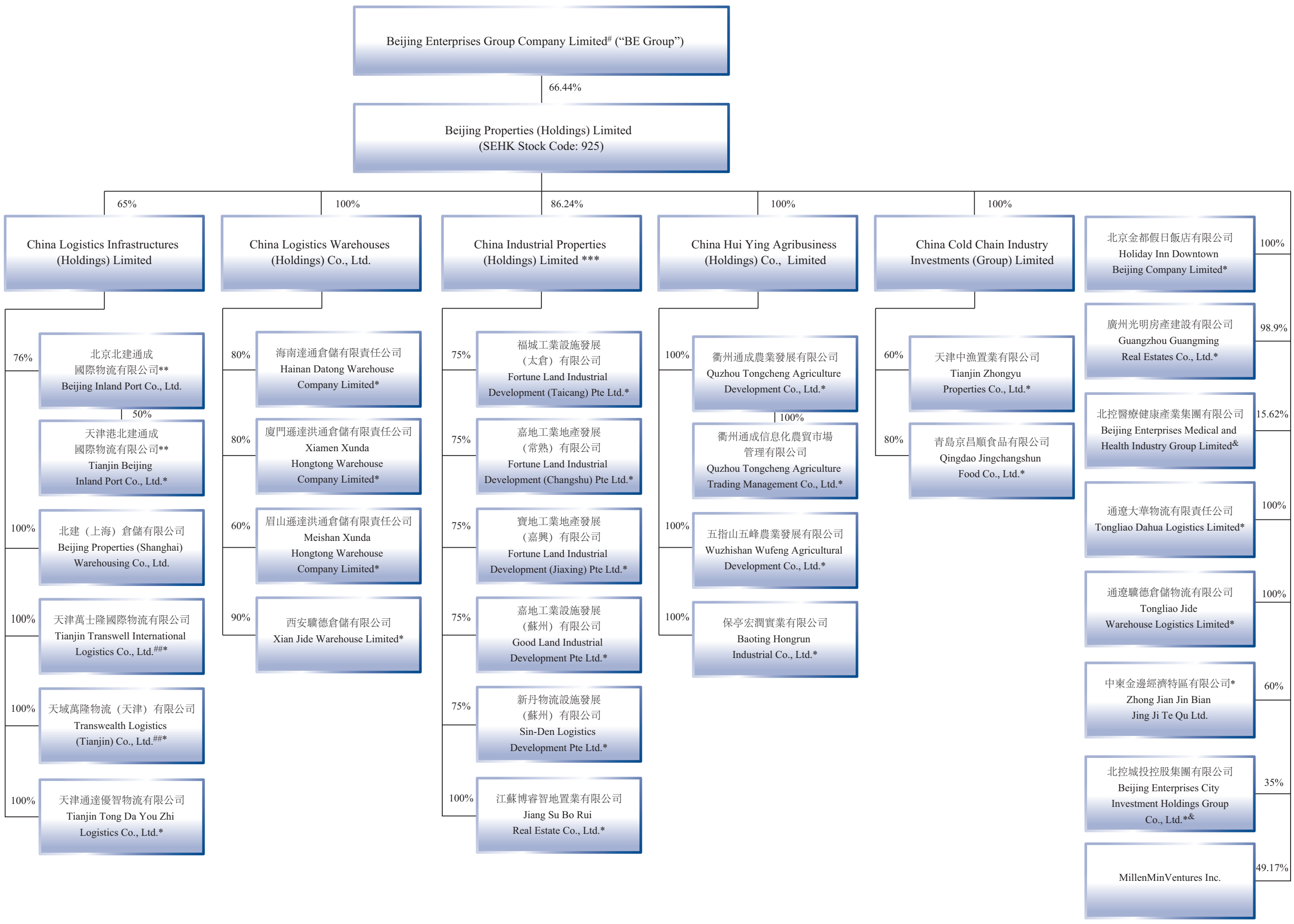
www.bphl.com.hk

PRINCIPAL BANKERS

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

GROUP STRUCTURE

As at 28 March 2018



#	BE Group indirect held 66.44% of the issued share capital of Beijing Properties (Holdings) Limited (the "Company") through its wholly-owned subsidiaries
*	For identification purpose only
**	Joint venture
***	An option was granted to subscribers who can further acquire 13.76% of equity interests in China Industrial Properties (Holdings) Limited before 8 August 2018 and the Company's shareholding will be further diluted to 72.48% if the options are exercised. Further details set out in the Company's announcement dated 15 December 2017
&	Associate
##	Out of 100% equity interest, 30% equity interests are held directly by the Company and 70% equity interest are held by China Logistics Infrastructures (Holdings) Limited

FINANCIAL HIGHLIGHTS

	2017 HK$'000	2016 HK$'000
Revenue	**335,025**	317,966
Profit before tax	**298,687**	171,881
Profit for the year	**295,584**	124,098
Profit attributable to shareholders of the Company	**300,916**	115,375
Earnings per share		
– basic (HK dollars)	**4.41 cents**	1.71 cents
– diluted (HK dollars)	**4.41 cents**	1.71 cents

	2017 HK$'000	2016 HK$'000
Total asset	**17,860,702**	11,718,464
Equity attributable to shareholders of the Company	**4,419,323**	3,660,590
Total equity	**6,792,639**	5,004,843
Cash and bank balances	**1,728,714**	2,666,824
Net gearing ratio (times)	**88.02%**	46.77%

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to report the annual results of Beijing Properties (Holdings) Limited ("BPHL" or the "Group") for 2017.

In 2017, the Chinese economy grew steadily and realised the positive evolution from quantity change to quality change. It is expected that the Chinese economy will maintain stable growth during the new reform and opening up period.

For the year ended 31 December 2017, the Group recorded revenue of HK$335.03 million and consolidated profit attributable to shareholders of HK$300.92 million. The Group currently holds properties with a total area of 2,933,833 sq.m., including properties under operation with an area of 919,098 sq.m. and properties under development with an area of 1,020,544 sq.m.. It had also acquired land on which logistics properties are proposed to be developed with an area of approximately 994,191 sq.m.. In the future, with the successive completion of the Group's projects on logistics properties, cold logistics properties and industrial properties, their fixed income returns will bring enormous cash flows to the Group, which will provide sufficient fund support for the Company's future dividend distribution and development.

The year 2017 was also an extraordinary year for the Group, in which we successfully transformed from a logistics property developer into a general property developer. In the future, the scope of principal activities of the Group will also include cold chain logistics industry and industrial park development with diversified revenue model in addition to its existing logistics properties, industrial properties and commercial properties with fixed income. It is expected that the transformation will provide more room for profit growth of the Group. In particular, the aim of our expansion into the cold chain logistics industry is to become a leading enterprise in the PRC. We will leverage our existing logistics and warehousing advantages to establish joint ventures and work with strong domestic import and export traders in order to capture the international trading and domestic trading customer resources in the upstream of the industrial chain and gain the right to goods and funds through trade. For the midstream, we will obtain the information right and the disposal right through storage at cold chain warehouses and processing services. For the downstream, we will establish e-commerce trading platform, work with retailers while conducting online marketing so as to thread together the upstream, midstream and downstream and establish a closed cycle of commercial risk control. We are currently making preparations for the establishment of a cold chain logistics platform and certain of our assets are under reorganisation. It is expected that the relevant platform will be built in the first half of the year and we will fully promote such business in the second half of the year.

The year 2018 will be a year in which the Group embarks on a new path of development and create more glories.

Thank you!

Qian Xu
Chairman

28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2017, the Group recorded a consolidated profit attributable to the shareholders of the Company of approximately HK$300.92 million, as compared to the consolidated profit attributable to the shareholders of the Company of approximately HK$115.38 million recorded for the year ended 31 December 2016.

BUSINESS REVIEW

The Group is principally engaged in real estate. Through continuous acquisitions and investments in previous years, the Group has established different core business and investment namely high-end and modern general warehouse, cold chain logistics warehouse, specialised wholesale market, industrial property, commercial property, primary land development and other value investments.

1) High-end and Modern General Warehouses Business

The Group possesses numerous logistics facilities and warehouses located in Tier 1 and Tier 2 cities including Beijing, Shanghai and Tianjin, with an aggregate rentable area of 1,654,508 sq.m., among which 560,148 sq.m. is operating rentable area. Details are as follow:

Name of Project Company	Percentage of attributable equity interest held by the Group (%)	Planned and owned area (sq.m.)	Area in operation (sq.m.)	Occupancy rate as at 31 December 2017 (%)	Occupancy rate as at 31 December 2016 (%)	Average occupancy rate for the year ended 31 December 2017 (%)	Average occupancy rate for the year ended 31 December 2016 (%)
Beijing Properties (Shanghai) Warehousing Co., Ltd ("Shanghai WGQ")	65	211,554	211,554	**71.57**	83.91	**69.34**	90.17
Tianjin Transwell International Logistics Co., Ltd. ("WSL Logistics")	75.5	24,321	24,321	**90.43**	85.47	**90.5**	86.54
Transwealth Logistics (Tianjin) Co., Ltd. ("Transwealth Logistics")	75.5	35,173	35,173	**100**	100	**100**	100
Xiamen Xunda Hongtong Warehouse Company Limited ("Xiamen Xunda")	80	94,970	94,970	**87.04**	100	**87.67**	97.79
Meishan Xunda Hongtong Warehouse Company Limited ("Meishan Xunda")	60	97,809	97,809	**32.28**	34.9	**36.46**	45.83
Hainan Datong Warehouse Company Limited ("Hainan Datong")	80	53,816	53,816	**77.83**	81.18	**77.83**	81.18
Tianjin Tong Da You Zhi Logistics Co., Ltd. ("Tianjin Tong Da You Zhi")	65	16,083	16,083	**100**	–	**100**	–

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) High-end and Modern General Warehouses Business (Continued)

Name of Project Company	Percentage of attributable equity interest held by the Group (%)	Planned and owned area (sq.m.)	Area in operation (sq.m.)	Occupancy rate as at 31 December 2017 (%)	Occupancy rate as at 31 December 2016 (%)	Average occupancy rate for the year ended 31 December 2017 (%)	Average occupancy rate for the year ended 31 December 2016 (%)
Tongliao Dahua Logistics Limited ("Tongliao Dahua")	100	26,422	26,422	**77.73**	–	**69.88**	–
Beijing Inland Port Co., Ltd. ("BIPL*") *(Note 1)*	49.4	605,360	–	**–**	–	**–**	–
Tianjin Beijing Inland Port Co., Ltd. ("Tianjin Port*")	24.7	102,000	–	**–**	–	**–**	–
Tongliao Jide Warehouse Logistics Limited ("Tongliao Jide")	100	55,000	–	**–**	–	**–**	–
Xian Jide Warehouse Limited ("Xian Jide")	90	165,000	–	–	**–**	**–**	**–**
Sin-Den Logistics Development Pte Ltd ("Sin-Den Logistics")	64.68	167,000	–	**–**	–	**–**	–
Total		1,654,508	560,148				

* Joint venture of the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) High-end and Modern General Warehouses Business (Continued)

(a) Shanghai WGQ consists of 23 warehouses. Competition is becoming keen due to the poor performance of Chinese export and increase in supply of warehouses nearby. The occupancy rate for the rentable area was approximately 71.57% as at 31 December 2017, while the average occupancy rate was approximately 69.34% for the year ended 31 December 2017.

(b) The warehouses of WSL Logistics are still the sole custom bonded warehouses of Tianjin Binhai International Airport. The occupancy rate for the rentable area was 90.43% as at 31 December 2017 while the average occupancy rate was approximately 90.50% for the year ended 31 December 2017.

(c) Phase I and Phase II of the warehouses of Transwealth Logistics had been fully leased to SF Express. The occupancy rates for the rentable area as at 31 December 2017 and for the year ended 31 December 2017 were both 100%.

(d) Xiamen Xunda possesses 5 warehouses in Xiamen City, Fujian Province with a total rentable area of 94,970 sq.m., which has been leased to three major players in the e-commerce industry of China. The occupancy rate for the rentable area was approximately 87.04% as at 31 December 2017, while the average occupancy rate was approximately 87.67% for the year ended 31 December 2017.

(e) Meishan Xunda possesses 4 warehouses in Meishan City, Sichuan Province with a total rentable area of approximately 97,809 sq.m. The occupancy rate for the rentable area was approximately 32.28% as at 31 December 2017, while the average occupancy rate was approximately 36.46% for the year ended 31 December 2017.

(f) Hainan Datong possesses 2 warehouses in Chengmai County, Haikou City of Hainan Province with a total rentable area of 53,816 sq.m. Approximately 80% of the total rentable area has been leased to a leading player of e-commerce in China. The occupancy rate for the rentable area as at 31 December 2017 and for the year ended 31 December 2017 were both 77.83%.

(g) Tianjin Tong Da You Zhi project is located in the Tianjin Port Bonded Zone. The project has a total land area of 30,002.7 sq.m. and a total gross floor area of 16,082.72 sq.m.. The acquisition of the project was completed in 2017. Currently it has been leased to Kerry EAS Logistics Limited Tianjin Branch for a term of four years, with a 3% increase in rental each year.

(h) The acquisition of Tongliao Dahua was completed on 1 May 2017. Tongliao Dahua possess 12 buildings in Ke'erqin District, Tongliao City, and a warehouse with a rentable area of 26,422 sq.m.. The warehouse is currently mainly leased to central grain reserve and individual operators. The occupancy rate for the rentable area was approximately 77.73% as at 31 December 2017 while the average occupancy rate was approximately 69.88% in the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

1) High-end and Modern General Warehouses Business (Continued)

(i) Majuqiao Logistics Park is the largest investment project to be developed and operated by BIPL and the Group. It will become one of the largest comprehensive logistics parks in northern China upon completion. The whole project comprises three phases with a total rentable area of approximately 605,360 sq.m., which includes a rentable area of approximately 516,460 sq.m. for warehouse and a rentable area of approximately 88,900 sq.m. for commercial uses. On 3 November 2015 and 19 October 2017, the Group obtained the land for Phase I and Phase II of this project, respectively. The construction works for the land Phase I commenced on 19 September 2016, which is expected to be fully completed by the end of December 2018. The land Phase II is undergoing preparations for commencement of construction works, and construction is expected to commence by December 2018. Local government is acquiring the land Phase III, which is close to completion. It is expected that the land can be obtained by the end of 2018. Currently, all rentable area of the Phase I have been pre-leased to leading e-commerce giants of China or their service providers.

(j) Tianjin Port project is located in the Tianjin Free Trade Experimental Zone and will occupy a land of 175,730.7 sq.m.. The land will be mainly used to construct warehouses. A real estate registration certificate was obtained for the project in December 2017.

(k) The acquisition of Tongliao Jide was completed on 31 May 2017. Four high-standard warehouses and a property building are planned to be built, with a planned rentable area of approximately 55,000 sq.m.. Currently the project has been approved and pre-leased to tenants.

(l) On 14 July 2017, the Group entered into a joint venture agreement with an independent third party to establish Xian Jide in Xi'an City. The Group holds 90% equity interest of Xian Jide and intends to establish a high-end modern general warehouse with a planned area of 165,000 sq.m.. The relevant land for the land is expected to be obtained in 2018.

(m) The Sin-Den Logistics project is a logistics warehouse project. Its land use right certificate was obtained in December 2017, and it is currently undergoing preparations for commencement of construction. Its plan and design had been substantially determined and its construction is expected to commence in September 2018. The project is located in the central area of the Yangtze River Delta Region and is adjacent to Shanghai, enjoying an overflow effect of the relocation of enterprises from Shanghai. Local government implements favourable policies to introduce business. High-end logistics warehouses are in high demand and the prospects for lease are promising.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

2) Cold Chain Logistics Warehouse Business

One of the development focuses of the Group is to establish nationwide cold chain logistics facilities. To realize professional operation of cold chain business, the Group has established a cold chain logistics segment based on the Tianjin Zhongyu project and the Qingdao Jingchangshun project, covering warehousing, transportation, trading and finance.

The Group currently possesses aggregate rentable volume of 53,000 tons, details are as follows:

Name of Project Company	Percentage of attributable equity interest held by the Group (%)	Planned and owned rentable volume (ton)	Volume in operation (ton)	Occupancy rate as at 31 December 2017 (%)	Occupancy rate as at 31 December 2016 (%)	Average occupancy rate for the year ended 31 December 2017 (%)	Average occupancy rate for the year ended 31 December 2016 (%)
Qingdao Jingchangshun Food Co., Ltd. ("Qingdao Jingchangshun")	80	8,000	8,000	**55.57**	57.82	**67.86**	33.02
Tianjin Zhongyu Properties Co., Ltd. ("Tianjin Zhongyu")	60	45,000	45,000	**73.82**	25.94	**63.14**	10.44
Total		53,000	53,000				

(a) Qingdao Jingchangshun is principally engaged in the operation of cold logistics storage facilities in Chengyang district of Qingdao, China. It currently owns a parcel of land of approximately 15,351.5 sq.m. with cold warehouse of approximately 6,785.84 sq.m., representing a carrying storage capacity of approximately 8,000 tons. The occupancy rate for the rentable volume was approximately 55.57% as at 31 December 2017, while the average occupancy rate was approximately 67.86% for the year ended 31 December 2017. The annual average occupancy rate has improved significantly in 2017 from 2016 after new tenants moved in.

(b) Tianjin Zhongyu is a service platform for imported meat offering both storage and other value-adding services. Phase I has an area of approximately 66,484 sq.m., representing a carrying storage capacity of approximately 45,000 tons. The occupancy rate for the rentable volume was approximately 73.82% as at 31 December 2017, while the average occupancy rate was approximately 63.14% for the year ended 31 December 2017. There is spare land of approximately 53,000 sq.m. available for the development of Phase II in the future, and it is currently in the process of planning and designing. Since the Tianjin explosion in 2015, many potential customers of aquatic products have changed their unloading locations to Qingdao, Dalian and Shanghai. As the impacts of the explosion abated, the import of food, in particular the import of meat is gradually recovering. Tianjin Zhongyu captured the opportunities to conduct independent operation to maximize the value of industrial chain and strived to improve its overall profitability. The lease conditions of Tianjin Zhongyu continued to improve quickly from July 2016 to the end of 2017. Its turnover rate and occupancy rate both increased significantly.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

2) Cold Chain Logistics Warehouse Business (Continued)

The Group decided to vigorously develop cold chain business comprising import trade, warehousing and processing, logistics and distribution, as well as financial services and big data trading platform. The overall structure is expected to be built in the first half 2018 and commences operation in the second half of 2018. The Group will make further announcement in due course.

3) Specialised Wholesale Market Business

With the approval of Quzhou government authorities, Quzhou Tongcheng Agriculture Development Co., Ltd. ("Quzhou Tongcheng") has been approved to establish a modern agricultural wholesale market, including an agricultural exchange zone, which may be utilised as the new location for the existing exchange centre in the city following its relocation, as well as ancillary commercial facilities. The existing trading centre was granted the status of first class wholesaling centre for agricultural products, covering a surrounding market with an area of approximately 150 square miles and a population of approximately 30 million people and generating an annual turnover of approximately RMB5.2 billion. The Quzhou agricultural shopping mall project will be constructed and developed in three phases. Phase I was put into operation on 18 August 2015, with a rentable area of 40,578 sq.m., of which 13,488 sq.m. is a vegetable trading zone, and an occupancy rate of 96.15%. Phase II was put into operation in November 2017. As at 31 December 2017, the market had a rentable area of 171,179 sq.m. and rented area of 78,827 sq.m., with average rental of RMB596.53/year/sq.m. There is also a cold warehouse with an area of 4,972 sq.m. and designed storage capacity of 1,198 tons. Its average daily capacity utilisation will be over 60% upon commencement of operation. Phase III is at the stage of design drawing optimisation. According to the preliminary design, the rentable and sellable area is expected to be approximately 147,321 sq.m., including a planned warehouse with an area of approximately 11,987 sq.m. and other planned ancillary commercial facilities.

4) Industrial Property Business

As the storage business matures, the Group has attempted diversification in order to further increase its stakeholders' returns. With the edge of being a state-owned enterprise and years of operating experience, the Group aggressively developed high-end plants for development and renting in selected locations which is in proximity to Shanghai and located in the central area of the Yangtze River Delta and where local economic growth is rapid and local government provides high-end manufacturing industry with strong support and ancillary supporting fund and policies. The projects are currently located in Taicang, Suzhou, Changshu and Jiaxing and have a total gross floor area of 839,450 sq.m., of which 66,396 sq.m. is completed. Details are set out below:

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

4) Industrial Property Business (Continued)

Name of Project Company	Percentage of attributable equity interest held by the Group (%)	Planned and owned area (sq.m.)	Area in operation (sq.m.)	Occupancy rate as at 31 December 2017 (%)	2016 (%)	Average occupancy rate for the year ended 31 December 2017 (%)	2016 (%)
Fortune Land Industrial Development (Taicang) Pte Ltd ("Fortune Taicang")	64.68	66,396	66,396	**41.72**	–	**22.67**	–
Fortune Land Industrial Development (Changshu) Pte Ltd ("Fortune Changshu")	64.68	172,693	–	–	–	–	–
Fortune Land Industrial Development (Jiaxing) Pte Ltd ("Fortune Jiaxing")	64.68	95,170	–	–	–	–	–
Good Land Industrial Development Pte Ltd ("Good Land")	64.68	65,191	–	–	–	–	–
Jiang Su Bo Rui Real Estate Co., Ltd (" JiangSu Changzhou")	86.24	440,000	–	–	–	–	–
Total		839,450	66,396				

(a) The completion filing of the Fortune Taicang project was completed in July 2017 and its real estate ownership certificate was obtained in December 2017. As at the date of this annual report, the occupancy rate of its rentable area is 100%. There are many large European and U.S. smart manufacturing enterprises and high-end manufacturing enterprises concentrated in the area where the project is located. The project has long-term leases with steady rentals.

(b) The land use right certificate for the Fortune Changshu project was obtained in June 2016, and the project is under construction, expected to be completed in January 2019. The project is at a prime location with well-planned facilities in the surrounding area. It has good accessibility and is in proximity to the expressway network. With extensive local high-quality labour resources, distinctive industries in the industrial park, industrial plants and ancillary facilities with reliable quality, low energy consumption and operation cost.

(c) The land use right certificate for the Fortune Jiaxing project was obtained in April 2017, and the project is under construction, expected to be completed in December 2018. The project is in a location adjacent to Shanghai and has great accessibility. Local government provides strong support to the manufacturing industry, with industry support funds and policies in place. The concentration of European and U.S. high-end manufacturing enterprises has generated economies of scale. Standard, high-end and customised plants have been constructed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

4) Industrial Property Business (Continued)

(d) The land use right certificate for the Good Land project was obtained in May 2017, and the project is undergoing preparations for construction, which is expected to commence in July 2018 and be completed in July 2019. The project is at a prime location with great accessibility. The Yangtze River Delta Region, where the project is located, has recorded steady economic growth, and local government has industry support funds and policies in place. With the concentration of large European and U.S. high-end manufacturing in the industrial park.

(e) The JiangSu Changzhou project is located adjacent to the east side of Qingyang North Road (青洋北路東側), and to the north side of Taihu Lake Road (太湖東路北側). The area of the site is approximately 133,181 square metres. The site is planned to build a advanced business park, the rentable and sellable area is planned to be approximately 440,000 sq.m.

5) Commercial Property Business

(a) Guangzhou Guangming Real Estates Co. Ltd. ("Guangzhou Guangming") owns 99% interest in Metro Mall. The mall is situated at the Beijing Road shopping district, Yuexiu District of Guangzhou City of China. Metro Mall has a gross floor area of 61,967.44 sq.m., and is an 11-storey shopping centre providing dining, entertainment, shopping and cultural experience to customers. Since the successful introduction of International All Stars Cinema and Mopark Department Store in 2012, the revenue of Metro Mall has been improving. As at 31 December 2017 the occupancy rate of Metro Mall is maintained at approximately 90.77% and the average occupancy rate was approximately 85.01% for the year ended 31 December 2017. Metro Mall will enter a new stage of planning in 2018. Its food and beverage, entertainment, shopping and culture contents will be further expanded to increase rental income.

(b) Holiday Inn Downtown Beijing Company Limited ("BJ Holiday Inn") is a wholly-owned subsidiary of the Group, and is the owner of a four-star business and leisure hotel providing 333 elegantly decorated rooms to business travellers in Beijing. It is located in the business district of Financial Street, Xicheng District of Beijing and due to its convenience to transportation, the average room occupancy rate was approximately 83.06% for the year ended 31 December 2017 and the room occupancy rate was approximately 78.83% as at 31 December 2017. The hotel is a cash-generating asset which can sustain its own operation and distribute stable returns to the Company when needed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

6) Primary Land Development Business

(a) The Sino-Cambodian SEZ project is located in Kampong Chhnang Province, which is 60 kilometres northwest of Phnom Penh, the capital of Cambodia. It is linked to Phnom Penh by Highway 5. The project has a target site area of 30 square kilometres and is a comprehensive special economic zone approved by the Cambodian government. The project is positioned to serve Chinese enterprises under the "Belt and Road Initiative" and provide Chinese enterprises going out and other Chinese merchants with a clustered integrated industrial platform. In 2017, the project was filed with the Ministry of Commerce of the PRC and included in the list of projects under the "Belt and Road Initiative". At the "Belt and Road Initiative" summit held in May 2017, agreements in relation to the project were entered into with partners. The Group's acquisition of 60% equity interest of the project company was completed in the second half of 2017 in accordance with the relevant agreement. Currently the Group has obtained the land use right certificate for the land of Phase I with a site area of approximately 14.87 square kilometres and owns permanent land use right of such land. Further land acquisition is still in the process. The SEZ company owns permanent and full titles to the land. As such, the development pattern may be more open and free and enjoys unique strengths compared to other local projects. In addition, the Kingdom of Cambodia has implemented preferential policies in the special economic zone, where profit tax and import tariff will be exempted for infrastructure and facilities and construction materials. In the future, the Group will prepare development plans for the industrial park in the special economic zone, acquire land, construct roads, electricity, water supply and other infrastructure, and manage and operate the special economic zone. Upon completion of construction of certain municipal facilities, the special economic zone will provide comprehensive services to enterprises in the industrial park. For tenant solicitation, key progress had been made in 2017. The special economic zone has entered into an agreement for admission into the industrial park and land use with the first enterprise which has expressed its intention of joining the industrial park. It is expected that the transfer of the land use right to two square kilometres of land will be completed and land income will be generated in 2018. It is also under negotiation with a number of state-owned and private enterprises.

(b) Beijing Enterprises City Investment Holdings Group Co., Ltd ("BE City Investment"): In order to make use of the established business segments of BE City Investment, the parent company of the Company, and its unique capital, technology and management advantages in respect of urban infrastructure planning and construction and related activities, on 13 November 2017, the Group and strategic investors and its management established BE City Investment, 35% equity interest of which is held by the Group as the largest shareholder. BE City Investment is a mixed investment holding group dominated by state-owned capital. With the core objective of investing in and consolidation of urban land resources and improving their values, BE City Investment is positioned to invest in and operate new urban infrastructure, introduce basic industries, build a new industry-city integration investment operator and an integrated urban public service provider to provide urban public goods and public services. The BE City Investment has total assets of approximately RMB14 billion and owns two holding enterprise groups, two regional wholly-owned subsidiaries and three project companies. It principally activities cover comprehensive investment in and development of urban land; investment in, development, operation and management of urban industrial parks; market-oriented supply, operation and management of urban public goods and public services. In 2018, BE City Investment will actively establish presence in the key areas under China's strategic plan, make full use of its shareholders' comprehensive strengths in general municipal planning, business integration, financing and technical innovations, actively seek and develop high-quality projects, quickly expand its size of operation in order to achieve the goal of becoming a unique comprehensive urban operation and investment group with leading position in the PRC, which is expected to bring considerable returns of investment to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

7) Other Value Investments

(a) Beijing Enterprises Medical and Health Industry Group Limited ("BE M&H", SEHK stock code: 2389): The Group acquired 20.86% equity interest of BE M&H in 2014, and became its single largest shareholder. As at 31 December 2017, the Group held 15.62% equity interest of BE M&H. BE M&H has completed a number of big health related acquisitions and officially changed its business activities to the investment and development in the big health areas. The Group believes that health industry in China will experience rapid development in the foreseeable future and the investment in BJ M&H is expected to bring prosperous return to the Group. The Group's investment in BE M&H is classified as equity investments at fair value through other comprehensive income. BE M&H has become an associate of the Group since May 2017.

(b) CAQ Holdings Limited ("CAQ", ASX: CAQ): As at 31 December 2017, the Group held 15.13% equity interest of CAQ. Haikou Peace Base Holdings Limited ("HPB"), a subsidiary of CAQ, will operate a complex of exhibition centre, plants and warehouses for gold, jewellery and high end products in China. It will also develop e-commerce jewellery business in China. Given that the sales of jewellery are surging in China, the Group believes HPB will achieve remarkable results in the future, thus will benefit the Group and its shareholders as a whole. The Group's investment in CAQ is classified as equity investments at fair value through other comprehensive income.

(c) Bellomonte Investments Company Limited ("BICL", a wholly-owned subsidiary of the Company), completed the subscription for 20,700,000 subscription shares and 88,999,000 warrants of MillenMin Ventures Inc. ("MVM") on 7 July 2017. As at 31 December 2017, BICL held 49.17% equity interest of MVM which is recognised as an associate of the Group.

BUSINESS PROSPECTS

In recent years, the PRC logistics industry has experienced positive development in general. In terms of comparable price, total logistics volume in the PRC amounted to RMB252.8 trillion in 2017, representing an increase of 6.7% from last year. Total revenue of the logistics industry in the PRC in 2017 was RMB8.8 trillion, representing an increase of 11.5% from last year. In August 2017, the General Office of the State Council issued the "Opinions regarding Further Promoting Logistics Cost Reduction and Efficiency Enhancement to Promote the Development of the Real Economy" (《關於進一步推進物流降本增效促進實體經濟發展的意見》), which state that the logistics industry involves the primary, secondary and tertiary industries and connects production and consumption and that the promotion of logistics cost reduction and efficiency enhancement is of great significance to promoting industrial structure adjustment and coordinated regional development, cultivating new driving forces for economic growth and improving the overall operational efficiency of the Chinese economy. 2018 will be a crucial year for the implementation of the Thirteenth Five-Year Plan and an important year for the "Logistics Industry Mid-to-Long term Planning (2014-2020)" (《物流業發展中期規劃(2014-2020)》). Coupled with the implementation of Made in China 2025 (《中國製造2025》), the logistic industry will be able to leverage on and support the upgrade, reform and transformation the other industries.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECTS (Continued)

In respect of the cold-chain logistics market, despite the rapid development of fresh food e-commerce, the basic supporting facilities, including manufacturing of equipment, provision of technology, warehouses and delivery is still in its infancy that fails to satisfy the demand. Statistics showed there is more than 1 billion tons of perishable food every year in China, 50% of which requires cold- chain transition. However, the current cold-chain coverage is relatively low, leading to a huge amount of wastage. Notwithstanding the significant increase in the total volume of cold warehouses across the nation, there is an obvious shortage under the enormous market demand. Moreover, the market was facing problems including low concentration, uneven distribution, generally low digitalisation and backward management level. Seeing these problems, the State Council is determined to introduce "Internet plus logistics", stating the targets to construct a communal system for logistics information, upgrade the intelligence in warehousing and delivery, strengthen the capability of smart cold-chain logistics, and develop a high efficient and convenient logistics model, to facilitate the transformation and upgrade of the cold chain logistic industry on top of other policies in the past few years. In April 2017, the General Office of the State Council issued the "Opinions regarding Accelerating the Development of Cold Chains to Protect Food Safety and Promote Consumption Upgrading" (《關於加快發展冷鏈物流保障食品安全促進消費升級的意見》), which set out arrangements for the heathy development of the cold chain industry and protection of fresh produce and food consumption safety. Driven by a series of favourable government policies, the cold chain industry will rapidly consolidate and eventually form leading large-scale enterprises in the industry.

Driven by the huge market demand and government policies, the Chinese logistics industry is going to develop in a healthier and more comprehensive way. To seize the market opportunities, the Group is strategically well-prepared. Currently, the Group's logistics business covers Tier 1 cities including Beijing and Shanghai, Tianjin and important logistics cities in Fujian, Sichuan, Zhejiang, Hainan, Shandong, Liaoning and Inner Mongolia Autonomous Region. The Group has gradually built a nationwide logistics facilities network. For matured projects, the Group will actively conduct light-asset transformation, recover previous investments and obtain investment returns to reduce the liabilities of the Company. For unmatured projects, the Group will further cultivate such projects and introduce other partners to lower operational risks and meet the needs of further capital. Furthermore, the Group will accelerate the reorganisation of its business segments, fully advance the development of the cold chain segment, establish a closed business system comprising international trade, cold chain storage, frozen processing, cold chain transport, big data and financial services, and build the Group into a leader in the PRC cold chain industry.

With years of development, the Group's logistics property business gradually matured. In order to cultivate new growth drivers for profit, the Group has commenced a diversified business model and expanded into industrial property area by establishing strategic presence in the Yangtze River Delta and mainly constructing high-end and modern industrial logistics parks. Given the rapid growth of the high-end manufacturing industry under the favourable policies in the PRC and the government is now advocating the investment in and development and operation of industry parks through tax reductions, tax concessions and subsidies. Furthermore, land is offered to the developers at relatively low prices, which should make for future income and profitability. As the industrial property investment projects are gradually completed and commence operation, they will generate considerable future income.

The Group also actively established overseas presence. Leveraging the opportunities brought by the promotion and implementation of the "Belt and Road Initiative" in Southeast Asia, the Group invested in the Cambodia special economic zone, established a bridge from mainland China to Southeast Asia for enterprises going out, and provided clustered industrial clusters. The Group will be responsible for the development positioning, industry planning, land expansion and infrastructure services in the Sino-Cambodian Phnom Penh Special Economic Zone, carrying out coordinated operation and meeting of the special economic zone and proving relevant policy consulting and connection services. It will endeavour to develop the special economic zone into a new industrial town in the ASEAN region and achieve considerable income from development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECTS (Continued)

Looking forward, the Group will actively seize the opportunities and seek suitable investment opportunities with industrial operation and capital operation as growth drivers. It will further improve strategic presence in the logistics property, industrial property and cold chain industries in the PRC while actively conducting global allocation of assets to enable the Group to develop into a comprehensive property platform with diversified activities, realize successful transformation from focusing on logistics property into developing comprehensive properties and from generating concentrated fixed income to generating diversified income, and create strong returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue and gross profit analysis

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$335.03 million, representing an increase of approximately HK$17.06 million or 5.37%, from approximately HK$317.97 million for the year ended 31 December 2016. The gross profit for the year ended 31 December 2017 amounted to approximately HK$255.07 million, representing a increase of approximately HK$1.26 million, or 0.5% from approximately HK$253.81 million for the year ended 31 December 2016.

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

	For the year ended 31 December 2017		For the year ended 31 December 2016		Change	
Name of assets	Revenue	GP Margin	Revenue	GP Margin	Revenue	GP Margin
	HK$'000	%	HK$'000	%	HK$'000	%
Shanghai WGQ	80,876	93.27	111,930	96.30	(31,054)	–3.03
WSL Logistics	14,162	96.13	14,479	96.76	(317)	–0.63
Transwealth Logistics	11,452	98.13	5,633	96.68	5,819	1.45
Xiamen Xunda	19,678	89.41	17,374	94.24	2,304	–4.83
Meishan Xunda	8,060	84.00	7,153	90.51	907	–6.51
Hainan Datong	8,320	82.54	1,132	84.36	7,188	–1.82
Tianjin Tong Da You Zhi	5,178	91.12	–	–	5,178	N/A
Tongliao Dahua	1,194	100.00	–	–	1,194	N/A
Qingdao Jingchangshun	3,586	55.02	2,091	79.77	1,495	–24.75
Tianjin Zhongyu	19,383	70.99	5,086	70.41	14,297	0.58
Quzhou Tongcheng	7,675	80.26	6,296	100.00	1,379	–19.74
Fortune Taicang	1,548	52.58	–	–	1,548	N/A
Metro Mall	43,300	85.30	49,684	83.49	(6,384)	1.81
BJ Holiday Inn	95,642	51.75	90,967	48.77	4,675	2.98
Logistic Management services	14,971	56.84	6,141	87.72	8,830	-30.89
The Group	335,025	76.13	317,966	79.82	17,059	–3.69

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

High-end and Modern General Warehouse Business

The Group operates high-end and modern general warehouse with a total rentable area of approximately 560,148 sq.m. for the year ended 31 December 2017.

Shanghai WGQ

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$80.88 million, representing a decrease of approximately HK31.05 million, or 27.74%, from approximately HK$111.93 million for the year ended 31 December 2016. The decrease in revenue was primarily related to a decrease in average occupancy rate. The gross profit margin decreased from approximately 96.30% for the year ended 31 December 2016 to approximately 93.27% for the year ended 31 December 2017 due to a decline in average occupancy rate and an increase in direct expenses such as repair and maintenance expenses.

WSL Logistics

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$14.16 million, representing a decrease of approximately HK$0.32 million, or 2.21%, from approximately HK$14.48 million for the year ended 31 December 2016. The decrease in revenue was primarily related to a shortfall of guaranteed operating income from the vendor included in 2016 and no such guaranteed operating income in 2017. The gross profit margin slightly decreased from approximately 96.76% for the year ended 31 December 2016 to approximately 96.13% for the year ended 31 December 2017.

Transwealth Logistics

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$11.45 million, representing an increase of approximately HK$5.82 million, or 103.3%, from approximately HK$5.63 million for the year ended 31 December 2016. The increase in revenue was primarily related to rental business of the Phase II commencing in November 2016, as a result, the revenue of the Phase II included twelve months in 2017, compare with two months in 2016. The gross profit margin slightly increased from approximately 96.68% for the year ended 31 December 2016 to approximately 98.13% for the year ended 31 December 2017.

Xiamen Xunda

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$19.68 million, representing an increase of approximately HK$2.31 million, or 13.3%, from approximately HK$17.37 million for the year ended 31 December 2016. The increase in revenue was primarily related to the completion of acquisition of Xiamen Xunda in April 2016, as a result, the revenue included twelve months in 2017, compare with nine months in 2016. The gross profit margin decreased from approximately 94.24% for the year ended 31 December 2016 to approximately 89.41% for the year ended 31 December 2017 due to a decline in average occupancy rate and an increase in direct expenses such as repair and maintenance expenses.

Meishan Xunda

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$8.06 million, representing an increase of approximately HK$0.91 million, or 12.73%, from approximately HK7.15 million for the year ended 31 December 2016. The increase in revenue was primarily related to the completion of acquisition of Meishan Xunda in April 2016, as a result, the revenue included twelve months in 2017, compare with nine months in 2016. The gross profit margin decreased from approximately 90.51% for the year ended 31 December 2016 to approximately 84% for the year ended 31 December 2017 due to a decline in average occupancy rate and an increase in direct expenses such as repair and maintenance expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

High-end and Modern General Warehouse Business (Continued)

Hainan Datong

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$8.32 million, representing an increase of approximately HK$7.19 million, or 636.28%, from approximately HK1.13 million for the year ended 31 December 2016. The increase in revenue was primarily related to the completion of acquisition of Hainan Datong in December 2016, as a result, the revenue included twelve months in 2017, compare with one month in 2016. The gross profit margin slightly decreased from approximately 84.36% for the year ended 31 December 2016 to approximately 82.54% for the year ended 31 December 2017.

Tianjin Tong Da You Zhi

The acquisition of Tong Da Investments was completed on 3 January 2017. The revenue contribution of Tianjin Tong Da You Zhi project for the year ended 31 December 2017 amounted to approximately HK$5.18 million. The gross profit margin was 91.12% for the year ended 31 December 2017.

Tongliao Dahua

The acquisition of Tongliao Dahua project was completed on 31 May 2017. The revenue contribution of Tongliao Dahua for the year ended 31 December 2017 amounted to approximately HK$1.19 million. The gross profit margin was 100% for the year ended 31 December 2017.

Cold Chain Logistics Warehouse Business

The Group operates a storage capacity of cold chain logistics approximately 53,000 tons for the year ended 31 December 2017.

Qingdao Jingchangshun

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$3.59 million, representing an increase of approximately HK$1.5 million, or 71.77%, from approximately HK$2.09 million for the year ended 31 December 2016. The increase in revenue was primarily related to an increase in average occupancy rate. The gross profit margin decreased from approximately 79.77% for the year ended 31 December 2016 to approximately 55.02% for the year ended 31 December 2017 due to an increase in direct expenses such as the labor costs.

Tianjin Zhongyu

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$19.38 million, representing an increase of approximately HK$14.29 million, or 280.75%, from approximately HK$5.09 million for the year ended 31 December 2016. The increase in revenue was primarily related to an increase in average occupancy rate. The gross profit margin slightly increased from approximately 70.41% for the year ended 31 December 2016 to approximately 70.99% for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Specialised Wholesale Market Business

The Group continues to develop the Quzhou Tongcheng which currently operates an aggregate rentable area of approximately 171,179 sq.m.

Quzhou Tongcheng

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$7.68 million, representing an increase of approximately HK$1.38 million, or 21.9%, from approximately HK$6.3 million for the year ended 31 December 2016. The increase in revenue was primarily related to the commencing of operation in the Phase II in November 2017. The gross profit margin decreased from approximately 100% for the year ended 31 December 2016 to approximately 80.26% for the year ended 31 December 2017 due to an increase in direct expenses such as the cleaning expenses, maintenance expenses and marketing expenses.

Industrial Properties Business

The Group operates industrial properties with a total rentable area of approximately 66,396 sq.m. for the year ended 31 December 2017.

Fortune Taicang

The acquisition of the Fortune Taicang was completed in July 2017. The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$1.55 million. The gross profit margin was 52.58% for the year ended 31 December 2017. The low profit margin was due to low average occupancy rate for the year ended 31 December 2017. As at the date of this annual report, the occupancy rate is 100%.

Commercial Properties Business

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

Metro Mall

The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$43.3 million, representing a decrease of approximately HK$6.38 million, or 12.84%, from approximately HK$49.68 million for the year ended 31 December 2016. The decrease in revenue was primarily related to a decrease in average occupancy rate. The gross profit margin slightly increased from approximately 83.49% for the year ended 31 December 2016 to approximately 85.3% for the year ended 31 December 2017.

BJ Holiday Inn

The revenue mainly represented accommodation revenue, food and beverage sales and rendering of ancillary services. Accommodation revenue was mainly determined by the number of rooms available, average room occupancy rate and average charging rates of the rooms. The revenue (net of business tax) for the year ended 31 December 2017 amounted to approximately HK$95.6 million, which represented an increase of approximately HK$4.63 million, or 5.09%, from approximately HK$90.97 million for the year ended 31 December 2016. The increase in revenue was primarily related to an increase in average occupancy rate and average room charging rate. The gross profit margin increased from approximately 48.77% for the year ended 31 December 2016 to approximately 51.75% for the year ended 31 December 2017. The increase was primarily related to an increase in average room occupancy rate and the average room charging rate.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Changes in fair value of investment properties, net

For the year ended 31 December 2017, net fair value loss of investment properties was approximately HK$110.57 million, the loss was primarily attributable to a combined net effect of the fair value increment in the Quzhou Tongcheng; and fair value reduction in Shanghai WGQ.

Gains on bargain purchases of subsidiaries

For the year ended 31 December 2017, gains on bargain purchases is mainly attributable to the acquisition of 60% equity interest in Zhong Jian Jin Bian at a consideration of approximately HK$1.57 billion. The aggregate fair value of the net assets acquired at the date of acquisition was approximately HK$2.14 billion. Accordingly, gain on bargain purchase for the acquisition of Zhong Jian Jin Bian of approximately HK$571 million were resulted and recognised in the consolidated financial statement of the Group.

Other income and gains, net

For the year ended 31 December 2017, net other income and gains were approximately HK$200.54 million, which represented an increase of approximately HK$133.36 million, or 198.50%, from approximately HK$67.18 million for the year ended 31 December 2016. The increase in net other income and gains was primarily related to an increase in bank interest income, other interest income, government grants and the foreign exchange gain. The Group's borrowings are mainly in US dollars, the foreign exchange gain arise from the US dollars depreciation against the Group's function currency of Renminbi during the year.

Selling and distribution expenses

For the year ended 31 December 2017, selling and distribution expenses were approximately HK$17.58 million, which represented a decrease of approximately HK$1.1 million, or 5.88%, from approximately HK$18.68 million for the year ended 31 December 2016. The decrease in selling and distribution expenses was primarily related to a decrease in marketing expenses of project in Quzhou.

Administrative expenses

For the year ended 31 December 2017, administrative expenses were approximately HK$207.23 million, which represented an increase of approximately HK$44.48 million, or 27.33%, from approximately HK$162.75 million for the year ended 31 December 2016. The increase in administrative expenses was primarily related to staff costs, due diligence expenses, legal expenses and other relative expenses to business expansion in industrial property business, general warehouses business and primary land development business.

Provision for compensation

Provision for compensation made during the year ended 31 December 2017 was for the resettlement compensation in relation to the certain indigenous properties owner and tenants (the "Concerned Residents") for the demolished properties at Metro Mall. Further details were set out in note 32.

Other expenses

For the year ended 31 December 2017, other expenses were approximately HK$25.35 million, which represented an increase of approximately HK$6.38 million, or 33.64%, from approximately HK$18.97 million for the year ended 31 December 2016. The increase in other expenses was primarily related to a combined net effect of a decrease in foreign exchange loss and an increase of written-off of trade receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Finance costs

For the year ended 31 December 2017, finance costs were approximately HK$506.36 million, representing an increase of approximately HK$201.48 million, or 66.09%, from approximately HK$304.88 million for the year ended 31 December 2016. The finance costs mainly included: (i) imputed interest and coupon interest on PAG Convertible Bonds of approximately HK$49.97 million and approximately HK$21.63 million respectively (2016: approximately HK$45.42 million and approximately HK$22.47 million respectively); (ii) interest on bank and other loans of approximately HK$99.95 million (2016: approximately HK$86.95 million); (iii) interest on USD guaranteed bonds of approximately HK$251.88 million (2016: approximately HK$150.04 million); and (iv) loss on early redemption of convertible bonds of approximately HK$82.93 million. The increase in finance costs was primarily related to the increase in guaranteed bonds of USD300 million. Also there was an increase in market interest rate as compared with last year.

Share of profits of associates

For the year ended 31 December 2017, mainly share of profits of BE M&H was approximately HK$53.36 million.

Share of profits of joint ventures

For the year ended 31 December 2017, the share of profits of joint ventures of approximately HK$88.82 million was mainly contributed by BIPL, which represented an increase of HK$76.56 million from the share of profits of approximately HK$12.26 million for the year ended 31 December 2016. The increase in sharing profits of joint ventures for 2017 compared to 2016 was primarily related to the fair value increment in investment properties of BIPL.

Income tax expense

Income tax expense for year ended 31 December 2017 included current income tax of HK$32.84 million. Deferred tax credit for the year ended 31 December 2017 was HK$29.74 million which arise from the change in the fair value of investment properties.

Investment properties

Investment properties increased by approximately HK$1,399.78 million mainly due to the new acquisitions completed for the year ended 31 December 2017.

Goodwill

Goodwill increased by approximately HK$43.50 million, mainly due to the new acquisition of the Tongliao project for the year ended 31 December 2017.

Interests in joint ventures

Interests in joint ventures increased by approximately HK$1,073.41 million, mainly due to share of profit of HK$88.82 million and the appreciation of Renminbi for the year ended 31 December 2017 and amounts due from a joint venture of HK$918.17 million being classified as an non-current assets in related to new entrusted bank loans granted to BIPL.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Investments in associates

Investments in associates mainly represents an equity investment in BE M&H, a listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 22 May 2017, the Group obtained a more than 20% voting power of the board of BE M&H. In the opinion of the directors, the Group has significant influence over BE M&H and the investment in BE M&H was classified as an investment in an associate for the year ended 31 December 2017. On the other hands, the Company made a capital contribution of RMB140 million into BE City Investment during the year ended 31 December 2017.

Equity investments at fair value through other comprehensive income

Equity investments decreased by approximately HK$429.02 million, which was due to (i) the drop in closing market price as at 31 December 2017 of CAQ comparing to the last year. As at 31 December 2017, the closing market price of CAQ quoted on Australian Securities Exchange was A$0.08 and the fair value of 108,628,000 shares of CAQ held by the Company was A$8.69 million (equivalent to approximately HK$52.96 million) which was recognised in the consolidated financial statements of the Group; and (ii) the reclassification of the equity investment in BE M&H from equity investments at fair value through other comprehensive income to investment in an associate which had a carrying amount of HK$397 million as at 31 December 2016.

Deposits paid for the acquisitions of businesses

Deposits paid for the consideration decreased by approximately HK$59.59 million, mainly due to the new acquisitions completed for the year ended 31 December 2017.

Land under development or sale

Land under development or sale mainly represented lands located in Cambodia for the Company primary land development business from its.

Cash and cash equivalents (including restricted cash)

Cash and cash equivalents decreased by HK$938.11 million, mainly due to the net effect of (i) issuance of guaranteed bond of HK$2.29 billion in March 2017; (ii) consideration paid for the new acquisition for the year ended 31 December 2017 of HK$1.9 billion; (iii) net loans of HK$675.16 million granted to BIPL; and (iv) addition of investment properties of HK$383.5 million.

Due to related parties

Due to related parties was mainly representing funding granted by the non-controlling shareholder of the Company subsidiary located in Cambodia, the amount is unsecured, interest-free and not repayable within one year.

Bank borrowing

Bank borrowings increased by HK$760.92 million (non-current portion increased by HK$827.62 million and current portion decreased by HK$66.7 million), mainly due to the net effect of utilising to finance for the new acquisitions and construction of projects in the PRC, and repayment of matured borrowings.

Convertible bonds

Convertible bonds were issued to PA Broad Opportunity VI Limited pursuant to a subscription agreement dated 24 January 2014. The convertible bonds were early redeemed during the year ended 31 December 2017 and a loss of early redemption of HK$82.93 million has been recorded in profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Guaranteed bonds

Guaranteed bonds increased by HK$2.37 billion due to the issuance of a guaranteed bond with an principal amount of US$300 million which will mature on 8 March 2020. Further details of the bonds issued by the Company are set out in the Company's announcements dated 13 November 2015 and 2 March 2017.

Liquidity and financial resources

As at 31 December 2017, for accounting purposes, the Group had total borrowings of approximately HK$7,707.79 million (31 December 2016: approximately HK$5,007.73 million) which included: (i) approximately HK$3,057.41 million from bank borrowings; and (ii) approximately HK$4,650.39 million from USD guaranteed bonds. The Group's gearing ratio, which was defined as sum of bank borrowing and convertible bonds and guaranteed bonds, net of cash and cash equivalents and restricted cash, divided by the total equity, was approximately 88.02% (31 December 2016: approximately 46.77%).

As at 31 December 2017, the Group's balance of bank borrowings amounted to approximately HK$3,057.41 million, which was denominated in United States dollars ("USD"), Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 54.20%, 7.36% and 38.44%, respectively. 5.48% of these bank borrowings was repayable less than one year. As at 31 December 2017, the Group's cash and bank balances amounted to approximately HK$1,728.71 million, which were denominated in USD, HK$, RMB and SGD as to 12.16%, 15.90%, 71.91% and 0.03%, respectively. Bank borrowings of an aggregate amount of HK$3,057.41 million bear interest at floating rates, the USD guaranteed bonds issued in November 2015 and March 2017 bear coupon rates of 5.5% and 4.375% per annum, respectively. The cash and bank balances, together with the unutilised banking facilities, are sufficient to finance the Group's businesses at the moment.

As at 31 December 2017, the Group's current ratio and quick ratio were approximately 71.76% and approximately 53.53% (31 December 2016: approximately 206.57% and approximately 200.50%) respectively.

The net total borrowings of the Group as at 31 December 2017 (total borrowings less cash and cash equivalents and restricted cash) was HK$5,979.08 million (31 December 2016: HK$2,340.90 million), representing an increase of HK$3,638.18 million as compared to the previous year.

Contingent liabilities

As at 31 December 2017, the Group had no contingent liabilities (31 December 2016: Nil).

Capital expenditures

For the year ended 31 December 2017, the Group spent approximately HK$5,284.45 million (31 December 2016: approximately HK$1,467.09 million) as capital expenditures, which consisted of the purchase of property, plant and equipment, investment properties and lands under development for sale, including assets acquired through acquisitions of subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Capital commitments

As at 31 December 2017, the Group had outstanding contracted capital commitments amounted to approximately HK$260.53 million in aggregate which comprised commitments for:

– the outstanding construction costs of approximately RMB6.99 million (equivalent to approximately HK$8.39 million) committed for warehouse facilities of Quzhou Tongcheng, a wholly-owned subsidiary of the Group.

– the outstanding capital injection of approximately RMB210 million (equivalent to approximately HK$252.14 million) payable for BE City Investment.

Treasury policies

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

Foreign exchange exposure

The Group mainly operates in the PRC with most of the domestic transactions settled in RMB for its PRC business. Meanwhile, fluctuations of exchanges rates would impact our net assets value due to currency translation upon consolidation. If RMB appreciates/depreciated against HK$, the Group would record a(n) increase/decrease in our net assets value, as part of the Group's borrowings and cash balances are denominated in HK$ and USD. For the year ended 31 December 2017, the Group did not employ financial instruments for hedging its exposures to foreign currency risk. The Group will closely monitor its exposure to fluctuation in foreign currencies' exchange rates as exchange rate fluctuation of foreign currencies against RMB may have a material financial impact on our Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investment and acquisitions

For the year ended 31 December 2017, the Group had following significant investments and acquisitions.

(a) *Subscription for shares and subscription receipts of MillenMin Ventures Inc.*

On 27 January 2017, Bellomonte Investments Company Limited ("BICL"), a wholly owned subsidiary of the Company, entered into the letter agreement with MillenMin Ventures Inc. ("MillenMin"). Under the letter agreement, (i) BICL and other four investors have agreed to subscribe for 26,370,000 MillenMin shares and 11,260,000 MillenMin shares for US$2,000,000 and US$854,000 respectively; (ii) BICL and other four investors has agreed to subscribe for 83,329,162 subscription receipts and 226,070,000 subscription receipts for US$6,319,997 and US$17,146,000 respectively, the subscription receipts could exchange into 309,399,162 MillenMin shares upon completion of acquisition of the entire issued capital of Bellomonte Limited ("BL"), a Cayman Island company with its sole asset being a 49 per cent. beneficial interest in Bellomonte S.A., a joint venture company established in Cuba; and (iii) BICL has agreed to dispose of its interest in BL (which will hold 49% equity interest in Bellomonte S.A., a joint venture company established in Cuba subject to the completion of the sale and purchase agreement) to MillenMin for consideration of US$27,000,000 which will be settled by issue and allotment of 355,995,000 MillenMin shares by MillenMin. BICL has the option to cause the aforesaid disposal of interest in BL to be directly transacted between Beijing Enterprises Real-Estate Group Limited and MillenMin. The equity financing is to fund for MillenMin to acquire the project in Cuba, the site is situated in Havana, the capital of Cuba and which is 26 kilometres away from the city centre. The Site occupies an area of approximately 3,362,200 square metres (including 2,392,200 square metres with land use right of fifty years and 970,000 square metres of freehold land) and the parties are targeting to develop and operate a golf resort centre at the site which will include hotels and golf resorts for rental purpose and high end residential and commercial properties for sales purpose.

On 7 July 2017, one of the four investors would not be able to complete the subscription for MillenMin shares in a timely manner. As such, MillenMin intends to proceed the transaction with BICL and the remaining three investors. MillenMin entered into the amendment letter agreement with BICL and the other three investors, pursuant to which i) BICL and other three investors have agreed to subscribe for 20,700,000 MillenMin shares and 5,300,000 MillenMin shares for US$1,570,000 and US$402,000 respectively; (ii) BICL and other three investors have agreed to subscribe for 88,999,000 subscription receipts and 152,920,000 subscription receipts for US$6,749,997 and US$11,598,000 respectively. On the same date, MillenMin shares and subscription receipts were issue to BICL and other three investors Details of the acquisition can be found on the websites of the Company and the Stock Exchange.

(b) *Acquisition of the entire issued share capital of North Supply Chain Management Group Limited ("North Supply")*

On 7 April 2017, the Company and Begonia Investment Limited (as vendor) entered into the framework agreement pursuant to which the Company has conditionally agreed to purchase the entire issued capital of North Supply for the consideration equal to the valuation of properties as at 31 December 2016, which shall not exceed RMB245,000,000. Approximately 68% of the consideration shall be settled by cash payment and approximately 32% of the consideration shall be settled by issue and allotment of shares of the Company. The preliminary planning of the project is to redevelop the land into a single storey high end warehouse of approximately 81,000 square metres and a general two storey warehouse of approximately 68,000 square metres. After completion, it will be the first modernized warehousing complex in the city which can fit the increasing requirements of potential tenants who currently are using low end warehouses. The transaction has been completed on 31 May 2017. Details of the acquisition can be found on the websites of the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investment and acquisitions (Continued)

(c) *Acquisition of the entire issued share capital of Smooth Time Development Limited (the "Smooth Time") and Rich Grow International Development Limited (the "Rich Grow")*

On 19 April 2017, Cosmic Base Limited ("Cosmic Base"), a wholly owned subsidiary of the Company entered into the agreement with Grand Mount Investment Limited (as vendor) ("Grand Mount") and Ms. Chan, who is the ultimate beneficial owner of the Grand Mount, pursuant to which the Cosmic Base has conditionally agreed to purchase the entire issued capital of Smooth Time and Rich Grow for the consideration, out of which RMB4,760,000 is payable in cash and the remaining RMB44,139,500 is to be satisfied by issuing and allotting 86,012,736 shares by the Company to the Grand Mount. Wuzhishan Wufeng Agricultural Development Co., Ltd. ("Wufeng Agricultural") is a wholly-owned subsidiary of Smooth Time. Wufeng Agricultural has contracted three state-owned agricultural land of 6,585 mu (approximately 4,390,022 square metres), located in Mao Daoxiang Ditch Forest (毛道鄉鴻溝林), Mao Daocheng Pine Ridge (毛道鄉青松嶺) and Mao Daoxiang Water Ditch (毛道鄉水昂溝), and has obtained the relevant certificates of ownership. Baoting Hongrun Industrial Co., Ltd. ("Baoting Industrial") is a wholly-owned subsidiary of Rich Grow. Baoting Industrial has contracted 178.71 mu (approximately 119,000 square metres) of agricultural land of three state farms in Hainan Province. The land use right certificates have not been applied for, except that there are 30 mu (approximately 20,000 square metres) of agricultural land currently under the land transfer procedures. The transaction has been completed on 10 May 2017. Details of the acquisition can be found on the websites of the Company and the Stock Exchange.

(d) *Formation of Joint Venture Company*

On 14 July 2017, Safe Mark International Limited ("Safe Mark"), a wholly-owned subsidiary of the Company and joint venture party ("JV Party") entered into the joint venture agreement ("JV Agreement"), pursuant to which the JV Party agreed to jointly establish a joint venture company ("JV Company") in the Jinghe New City of the Xixian New Area of Shaanxi Province, the PRC to bid a land for the principal business objectives of investing, developing and operating logistics facilities, including leasing of offices and warehouse facilities and providing related property management services. Pursuant to the JV Agreement, the JV Company will be owned as to 90% by Safe Mark and 10% by the joint venture party, respectively, the total investment and registered capital of the JV Company will be RMB440,000,000 and RMB220,000,000, respectively. Safe Mark will contribute RMB198,000,000 of the registered capital and the joint venture party will contribute RMB22,000,000 of the registered capital. As at 31 December 2017, the relevant land has not obtained yet. Details of the acquisition can be found on the websites of the Company and the Stock Exchange.

(e) *Acquisition of 30% interest in Hong Kong High Church Group Limited ("High Church") and Tianjin Transwell International Logistics Co., Ltd ("WSL Logistics")*

On 25 October 2017, the Company entered into the agreement with Well Luck Group Limited ("Well Luck") and 天津萬士隆集團有限公司 ("Tianjin WSL"). Pursuant to the agreement, (i) the Company has conditionally agreed to purchase and Well Luck has conditionally agreed to sell the 30% of equity interest in High Church and shareholder loan of outstanding amount of RMB19,755,768 belonging to Well Luck; and (ii) the Company has conditionally agreed to purchase and the Tianjin WSL has conditionally agreed to sell the 30% equity interest in WSL Logistics at an aggregate consideration of RMB95,830,000. After the completion of acquisition, the Company owns 100% equity interest in both WSL Logistics and Transwealth Logistics through its wholly-owned subsidiary and China Logistics Infrastructures (Holdings) Limited, a non wholly-owned subsidiary of the Company. The transaction has been completed on 24 November 2017. Details of the acquisition can be found on the websites of the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Significant investment and acquisitions (Continued)

(f) Joint venture investment in Beijing Enterprises City Investment Holdings Group Co., Ltd.

On 13 November 2017, the Tianjin Fuhua Enterprise Management Consulting Co., Ltd (as vendor) entered into the equity transfer agreement with the Beijing Yun Zhong Management Consulting Co., Ltd ('Yun Zhong"), a wholly-owned subsidiary of the Company and other four joint venture parties (collectively referred to as the "JV Parties") to sell 100% equity interest in the Beijing Enterprises City Investment Holdings Group Co., Ltd ("JV Company") to the JV Parties at nil consideration, pursuant to which Yun Zhong would acquire 35% equity interest in the JV Company at nil consideration pursuant to the equity transfer agreement; and will make a capital contribution of RMB350,000,000 into the JV Company. The JV Company is engaged in urban infrastructure construction and industrial upgrades business. As at 31 December 2017, Yun Zhong has made RMB140,000,000 capital contribution to the JV Company. Details of the acquisition can be found on the websites of the Company and the Stock Exchange.

(g) The deemed disposal of China Industrial Properties (Holdings) Limited ("CIPHL")

On 15 December 2017, CIPHL, a wholly-owned subsidiary of China Industrial Properties (Group) Limited ("CIPGL") entered into subscription agreement with CIPGL a wholly-owned subsidiary of the Group, Red Supreme Limited ("Red Supreme") and Champion Yield International Limited ("Champion Yield") (collectively referred to as the Subscribers"). Pursuant to which Subscribers conditionally agreed to subscribe for, and CIPHL conditionally agreed to allot and issue, an aggregate of 2,752 new shares, representing 27.52% of the total issued shares of CIPHL immediately after the issue of the subscription shares at RMB200,000,000, being the total consideration payable by CIPGL (RMB100,000,000), Red Supreme (RMB50,000,000) and Champion Yield (RMB50,000,000). Following the completion of subscription, the interest of the CIPGL in CIPHL will be reduced from 100% to 86.24%, if the options are exercised by Red Supreme and Champion Yield, the equity interest of the Group in CIPHL will be further reduced to 72.48%. Red Supreme is beneficially owned by Mr. Yue, Ms. Tian and an independent third party as to 47%, 6% and 47% respectively. Mr. Yue is director of CIPHL and CIPGL, Ms. Tian is director of CIPHL. The transaction has been completed on 8 February 2018. Details of the acquisition can be found on the websites of the Company and the Stock Exchange.

Charges on assets

As at 31 December 2017, the Group had bank loans with principal amounts of approximately HK$1,715.13 million being secured by certain investment properties, cash and bank balances, trade receivables, deposits paid for the acquisition of a business and an office premise and equity interests in certain subsidiaries of the Group and all of which were guaranteed by the Company.

Litigations

As at 31 December 2017, the Group had no pending litigation.

Employees and remuneration policies

As at 31 December 2017, the Group had a total of 591 (2016: 553) employees. Total staff cost incurred for the year ended 31 December 2017 amounted to approximately 101.36 million (2016: approximately HK$82.35 million) (including staff cost, directors' remuneration and equitysettled option expenses). The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

MR. QIAN XU

Aged 54, chairman, Mr. Qian is the chairman and an executive director of the Beijing Enterprises Real-Estate Group Limited ("BE Real Estate"). Mr. Qian graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics and has obtained his EMBA degree from Tsinghua University. Mr. Qian has extensive experience in corporate management. Mr. Qian is a director of Brilliant Bright Holdings Limited ("Brilliant Bright"), which is a controlling shareholder of the Company. Mr. Qian is the non-executive director of CAQ Holdings Limited ("CAQ"), a company listed on the Australia Stock Exchange with Listing Corporation Code of CAQ since April 2015. Mr. Qian was appointed an executive director of MillenMin Ventures Inc. ("MVM"), a company listed on the Toronto Stock Exchange with Listing Stock Code of MVM on 27 January 2017. Mr. Qian was also appointed an executive director of Beijing Enterprises Medical and Health Industry Group Limited ("BE M&H") (SEHK Stock Code: 2389) on 22 May 2017. Mr. Qian joined the Group in July 2009.

MR. HU YEBI

Aged 54, vice-chairman, Mr. Hu received his MBA from Netherlands International Institute for Management in the Netherlands and Postgraduate diploma in Management Engineering from Beijing Institute of Technology. Mr. Hu has more than 25 years' experience in securities and financial services, mergers and acquisitions and corporate finance. He is the founder and chairman of Vision Finance Group Limited which was established in 2006. Mr. Hu is a licensed person registered under the Securities and Futures Ordinance (the "SFO") to carry on regulated activities on Dealing in Securities and Advising on Corporate Finance. Mr. Hu also holds concurrent executive directorship with Beijing Sports and Entertainment Industry Group Limited (SEHK stock code: 1803). Mr. Hu was appointed an executive director of BE M&H on 22 May 2017. Prior to that, Mr. Hu was the managing director of the equity capital markets division of DBS Asia Capital Ltd, a subsidiary of DBS Bank Limited (previously known as the Development Bank of Singapore Ltd.) from 1994 to 2002. Between 2002 and 2005, Mr. Hu was the founder and chairman of Partners Capital International Limited. Mr. Hu joined the Group in December 2015.

MR. SIU KIN WAI

Aged 49, chief executive officer, Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy and is fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in corporate management. Mr. Siu is a director of Brilliant Bright, which is a controlling shareholder of the Company and also serves as the chief financial officer of Beijing Holdings Limited ("BHL"), which is an associate of the Company. Mr. Siu is the non-executive director of CAQ since April 2015. Mr. Siu was appointed an executive director and chief executive officer of MVM on 27 January 2017 and was appointed an executive director of BE M&H on 22 May 2017. Mr. Siu was appointed an independent non-executive director of Orient Securities International Holdings Limited (SEHK Stock Code: 8001) on 29 September 2017 and he also serves as an independent non-executive director of Agritrade Resources Limited (SEHK Stock Code: 1131) since August 2010. Mr. Siu joined the Group in July 2009.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHAO JIANSUO

Aged 54, is an executive director, the secretary and the chairman of the labour union of BE Real Estate. Mr. Zhao graduated from the Party School of the Central Committee of C. P. C. majoring in international economics. He served in the People's Liberation Army General Staff Department from 1980 to 1992 and was a captain and assistant engineer when he retired from the army. Mr. Zhao worked at the Cadre Division of the Urban Construction Work Commission of the CPC Beijing Municipal Committee from 1992 to 2003, and joined Beijing Gas Group Co., Ltd. as the deputy director of the general office in 2003. In 2005, Mr. Zhao joined Beijing Enterprises Group Company Limited ("BE Group") as the deputy director of the general office and deputy chairman of the labour union. Mr. Zhao was re-designated by BE Group as the deputy secretary and chairman of the labour union of its subsidiary, BE Real Estate, in 2015. Mr. Zhao has extensive experience in corporate management, internal control and government liaison. Mr. Zhao joined the Group in June 2016.

MR. LI SHUPING

Aged 46, is an executive director and the general manager of BE Real Estate. Mr. Li is a graduate of Tongji University, majoring in urban gas studies. Mr. Li worked at Beijing Gas Planning Company (北京市燃氣設計公司) from 1994 to 2000. Mr. Li joined an engineering consultant subsidiary of a gas group company in 2000 and served as the division head of the planning division, the deputy manager of the engineering and construction department as well as the executive deputy manager. He joined Beijing Gas Group Co., Ltd. as the manager of the engineering and construction department in 2009. In 2010, Mr. Li joined BE Real Estate as the person-in-charge of the engineering management and cost control department. From 2011 to 2016, Mr. Li served as the general manger of Beijing Enterprises Group International Capital Properties Development Co., Ltd.(北京北控國際會都房地產開發有限責任公司), and the assistant general manager, the deputy general manager and the general manager of BE Real Estate. Mr. Li has extensive experience in areas including corporate management, engineering and construction and cost control. Mr. Li joined the Group in December 2016.

MR. DONG QILIN

Aged 53, vice general manager of BE Real Estate. Mr. Dong graduated from the University of Science and Technology in Beijing with a Master's degree in Public Administration (MPA) and obtained the professional and technological qualifications of Senior Accountant and Certified Public Accountant of the PRC. Mr. Dong has extensive experience in corporate management and financial operation.

MR. LI CHANGFENG

Aged 45, is the chairman and an executive director of China Logistics Infrastructures (Holdings) Limited ("China Logistics"), a subsidiary of the Company. Mr. Li graduated from the Northern Jiaotong University with a Master's degree in Transportation Management and obtained the professional and technological qualification of Engineer of the PRC. Mr. Li has extensive experience in corporate management and logistics property investment and development.

DIRECTORS AND SENIOR MANAGEMENT

MR. CHENG CHING FU

Aged 44, chief financial officer and company secretary, Mr. Cheng graduated from Curtin University, Perth, Western Australia with a Bachelor's degree in Commerce, majoring in Accounting and Finance. He then obtained a Master of Business Administration from the University of South Australia and a Master of Corporate Governance from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the CPA Australia, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of the institute of Chartered Secretaries and Administrators. Mr. Cheng is a director of China Logistics and China Industrial Properties (Holdings) Limited ("CIPHL"), both are subsidiaries of the Company. Mr. Cheng was appointed as the director of CAQ in November 2017. He was appointed as the company secretary of the Company in June 2016 and as the chief financial officer of the Company in July 2017. Mr. Cheng has extensive experience in the field of accounting, financial management and company secretary duties.

MR. YU LUNING

Aged 56, graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in Economics. Mr. Yu has extensive experience in property development, corporate restructuring and financial management. Mr. Yu joined the Group in January 2011.

MR. ANG RENYI

Aged 32, holds a Bachelor's degree in Environmental Engineering from the Harvard University. Currently, Mr. Ang is an executive director of Metropoly Holdings Limited, a company that specialise in real estate investment and development. Prior to joining our Board, Mr. Ang had been an analyst of energy and natural resources group in J.P. Morgan Asia Pacific. He has extensive experience in the areas of banking and capital markets. Mr. Ang joined the Group in December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. GOH GEN CHEUNG

Aged 71, Mr. Goh has been appointed as an independent non-executive director of the Group since November 1997. Mr. Goh has over 30 years of treasury, finance and banking experience. Mr. Goh is a certified banker of the Hong Kong Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as an independent non-executive director of CEC International Holdings Limited (SEHK stock code: 759). He was also an independent non-executive director of Shinhint Acoustic Link Holdings Limited (SEHK stock code: 2728) until 30 November 2014.

MR. ZHU WUXIANG

Aged 52, Mr. Zhu is currently a professor of the Department of Finance of the School of Economics and Management, Tsinghua University. Mr. Zhu graduated from Tsinghua University in 2002, specialising in Quantitative Economics and has obtained a Doctorate. He has been studying and working at Tsinghua University since 1982. Mr. Zhu also serves as an independent non-executive directors of CFLD Inc., a company listed on the Shanghai Stock Exchange, the PRC (Listing Corporation code: 600340). Mr. Zhu joined the Group in January 2011.

MR. JAMES CHAN

Aged 64, Mr. Chan has over 30 years of comprehensive experience in design, planning and land matters, and design development and construction management of investment properties. Mr. Chan holds a Bachelor's degree of Arts in Architectural Studies from the University of Hong Kong, a Bachelor's degree of Architecture from the University of Dundee in Scotland and an EMBA degree from Tsinghua University. Mr. Chan also is an executive director and the project director of the Pacific Century Premium Development Limited (SEHK Stock Code: 432) and an non-executive director of Viva China Holding Limited (SEHK Stock Code: 8032). Mr. Chan joined the Group in June 2011.

DIRECTORS AND SENIOR MANAGEMENT

MR. SONG LISHUI

Aged 60, Mr. Song is currently a professor of the Department of Economics of the Faculty of Economics at the Meiji Gakuin University, Japan. Mr. Song obtained a Doctorate in Economics from the Graduate School of the Ritsumeikan University in March 1996, a Master's degree in Economics from the Graduate School of the Kyoto University in March 1991 and a Bachelor's degree in Economics from the Department of Planning and Statistics from Renmin University of the PRC in July 1986. He has been working for the Meiji Gakuin University, Japan since 1996, and is a deputy representative of the executive council of the Society of Chinese Professors in Japan and a visiting researcher of 日本 TORAY 經營研究所. Mr. Song was a visiting scholar of the Center for East Asian and Pacific Studies at the University of Illinois, the United States. He also served as a civil servant at the Personnel and Education Department of the National Bureau of Statistics of the PRC. He has extensive experience in economic analysis. Mr. Song joined the Group in December 2014.

MR. XIE MING

Aged 62, is the chairman of 固態白酒原酒委員會 of China Alcoholic Drinks Association, honorary chairmen of Sichuan Development Grain Liquor Equity Investment Fund* (四川發展純糧原酒股權投資基金) and Sichuan Yucheng Wine Industry Investment Management Co., Ltd.* (四川宇晟酒業投資管理有限公司) and Sichuan deputy to the National People's Congress. Mr. Xie was the retired chairmen of Luzhou Laojiao Co., Ltd, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000568), Luzhou Laojiao Group Co., Limited* (瀘州老窖集團有限責任公司) and Luzhou Laojiao International Development (Hongkong) Co., Limited. Prior to that, he served with the government of Luzhou as the secretary. Mr. Xie obtained a master's degree in business administration from Sichuan University in and obtained his EMBA from Tsinghua University.

The senior management team of the Group include:

MR. YUE CHEN

Aged 54, is the chairman and executive director of CIPHL. Mr. Yue obtained a graduate diploma in foreign trade from the Beijing University of Technology in 1985 and obtained the professional and technological qualification of International Business Engineer of the PRC Mr. Yue has over 30 years' experience in international trade and corporate management. He was appointed an executive vice president of the Company in June 2016.

MR. TIAN YUE

Aged 55, is the chairman and an executive director of China Logistics Warehouses (Holdings) Co., Ltd., a subsidiary of the Company. Mr. Tian graduated from Northwestern Polytechnical University with a Bachelor's degree in Industry Electrification. Mr. Tian has extensive experience in corporate management, commercial property operation and property leasing management. He was appointed an executive vice president of the Company in July 2015.

MR. JIANG WEI

Aged 54, is the chairman and an executive director of China Hui Ying Agribusiness (Holdings) Co,. Ltd., a subsidiary of the Company. Mr. Jiang graduated from Harbin Railway Technical College majoring in railway engineering. Mr. Jiang has engaged in the fields of railway project construction and automobile trading for an extensive period and has extensive experience in engineering and trading. He was appointed as an executive vice president of the Company in September 2015.

DIRECTORS AND SENIOR MANAGEMENT

MS. LI XIN

Aged 53, executive vice president of the Company. Ms. Li graduated from Renmin University of China with a Bachelor's degree in Industrial Economics and Management, and obtained the professional and technological qualification of Senior Accountant of the PRC. Ms. Li has extensive experience in financial management and internal control assessment. She was appointed a senior vice president of the Company in February 2014 and was appointed an executive vice president of the Company in January 2018.

MR. XIONG XIAOSEN

Aged 54, executive vice president of the Company, Mr. Xiong obtained an graduate diploma in marine propulsion management from Dalian Maritime University in July 1986 and has obtained a practicing certificate as an engineer. Mr. Xiong has over 30 years of experience in corporate management. He was appointed as a senior vice president of the Company in June 2016 and was appointed an executive vice president of the Company in January 2018.

MR. ZHANG XUDONG

Aged 48, is the chairman and an executive director of China Cold China Industry Investments (Group) Limited, a subsidiary of the Company, Mr. Zhang obtained a graduate diploma in international trade and economics and a bachelor's degree of economics from Beihang University of Aeronautics and Astronautics(BUAA) and a MBA from Newcastle Business School of Northumbria University, the United Kingdom. Mr. Zhang has over 25 year's in corporate management who obtained a series of senior management positions in fortune global 500 and China 500 enterprises. Mr. Zhang is the managing director of Tianjin Zhongyu Properties Co. Ltd. ("Tianjin Zhongyu"), a director of Qingdao Jingchangshun Food Co., Ltd ("Qingdao Jingchangshun"), and Beijing Dongcheng District History City Conservation and Management Group (北京東城區歷史文化名城保護管理集團). He was appointed as a senior vice president of the Company in June 2016 and was appointed an executive vice president of the Company in January 2018.

MR. XIONG PINGFANG

Aged 49, is the president and an executive director of China Logistics, Mr. Xiong obtained a graduate diploma in trade and economics from the Jiangxi University of Finance and Economics in July 1991. In 1998, he studied securities and finance at the Renmin University of China and obtained the professional and technological qualification of certified public accountant of the PRC. Mr. Xiong has over 24 year's of experience in corporate financial management, securities and finance and corporate management. He was appointed a senior vice president of the Company in July 2015.

MS. LIN WENTING

Aged 46, is the chairlady of the in-house supervisory committee. Ms. Lin obtained a graduate diploma in investment and economics from the Renmin University of China in 1996 and the practicing qualification for registered cost engineer. Ms. Lin has over 22 years' of experience in costing and cost management of real estate development projects. Ms. Lin was appointed a senior vice president of the Company in September 2015.

MR. CHANG KAM HO

Aged 31, financial controller of the Company, Mr. Chang graduated from the Hong Kong Polytechnic University with a Bachelor of Business Administration (Hons) Major in Accountancy & Minor in Financial Services. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chang has over 7 years of experience in auditing and accounting, he joined the Group in August 2017.

REPORT OF THE DIRECTORS

The Board presents its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 1 to the financial statements. The Group is principally engaged in real estate including high-end and modern general warehouse, cold chain logistics warehouse, specialised wholesale market, industrial property, commercial property, primary land development. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2017 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 74 to 172. The Board does not recommend the payment of any dividend for the year.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 5 of this Annual Report. The financial risk management objectives and policies of the Group can be found in the note 49 to the financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017 are provided in the note 50 to the financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the management discussion and analysis on pages 6 to 28. In addition, discussions on the Group's environmental policies, relationship with its key stakeholders, key risks and uncertainties and compliance with relevant laws and regulations which have a significant impact on the group are contained in the Report of The Directors on pages 34 to 56 of this Annual Report.

ENVIRONMENTAL POLICY

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH STAKEHOLDERS

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

KEY RISKS AND UNCERTAINTIES

The Group is engaged in the logistics warehouse, specialised wholesale market, cold chain logistics warehouse, industrial property and commercial property businesses and the Group primarily leases its properties to customers including logistic companies, companies with significant storage requirements and foreign manufacturer. The Group's businesses and prospects are in turn affected by the activity levels of domestic consumption, cross border trading and manufacturing activities. The operation of commercial properties is also sensitive to overall economic development and domestic consumption. China has experienced rapid growth in recent years, which has contributed to the strong demand for warehouse facilities and commercial and industrial properties. Any adverse economic developments, in particular in China, as a result of a global economic slowdown or otherwise, could lead to a general decline in domestic consumption and a slowdown in international trade, which could have a significant impact on the customers' businesses and affect the demand for warehouse facilities. The Group cannot assure that there will continue to be growing demand for warehouse facilities and commercial and industrial properties in China. If the demand does not continue to grow or grows more slowly than expected, the Group's business, financial condition and results of operations may be materially and adversely affected. In addition, the Group established its first overseas presence by making investments into a primary land development project in Cambodia. Overseas business may be affected by the changes in, and the instability of, international economic and political conditions as well as the regional conditions of the jurisdictions where it operates. The political and economic conditions in such regions are often subject to instability, in particular where political and economic conditions can often be volatile and unstable in Cambodia. As a result of the Group's overseas operation, it is exposed to the risks associated with expanding and conducting business in foreign countries and regions

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the year ended 31 December 2017 are set out on page 176. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 12 and 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 173 to 175.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 38, 39 and 31 to the financial statements.

REPORT OF THE DIRECTORS

DEBENTURE ISSUED

As at 31 December 2017, the outstanding principle amounts of bonds guaranteed by the Company and issued by wholly-owned subsidiaries of the Company was US$600,000,000, which included a bond of US$300,000,000 with maturity date in November 2018 and fixed interest rate at 5.5% per annum and a bond of US$300,000,000 with maturity date in March 2020 and fixed interest rate 4.375% per annum.

The reason for issuance of the bond is used for the Group's general corporate purposes. Details of the bonds are included in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2017, the Company fully redeemed 14 months prior to the maturity date of the outstanding principal amount of RMB490,510,000 4% convertible bonds due 2019 ("2019 PAG Convertible Bonds"). The redemption amount plus interest was paid on 15 December 2017. Save as the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2017.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in notes 51 and 40 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company's reserves (including contributed surplus, financial assets revaluation reserve and retained profits) available for distribution to shareholders amounted to HK$270,835,000.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus account in the amount of HK$423,880,000 as at 31 December 2017, is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of this reserve if:

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

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

In addition, the Company's share premium account, in the amount of HK$1,730,046,000, as at 31 December 2017 can be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 20% of the Group's revenue for the year and revenue from the largest customer accounted for 6.93% of the Group's revenue for the year. Purchase from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:

Mr. Qian Xu (Chairman)
Mr. Hu Yebi (Vice chairman)
Mr. Siu Kin Wai (Chief Executive Officer)
Mr. Zhao Jiansuo
Mr. Li Shuping
Mr. Dong Qilin
Mr. Li Changfeng
Mr. Cheng Ching Fu (Chief Financial Officer) (appointed on 7 July 2017)
Mr. Yu Luning
Mr. Ang Renyi
Mr. Wan Lee Cham (resigned on 7 July 2017)

Independent non-executive directors ("INEDs"):

Mr. Goh Gen Cheung
Mr. Zhu Wuxiang
Mr. James Chan
Mr. Song Lishui
Mr. Xie Ming (appointed on 15 May 2017)
Mr. Chan Yuk Cheung (resigned on 15 May 2017)

In accordance with bye-law 111(A) and 114 of the Company's bye-laws, Mr. Yu Luning, Mr. Ang Renyi, Mr. Zhu Wuxiang, Mr. James Chan and Mr. Cheng Ching Fu shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

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

REPORT OF THE DIRECTORS

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION (Continued)

Mr. Chan Yuk Cheung resigned as an independent non-executive director of the Company and members of audit committee, nomination committee and remuneration committee and re-designated as the Company's consultant with effect from 15 May 2017.

Mr. Xie Ming was appointed as an independent non-executive director of the Company and members of audit committee, nomination committee and remuneration committee with effect from 15 May 2017.

Mr. Dong Qilin ceased as the chief operating officer of the Company with effect from 23 June 2017.

Mr. Qian Xu ceased as the chief executive officer of the Company with effect from 7 July 2017.

Mr. Wan Lee Cham resigned as an executive director and chief financial officer of the Company with effect from 7 July 2017.

Mr. Siu Kin Wai was appointed as the chief executive officer of the Company with effect from 7 July 2017.

Mr. Cheng Ching Fu was appointed as an executive director and chief financial officer of the Company with effect from 7 July 2017.

CHANGES IN DIRECTORS' INFORMATION

Mr. Qian Xu was appointed as an executive director of MillenMin Ventures Inc. (TSX stock code: MVM) with effect from 27 January 2017 and Mr. Qian was appointed as an executive director of Beijing Enterprises Medical and Health Industry Group Limited (SEHK Stock Code: 2389) with effect from on 22 May 2017.

Mr. Hu Yebi was appointed as an executive director of Beijing Enterprises Medical and Health Industry Group Limited (SEHK Stock Code: 2389) with effect from 22 May 2017, Mr. Hu has resigned as the vice-chairman and the executive director of China Healthwise Holdings Limited (SEHK stock code: 348) with effect from 20 March 2017 and Mr. Hu has resigned as an executive director of Hua Lien International (Holding) Company Limited (SEHK stock code: 969) with effect from 5 July 2017.

Mr. Siu Kin Wai was appointed as an executive director of MillenMin Ventures Inc. (TSX stock code: MVM) with effect from 27 January 2017, Mr. Siu was appointed as an executive director of Beijing Enterprises Medical and Health Industry Group Limited (SEHK Stock Code: 2389) with effect from 22 May 2017 and Mr. Siu was appointed as an independent non-executive director of Orient Securities International Holdings Limited (SEHK Stock Code: 8001) with effect from 29 September 2017.

Mr. Cheng Ching Fu was appointed as a director of CAQ (ASX: CAQ) with effect from 27 November 2017.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on pages 29 to 33 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

All Directors (including executive Directors and INEDs) had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the Bye-Laws. No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings, other emoluments of the Directors are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's directors' remuneration are set out on pages 116 to 119 of this annual report.

Further details of the Company's remuneration committee are set out in the corporate governance report on page 63 of this annual report.

EMOLUMENT POLICY

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

The Company has adopted a share option scheme as incentives to Directors and eligible persons, details of the scheme is set out in note 39 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

At 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in the ordinary shares of the Company:

Name of Director	Nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital (%)
Mr. Yu Luning	Beneficial owner	9,690,000	0.141

Long position in underlying shares of the Company:

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

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executives had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

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

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

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

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

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The exercise price of the share options is subject to adjustment in case of right or bonus issues, or other similar changes in the Company's share capital. Further details of the Scheme are disclosed in note 39 to the financial statements.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options outstanding during the year ended 31 December 2017 as follows:

Name or category of participant	Number of share options: At 1 January 2017	Granted during the year (Note 2)	Exercised during the year (Note 2)	Cancelled during the year	At 31 December 2017	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share (Note 1)
Directors:								
Mr. Qian Xu	6,000,000	–	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	6,000,000	–	–	–	6,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	10,000,000	–	–	–	10,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	9,000,000	–	–	–	9,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	4,000,000	–	–	–	4,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	5,000,000	–	–	–	5,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	40,000,000	–	–	–	40,000,000			
Mr. Li Shuping	1,500,000	–	–	–	1,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,500,000	–	–	–	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	4,000,000	–	–	–	4,000,000			
Mr. Zhao Jiansuo	1,500,000	–	–	–	1,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	3,200,000	–	–	–	3,200,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	4,700,000	–	–	–	4,700,000			
Mr. Siu Kin Wai	5,000,000	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	6,000,000	–	–	–	6,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	5,000,000	–	–	–	5,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	3,000,000	–	–	–	3,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	4,000,000	–	–	–	4,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	28,000,000	–	–	–	28,000,000			
Mr. Dong Qilin	3,000,000	–	–	–	3,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	3,300,000	–	–	–	3,300,000	24-May-13	24-May-13 to 23-May-23	0.574
	3,500,000	–	–	–	3,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	2,000,000	–	–	–	2,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,500,000	–	–	–	2,500,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	19,300,000	–	–	–	19,300,000			
Mr. Li Changfeng	2,500,000	–	–	–	2,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	3,300,000	–	–	–	3,300,000	24-May-13	24-May-13 to 23-May-23	0.574
	3,500,000	–	–	–	3,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	2,000,000	–	–	–	2,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,500,000	–	–	–	2,500,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	18,800,000	–	–	–	18,800,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options: At 1 January 2017	Granted during the year (Note 2)	Exercised during the year (Note 2)	Cancelled during the year	At 31 December 2017	Date of grant of share options (Note 1)	Exercise period of share options	Exercise price of share options HK$ per share (Note 1)
Mr. Cheng Ching Fu	1,000,000	–	–	–	1,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	3,000,000	–	–	–	3,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	2,500,000	–	–	–	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,000,000	–	–	–	2,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	11,500,000	–	–	–	11,500,000			
Mr. Yu Luning	5,000,000	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	4,000,000	–	–	–	4,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	4,000,000	–	–	–	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	3,000,000	–	–	–	3,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	22,000,000	–	–	–	22,000,000			
Mr. Ang Renyi	4,000,000	–	–	–	4,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	3,000,000	–	–	–	3,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	8,000,000	–	–	–	8,000,000			
Mr. Goh Gen Cheung	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	1,837,700	–	–	–	1,837,700	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	8,337,700	–	–	–	8,337,700			
Mr. Zhu Wuxiang	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	6,500,000	–	–	–	6,500,000			
Mr. James Chan	2,000,000	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	–	–	–	2,000,000	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	–	–	–	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	6,500,000	–	–	–	6,500,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Name or category of participant	At 1 January 2017	Granted during the year *(Note 2)*	Exercised during the year *(Note 2)*	Cancelled during the year	At 31 December 2017	Date of grant of share options *(Note 1)*	Exercise period of share options	Exercise price of share options HK$ per share *(Note 1)*
	Number of share options							
Mr. Song Lishui	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
Mr. Wan Lee Cham*	2,500,000	–	–	–	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	–	–	–	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,000,000	–	–	–	2,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	5,500,000	–	–	–	5,500,000			
Mr. Chan Yuk Cheung**	1,000,000	–	–	–	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
Other employees and consultants in aggregate:	157,500,000	–	–	(17,000,000)	140,500,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	255,275,400	–	–	(11,900,000)	243,375,400	1-Jun-12	1-Jun-12 to 30-May-22	0.410
	135,400,000	–	–	(18,000,000)	117,400,000	24-May-13	24-May-13 to 23-May-23	0.574
	149,000,000	–	–	(4,300,000)	144,700,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	25,000,000	–	–	(2,000,000)	23,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	55,000,000	–	–	(3,000,000)	52,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	777,175,400	–	–	(56,200,000)	720,975,400			
	962,313,100	–	–	(56,200,000)	906,113,100			

Notes:

* Mr. Wan Lee Cham has been re-designated as the Company's consultant upon his resignation form executive director on 7 July 2017.

** Mr. Chan Yuk Cheung has been re-designated as the Company's consultant upon his resignation form independent non-executive director on 15 May 2017.

Notes:

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

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

Save as disclosed above, other than a cancellation of 56,200,000 of share options during the year, there is no share options were granted, exercised, lapsed or cancelled under the scheme during the year ended 31 December 2017.

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

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executives' interests and short positions in shares and underlying shares" and "Share option scheme", at no time during the year ended 31 December 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

At 31 December 2017, so far as was known to the Directors or chief executive of the following persons (not being Directors or chief executive of the Company) had, an interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

		Number of shares held, capacity and nature of interest		Number of underlying shares held, capacity and nature of interest			
Name	Notes	**Directly beneficially owned**	**Through a controlled corporation**	**Directly beneficially owned**	**Through a controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital** (%)
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	22.73%
Beijing Enterprises Real Estate (HK) Limited	(b)	2,420,462,407	1,557,792,500	–	–	3,978,254,907	58.05%
北京北控置業集團有限公司 (Beijing Enterprises Real-Estate Group Limited)	(c)	–	3,978,254,907	–	–	3,978,254,907	58.05%
Illumination Holdings Limited	(d)	87,451,458	–	–	–	87,451,458	1.28%
Beijing Holdings Limited	(e)	487,166,195	87,451,458	–	–	574,617,653	8.39%
Beijing Enterprises Group Company Limited	(f)	–	4,552,872,560	–	–	4,552,872,560	66.44%
Thular Limited	(g)	354,400,000	–	–	–	354,400,000	5.17%
Kerry Holdings Limited	(g)	–	354,400,000	–	–	354,400,000	5.17%
Kerry Group Limited	(g)	–	354,400,000	–	–	354,400,000	5.17%

REPORT OF THE DIRECTORS

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

Notes:

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

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2017, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and at arm's length basis. Certain transactions set out in note 46 to the financial statements are connected transactions as defined under the Listing Rules and were complied and exempt with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.45 of the Listing Rules are provided in the paragraph headed "Connected Transactions" as identified below.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

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

Connected transactions

(a) *Acquisition of 30% interest in Hong Kong High Church Group Limited ("High Church") and Tianjin Transwell International Logistics Co., Ltd ("WSL Logistics")*

On 25 October 2017, the Company entered into the agreement with Well Luck Group Limited ("Well Luck") and 天津萬士隆集團有限公司 ("Tianjin WSL"). Pursuant to the agreement, (1) the Company has conditionally agreed to purchase and the Well Luck has conditionally agreed to sell the Sale Shares and Shareholder Loan (as defined in the relevant announcement); and (2) the Company has conditionally agreed to purchase and the Tianjin WSL has conditionally agreed to sell the Sale Equity (as defined in the relevant announcement) at an aggregate consideration of RMB95,830,000 which will be settled by cash payment (the "Acquisition"). As the Well Luck and the Tianjin WSL are connected persons of the Company at the subsidiary level as they are substantial shareholders of WSL Logistics and High Church (which are subsidiaries of the Group). The acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the agreement are subject to announcement and reporting but are exempted from shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the acquisition can be found on the websites of the Company and the Stock Exchange.

(b) *The deemed disposal of China Industrial Properties (Holdings) Limited ("CIPHL")*

On 15 December 2017, CIPHL, a wholly-owned subsidiary of China Industrial Properties (Group) Limited ("CIPGL") entered into subscription agreement with CIPGL a wholly-owned subsidiary of the Group, Red Supreme Limited ("Red Supreme") and Champion Yield International Limited ("Champion Yield") (collectively referred to as the Subscribers"). Pursuant to which Subscribers conditionally agreed to subscribe for, and CIPHL conditionally agreed to allot and issue, an aggregate of 2,752 new shares, representing 27.52% of the total issued shares of CIPHL immediately after the issue of the subscription shares at RMB200,000,000, being the total consideration payable by CIPGL (RMB100,000,000), Red Supreme (RMB50,000,000) and Champion Yield (RMB50,000,000). Following the completion of subscription, the interest of the CIPGL in CIPHL will be reduced from 100% to 86.24%, if the Options (as defined in the relevant announcement) are exercised by Red Supreme and Champion Yield, the equity interest of the Group in CIPHL will be further reduced to 72.48%. Red Supreme is beneficially owned by Mr. Yue, Ms. Tian and an independent third party as to 47%, 6% and 47% respectively. As Mr. Yue is director of CIPHL and CIPGL, Ms. Tian is director of CIPHL, they are connected persons of the Group and Red Supreme is an associate of Mr. Yue. Champion Yield is beneficially owned by Mr. Shen who is a director of Hainan Datong Warehouse Company Limited which is a non-wholly owned subsidiary of the Group. As Mr. Shen is a director of a subsidiary of the Group, Champion Yield is an associate of a connected person of the Group. The subscription agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the agreement are subject to announcement and reporting but are exempted from shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the share subscription can be found on the websites of the Company and the Stock Exchange.

As at the date of this annual report, the above transactions as mentioned in (a) and (b) had been completed.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions

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

(a) *Supplement Agreement to the Deposit Services Master Agreement*

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

On 28 April 2017, the Company and BG Finance entered into the supplemental agreement to the deposit services master agreement (the "Supplemental Agreement") to revise the annual cap for each of the three years ended/ending 31 December 2017, 2018 and 2019 to HK$650 million (the "Revised Annual Cap").

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

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

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

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

Each of BE Group and Beijing Enterprises Holdings Limited ("BEHL") is a connected person of the Company under the Listing Rules by virtue of each being a substantial shareholder of the Company. As each of BE Group and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance is an associate of each of BE Group and BEHL. Therefore, the entering into of the Supplemental Agreement constituted continuing connected transactions of the Company which was subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the Revised Annual Cap. Details of which can be found on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(b) *Entrusted Operation Management and Marketing Agreement*

On 30 December 2016, Tianjin Zhongyu entered into the entrusted operation management and marketing agreement with 天津中盈冷鏈物流有限公司 ("Tianjin Zhongying"), pursuant to which the provision of operation management services by Tianjin Zhongying to Tianjin Zhongyu in respect of the property, including two 5-storey cold warehouses with mechanical facilities compartment, of a total land area of 65,454 m^2 and the provision of marketing services by Tianjin Zhongying to Tianjin Zhongyu to promote the business and brand name of Tianjin Zhongyu. The annual cap for the continuing connected transactions contemplated under the entrusted operational management and marketing agreement is RMB4,636,000 which is the annual management fee and the maximum amount of the marketing fee payable. Tianjin Zhongyu is held as to 60% indirectly by the Company, 20% by Zhang Junqing and 20% by Zhang Guoqing. Tianjin Zhongying is owned by two shareholders, namely, Zhang Junqing (55% equity interest) and Zhang Guoqing (45% equity interest). Therefore, Tianjin Zhongying is an associate of Zhang Junqing and Zhang Guoqing and is a connected person of the Company. Accordingly, the transactions contemplated under the entrusted operation management and marketing agreement constitute continuing connected transactions of the Company which is subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the annual cap. Details of which can be found on the websites of the Company and Stock Exchange.

(c) *Tenancy Agreements and Property Management Services Agreements*

During the year ended 31 December 2017, the following transactions between the connected person(s) (as defined in the Listing Rules) and the Tianjin Transwell International Logistics Co., Ltd. ("WSL Logistics"), a non-wholly owned subsidiary of the Company, as landlord, has been entered into the following tenancy agreements which are required to be disclosed in this annual report:

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(c) *(Continued)*

Agreement Date	Tenant	Premises	Approximate area	Term	Rental income for the year ended 31 December 2017	Annual Cap
1 August 2016	天津萬士隆集團有限公司 ("Tianjin WSL")	Office at Zone E1-101 of the Customs Warehouse, Tianjin, PRC	339.29 square metres	1 August 2016 to 31 July 2017	RMB123,308	RMB222,914
31 July 2017	Tianjin WSL	Office at Zone E1-101 of the Customs Warehouse, Tianjin, PRC	339.29 square metres	1 August 2017 to 31 July 2018	RMB88,991	RMB222,914
1 August 2016	天津君融實業有限公司 ("Tianjin Junrong")	Office at Zone E2-102 of the Customs Warehouse, Tianjin, PRC	156.84 square metres	1 August 2016 to 31 July 2017	RMB57,247	RMB103,044
31 July 2017	Tianjin Junrong	Office at Zone E2-102 of the Customs Warehouse, Tianjin, PRC	156.84 square metres	1 August 2017 to 31 December 2017	RMB40,890	RMB42,935
1 August 2016	Tianjin Junrong	Office at Zone E2-101-1 and E2-101-2 of the Customs Warehouse, Tianjin, PRC	96.86 square metres	1 August 2016 to 31 July 2017	RMB35,354	RMB63,637
31 July 2017	Tianjin Junrong	Office at Zone E2-101-1 and E2-101-2 of the Customs Warehouse, Tianjin, PRC	96.86 square metres	1 August 2017 to 31 December 2017	RMB25,253	RMB26,515
1 August 2016	天津萬士隆貨運有限公司 ("Tianjin WSL Huoyun")	Office at Zone C 2/F-C100 of the Customs Warehouse, Tianjin, PRC	221.82 square metres	1 August 2016 to 31 July 2019	RMB115,605[1]	RMB160,674
17 November 2017	Tianjin WSL Huoyun	Office at Zone C 2/F-C100 of the Customs Warehouse, Tianjin, PRC	202.07 square metres	1 November 2017 to 31 July 2019	RMB21,132[1]	RMB146,368
1 August 2016	Tianjin WSL Huoyun	Warehouse at Zone B6 of the Customs Warehouse, Tianjin, PRC	587.22 square metres	1 August 2016 to 31 July 2019	RMB323,525	RMB378,088
31 October 2017	Tianjin WSL Huoyun	Warehouse at Zone C201-202 of the Customs Warehouse, Tianjin, PRC	124.55 square metres	1 November 2017 to 18 October 2018	RMB12,989	RMB81,829

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(c) *(Continued)*

Agreement Date	Tenant	Premises	Approximate area	Term	Rental income for the year ended 31 December 2017	Annual Cap
1 August 2016	天津萬士隆文檔管理服務有限公司("Tianjin WSL File Management")	Warehouse at Zone A16 of the Customs Warehouse, Tianjin, PRC	601.5 square metres	1 August 2016 to 31 July 2019	RMB207,120	RMB242,051
1 August 2016	Tianjin WSL File Management	Office at Zone E2-101 of the Customs Warehouse, Tianjin, PRC	85.59 square metres	1 August 2016 to 31 July 2019	RMB53,555	RMB61,996
27 January 2017	Tianjin WSL File Management	Warehouse at Zone A17 of the Customs Warehouse, Tianjin, PRC	601.5 square metres	1 February 2017 to 31 January 2020	RMB189,860	RMB242,051
1 June 2017	Tianjin WSL File Management	Warehouse at Zone A13 of the Customs Warehouse, Tianjin, PRC	595.66 square metres	1 June 2017 to 31 May 2020	RMB85,462[2]	RMB239,701
31 October 2017	杰特（天津）國際貿易有限公司("Jett Tianjin")	Warehouse at Zone A13 of the Customs Warehouse, Tianjin, PRC	595.66 square metres	1 November 2017 to 31 May 2020	RMB34,185[2]	RMB239,701

1. The supplemental tenancy agreement signed with Tianjin WSL Huoyun to reduce the leased area from 221.82 m^2 to 202.07 m^2 for the remaining period effective on 1 November 2017.

2. The tenancy agreement was terminated with Tianjin WSL File Management and then the new tenancy signed with Jett Tianjin to take over the lease for the remaining period effective on 1 November 2017.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

(c) *(Continued)*

On 1 August 2016, WSL Logistics and Tianjin WSL Estate Management entered into the estate management services agreement renewal in respect of the property comprising warehouses and offices located at No. 19, Third Avenue, Tianjin Airport International Logistics Zone, the PRC. The annual cap for the continuing connected transaction under the estate management services agreement renewal shall be RMB400,000. During the year ended 31 December 2017, the management fee was RMB300,000.

On 20 November 2014, Transwealth Logistics (Tianjin) Co., Ltd ("Transwealth Logistics") and Tianjin WSL Estate Management entered into the Phase I property management services agreement in respect of the property comprising warehouses and office located at No. 1 Road, Second Avenue, Tianjin Airport International Logistics Zone, the PRC. The annual cap for the continuing connected transaction under the property management services agreement shall be RMB200,000. During the year ended 31 December 2017, the management fee was RMB169,651.

On 17 November 2017, Transwealth Logistics and Tianjin WSL Estate Management entered into the Phase I property management services agreement renewal in respect of the property comprising warehouses and office located at No. 1 Road, Second Avenue, Tianjin Airport International Logistics Zone, the PRC. The annual cap for the continuing connected transaction under the property management services agreement renewal shall be RMB200,000. During the year ended 31 December 2017, the management fee expense was RMB22,060.

On 30 November 2016, Transwealth Logistics and Tianjin WSL Estate Management entered into the phase II property management services agreement in respect of the property comprising warehouses and offices located at No. 1 Road, Second Avenue, Tianjin Airport International Logistics Zone, the PRC. The annual cap for the continuing connected transaction under the estate management services agreement shall be RMB300,000. During the year ended 31 December 2017, the management fee expense was RMB287,567.

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

Details of the tenancy agreements and estate management services agreements can be found on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

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

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

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

PERMITTED INDEMNITY PROVISION

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

DONATIONS

The Group's charitable donations during the year approximately amounted to HK$45,000.

EQUITY-LINKED AGREEMENTS

As of 31 December 2017, other than the share option scheme 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.

REPORT OF THE DIRECTORS

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

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

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount	Final Maturity	Specific performance obligations
12 November 2015	Subscription agreement for issuance of bonds	USD300 million	November 2018	Note 1
2 March 2017	Subscription agreement for issuance of bonds	USD300 million	March 2020	Note 1
11 December 2017	Team loan facility with a bank	USD200 million	December 2020	Note 1

Notes:

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period of the Group are set out in note 50 to the financial statements.

REPORT OF THE DIRECTORS

DISCLOSURES PURSUANT TO RULES 13.22 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.22 of the Listing Rules, the following disclosure is included in respect of financial assistance given to affiliated company. As at the latest practicable date (i.e. 31 December 2017), the Group has provided to affiliated company financial assistance and guarantees amounting, in aggregate, to approximately RMB1,893.5 million which exceeded 8% of the assets ratio of the Company, as defined under Rule 14.07(1) of the Listing Rules. Further details of such financial assistance are disclosed in the announcements of the Company dated 12 April 2017. The combined statement of financial position of the affiliated company as at 31 December 2017 and the Group's attributable interest therein are as follows:

	Combined statement of financial position	**The Group's attributable interest**
	HK$'000	HK$'000
Non-current assets	2,553,579	1,940,720
Current assets	379,392	288,338
Non current liabilities	(1,462,277)	(1,111,331)
Current liabilities	(284,287)	(216,058)
Net assets	1,186,407	901,669
Issued capital	987,459	
Reserves	198,948	
Equity	1,186,407	

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the Board of the Company, the Company had complied with all code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules during the financial year ended 31 December 2017 and up to the date of publication of this annual report, except as disclosed in the Corporate Governance Report.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of securities transactions of the directors. Having made specific enquiry of all directors, the Company has confirmed that all directors have complied with the required standards set out in the Model Code and its code of conduct regarding director's securities transaction during the year ended 31 December 2017.

REPORT OF THE DIRECTORS

AUDITOR

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

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2017 were approved by the Board on 28 March 2018.

ON BEHALF OF THE BOARD
Qian Xu
Chairman

Hong Kong
28 March 2018

CORPORATE GOVERNANCE REPORT

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

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

BOARD OF DIRECTORS

Composition and role

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Directors' continuous professional development

According to the records maintained by the Company, the current Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code contained in Appendix 14 of the Listing Rules on continuous professional development during the year ended 31 December 2017.

Directors	Read materials	Attending seminars/ briefing
Executive directors		
Mr. Qian Xu	✓	
Mr. Hu Yebi	✓	✓
Mr. Siu Kin Wai	✓	✓
Mr. Zhao Jiansuo	✓	
Mr. Li Shuping	✓	
Mr. Dong Qilin	✓	
Mr. Li Changfeng	✓	
Mr. Cheng Ching Fu	✓	✓
Mr. Yu Luning	✓	
Mr. Ang Renyi	✓	
Mr. Wan Lee Cham (resigned on 7 July 2017)	✓	✓
Independent non executive directors		
Mr. Goh Gen Cheung	✓	✓
Mr. Zhu Wuxiang	✓	
Mr. James Chan	✓	✓
Mr. Song Lishui	✓	
Mr. Xie Ming	✓	
Mr. Chan Yuk Cheung (resigned on 15 May 2017)	✓	

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Meetings

Attendance records of the Board meetings, meetings of all committees and general meetings of the Company for the year ended 31 December 2017 were set out below:

	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Number of meetings held	4	2	3	3	2
Name of director	**Number of meetings attended**				
Executive directors					
Mr. Qian Xu	4/4	N/A	N/A	0/3	0/2
Mr. Hu Yebi	4/4	N/A	N/A	N/A	0/2
Mr. Siu Kin Wai	4/4	N/A	N/A	N/A	1/2
Mr. Zhao Jiansuo	3/4	N/A	N/A	N/A	0/2
Mr. Li Shuping	3/4	N/A	N/A	N/A	0/2
Mr. Dong Qilin	4/4	N/A	N/A	N/A	0/2
Mr. Li Changfeng	4/4	N/A	N/A	N/A	0/2
Mr. Cheng Ching Fu	1/1	N/A	N/A	N/A	1/1
Mr. Yu Luning	4/4	N/A	2/3	2/3	1/2
Mr. Ang Renyi	4/4	N/A	N/A	N/A	0/2
Mr. Wan Lee Cham (resigned on 7 July 2017)	2/2	N/A	N/A	N/A	0/1
Independent non-executive directors					
Mr. Goh Gen Cheung	4/4	2/2	3/3	3/3	2/2
Mr. Zhu Wuxiang	4/4	1/2	N/A	N/A	0/2
Mr. James Chan	4/4	2/2	2/3	2/3	1/2
Mr. Song Lishui	4/4	1/2	3/3	3/3	1/2
Mr. Xie Ming	2/2	1/1	1/1	1/1	1/2
Mr. Chan Yuk Cheung (resigned on 15 May 2017)	0/1	0/1	0/1	0/1	N/A

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFY

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the financial year ended 31 December 2017, the positions of the chairman and the chief executive officer of the Company were held separately. The chairman of the Company is Mr. Qian Xu. The chief executive officer of the Company is Mr. Siu Kin Wai who was appointed after Mr. Qian Xu ceased on 7 July 2017. The segregation of duties of the chairman and the chief executive officer ensures a clear distinction in the chairman's responsibility to provide leadership for the Board and the chief executive officer's responsibility to manage the Company's business. Their roles are clearly defined to ensure their respective independence.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

CORPORATE GOVERNANCE REPORT

DIRECTOR'S SECURITIES TRANSACTIONS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2017, except as disclosed below.

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

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. However, in the annual general meeting held on 30 June 2017 (the "2017 AGM"). our chairman was unable to attend the meeting due to his other commitments. He appointed Mr. Siu Kin Wai, the executive director of the Company, to chair the meeting on his behalf and chairmen of the audit, remuneration and nomination committees also attended the 2017 AGM. The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

BOARD COMMITTEES

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

Audit Committee

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

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

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

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

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

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

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

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

A summary of the work performed by the Audit Committee during the Fiscal Year 2017, the Audit Committee reviewed the financial statements for interim and annual results, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company and internal control system and risk management and determined the policy for corporate governance. The Group's annual report for the year ended 31 December 2017 has been reviewed by the Audit Committee.

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

Investment and Risk Management Committee

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

For the year ended 31 December 2017, the members of the investment and risk management committee were Mr. Hu Yebi (Chairman), Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Zhu Wuxiang, and Mr. Ang Renyi. All members except Mr. Zhu Wuxiang are executive directors of the Company as the committee will mostly involve in operational matters of the Company. Mr. Zhu Wuxiang is the representative of INED to join the committee to provide independent and professional opinion.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Investment and Risk Management Committee (Continued)

A summary of the work performed by the Investment and Risk Management Committee during the Fiscal Year 2017, the Investment and Risk Management Committee reviewed and assessed all acquisitions and investments proposed by the senior management in terms of their benefits to the Company and the potential risks associated. The terms of reference of the Investment and Risk Management Committee which can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

Remuneration Committee

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

A summary of the work performed by the Remuneration Committee during the Fiscal Year 2017, the Remuneration Committee have reviewed remuneration policy and oversee the remuneration packages of executive Directors and senior management taking into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

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

Nomination Committee

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

A summary of the work performed by the Nomination Committee during the Fiscal Year 2017, the Nomination Committee has reviewed and evaluated the composition of the Board with reference to certain criteria. These criteria included qualifications required under the Listing Rules or any other relevant laws regarding characteristics and skills of the Directors, professional ethics and integrity, appropriate professional knowledge and industry experience, as well as ability to devote sufficient time to the work of the Board and its committees and to participate in all Board meetings and shareholders' meetings; reviewed and recommended the re-appointment of the retiring Directors; assessed independence of the independent non-executive Directors; assessed and recommended the appointment of Mr. Xie Ming as an independent non-executive Director and the appointment of Mr. Cheng Ching Fu as an executive director; and reviewed and recommended the appointment letter of Mr. Xie Ming and Mr. Cheng Ching Fu.

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

During the year under review, the internal audit department conducted reviews of the effectiveness and adequacy of the Group's risk management and internal control systems, over financial, operational, compliance control and risk management functions with emphasis on construction cost, budget control, human resource management and accounting reporting. After the review, the Board together with the Audit Committee considers that there were no significant issues in relation to financial, operational and compliance controls and risk management functions of the Group but certain areas for improvement have been identified by the internal audit department. The management of the Group has adopted various rectification measures according to the internal audited report. After a follow-up examination by the internal audit department, all internal control issues were rectified. The Group also understands that risk management and internal control systems are not merely about policies and manuals, but about people and the actions they take at every level of the Group. To support all employees, regular training is provided to strengthen their awareness of risk and capability to manage risks. The Board together with the Audit Committee reviewed that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year.

CORPORATE GOVERNANCE REPORT

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

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

AUDITOR'S REMUNERATION

During the year under review, external auditor's remuneration for annual audit services was approximately HK$4.5 million; and external auditor's remuneration for non-audit service assignments was approximately HK$4.7 million, which represented agreed-upon procedures engagement in connection with the Group's interim report, tax advisory and compliance services and financial and tax due diligence assignments for potential acquisitions. The Audit Committee had concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

COMPANY SECRETARY

Mr. Cheng Ching Fu, as the executive director, is also the company secretary of the Company. The biographical details of Mr. Cheng are set out under the section headed "Directors and Senior Management". In accordance with Rule 3.29 of the Listing Rules, Mr. Cheng has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2017.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2017, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on pages 68 to 73 of the "Independent Auditor's Report" in this annual report.

SHAREHOLDERS' RIGHTS

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (Continued)

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

Procedures for putting forward proposals at shareholders' meetings

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

Communication with shareholders

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

During the financial year ended 31 December 2017, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

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

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

The above measures will provide shareholders with the latest development of the Group as well as the real estate including high-end and modern general warehouse, cold chain logistics warehouse, specialised wholesale market, industrial property, commercial property, primary land development.

Constitutional documents

The special resolution regarding the amendments to the Bye-laws had been passed by the shareholders of the Company at the AGM held on 29 June 2012. There was no change to the Company's Memorandum of Association and Bye-laws during the year ended 31 December 2017. An updated consolidated version of the Memorandum of Association and Bye-Laws is available on both the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港中環添美道 1 號
中信大廈 22樓

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

To the shareholders of Beijing Properties (Holdings) Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 172, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties At 31 December 2017, the Group had investment properties with a total carrying amount of HK$7,526,612,000, which represented 42% of the total assets of the Group as at that date. These properties were mainly located in the People's Republic of China ("PRC") and are either leased to third parties or under construction. The Group adopts the fair value model to measure its investment properties in accordance with Hong Kong Accounting Standard ("HKAS") 40 *Investment Property* and to assist management with their assessment of the fair values, engaged an independent professional valuer to perform fair value valuations of all its investment properties. The valuations of the investment properties involve significant judgements and estimations. The significant accounting judgements and estimates and disclosures for fair value measurement of investment properties are included in notes 3 and 13 to the financial statements, respectively.	We evaluated the objectivity, independence and competence of the external valuer. We reviewed the data used as inputs for the valuations and also involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and performing market value benchmarking against comparable properties on a sample basis. Finally, we assessed the adequacy of the related disclosures in the notes to the financial statements.
Purchase price allocation of business combinations As disclosed in note 42(a) to the consolidated financial statements, the Group completed the acquisition of equity interests in three entities during the year (the "Acquisitions"). Management performed purchase price allocations in respect of the Acquisitions with the assistance of an external valuer in determining the fair value of the assets acquired and liabilities assumed at the respective dates of acquisition. Significant judgements were involved in determining the fair values of the assets acquired and liabilities assumed which would have an impact on the purchase price allocations. The significant accounting judgements and estimates and disclosures for the business combinations are included in notes 3 and 42(a) to the financial statements, respectively.	In evaluating the Group's purchase price allocations with respect to the Acquisitions, we reviewed the key estimates adopted by management in assessing the acquisition-date fair values of the identifiable assets and liabilities. We evaluated the objectivity, independence and competence of the external valuer and involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and performing market value benchmarking against comparable properties on a sample basis in respect of the valuation of the acquirees' buildings and investment properties. Finally, we assessed the adequacy of the related disclosures in the notes to the financial statements..

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill Goodwill carried in the Group's consolidated statement of financial position as at 31 December 2017 amounted to HK$186,104,000. In accordance with HKAS 36 *Impairment of Assets*, the Group is required to test goodwill for impairment at least on an annual basis. In this regard, the Group performed an impairment test on its goodwill by estimating the fair value less costs of disposal of the relevant cash-generating units to which the goodwill has been allocated, using the direct comparison method, and compared with the respective carrying values of the relevant cash-generating units. This test is largely based on management expectations, assumptions and estimates of fair value of the relevant cash-generating units. The assumptions are affected by expectations of future market or economic conditions. The significant accounting judgements and estimates and disclosures for the goodwill impairment testing are included in notes 3 and 15 to the financial statements, respectively.	We reviewed management's assessment of the recoverable amounts. Our procedures included understanding and evaluating the Group's basis of allocation of goodwill to relevant cash-generating units, and the method of determining the fair value less costs of disposal of the relevant cash-generating units. In addition, we evaluated the objectivity, independence and competence of the external valuer and involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and performing market value benchmarking against comparable properties on a sample basis in respect of the valuation of buildings and investment properties of the relevant cash-generating units. Finally, we assessed the adequacy of the related disclosures in the notes to the financial statements.
Provision for compensation The Group recorded a provision for resettlement compensation of RMB203,000,000 (equivalent to approximately HK$243,733,000) payable to certain indigenous properties owners and tenants affected by the construction works of a shopping mall of the Group in Guangzhou undertaken by a subsidiary in prior years. Estimating the compensation payable is complex and judgemental and the amount involved is material to the financial statements. The significant accounting judgements and estimates and disclosures for the provision for compensation are included in notes 3 and 32 to the financial statements, respectively..	We assessed the methodologies and assumptions adopted by management and data used as inputs for the estimations of the probable compensation liabilities by checking to the results of historical lawsuits, latest negotiations with local government authorities and certain indigenous properties owners and tenants, and relevant rules and law. We also made reference to a legal letter from an independent professional legal counsel and any additional court verdicts of litigations against the Group in connection with the resettlement in assessing the adequacy of the provision made by the Group. Finally, we assessed the adequacy of the related disclosures in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**335,025**	317,966
Cost of sales and services		**(79,955)**	(64,156)
Gross profit		**255,070**	253,810
Changes in fair value of investment properties, net	13	**(110,572)**	80,819
Gains on bargain purchase of subsidiaries	42(a)	**578,151**	12,372
Other income and gains, net	5	**200,542**	67,183
Selling and distribution expenses		**(17,581)**	(18,679)
Administrative expenses		**(207,234)**	(162,751)
Reversal of provision/(provision) for compensation, net	32	**(10,155)**	250,720
Other expenses		**(25,351)**	(18,969)
Finance costs	6	**(506,361)**	(304,879)
Share of profits and losses of:			
Joint ventures		**88,818**	12,255
Associates		**53,360**	–
PROFIT BEFORE TAX	7	**298,687**	171,881
Income tax	10	**(3,103)**	(47,783)
PROFIT FOR THE YEAR		**295,584**	124,098
Attributable to:			
Shareholders of the Company		**300,916**	115,375
Non-controlling interests		**(5,332)**	8,723
		295,584	124,098
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	11		
Basic and diluted		**HK4.41 cents**	HK1.71 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR		**295,584**	124,098
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**354,725**	(266,830)
– Share of other comprehensive income/(loss) of:			
A joint venture		**12,862**	(46,562)
An associate		**25,675**	–
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**393,262**	(313,392)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of the Company's financial statements into presentation currency		**95,837**	(115,032)
– Changes in fair value of equity investments at fair value through other comprehensive income, net of income tax of nil	18(b)	**90,731**	(258,087)
– Actuarial gains of defined benefit plans	36(b)	**312**	659
– Share of other comprehensive income of:			
A joint venture		**2,738**	88,386
An associate		**921**	–
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**190,539**	(284,074)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX OF NIL		**583,801**	(597,466)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**879,385**	(473,368)
Attributable to:			
Shareholders of the Company		**778,418**	(446,684)
Non-controlling interests		**100,967**	(26,684)
		879,385	(473,368)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**926,288**	873,838
Investment properties	13	**7,526,612**	6,126,836
Prepaid land lease payments	14	**58,734**	23,976
Goodwill	15	**186,104**	142,609
Interests in joint ventures	16	**1,840,408**	766,995
Investments in associates	17	**775,647**	–
Equity investments at fair value through other comprehensive income	18	**52,964**	481,982
Deposits paid for acquisitions of subsidiaries	19	**91,296**	150,887
Deposits paid for acquisitions of investment properties		**–**	17,267
Prepayments, deposits and other receivables	24	**58,031**	2,434
Land held for development or sale	20	**3,639,652**	–
Pledged and restricted bank deposits	26	**55,275**	–
Deferred tax assets	37	**21,164**	–
Total non-current assets		**15,232,175**	8,586,824
CURRENT ASSETS			
Land held for development or sale	20	**561,600**	–
Properties held for sale	21	**97,476**	90,618
Inventories	22	**8,810**	1,462
Trade receivables	23	**11,317**	26,455
Prepayments, deposits and other receivables	24	**197,241**	106,569
Due from a joint venture	16	**38,605**	239,295
Due from related parties	25	**40,039**	417
Restricted cash	26	**38,667**	23,269
Cash and cash equivalents	26	**1,634,772**	2,643,555
Total current assets		**2,628,527**	3,131,640
CURRENT LIABILITIES			
Trade payables	27	**9,275**	6,221
Other payables and accruals	28	**695,382**	551,521
Due to related parties	25	**163,386**	32,339
Bank borrowings	29	**167,523**	234,223
Guaranteed bonds	30	**2,320,180**	–
Convertible bonds	31	**–**	429,803
Income tax payables		**63,328**	39,739
Provision for compensation	32	**243,733**	222,174
Total current liabilities		**3,662,807**	1,516,020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NET CURRENT ASSETS/(LIABILITIES)		**(1,034,280)**	1,615,620
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,197,895**	10,202,444
NON-CURRENT LIABILITIES			
Deposits received	33	**114,972**	–
Due to related parties	25	**448,451**	31,486
Bank borrowings	29	**2,889,883**	2,062,263
Guaranteed bonds	30	**2,330,206**	2,281,437
Derivative financial instrument	34	**50,947**	54,120
Deferred income	35	**86,940**	–
Defined benefit plans	36	**16,929**	15,535
Deferred tax liabilities	37	**1,466,928**	752,760
Total non-current liabilities		**7,405,256**	5,197,601
Net assets		**6,792,639**	5,004,843
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	38	**685,260**	676,659
Reserves	40(a)	**3,734,063**	2,983,931
		4,419,323	3,660,590
Non-controlling interests		**2,373,316**	1,344,253
Total equity		**6,792,639**	5,004,843

Qian Xu
Director

Siu Kin Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		Attributable to shareholders of the Company													
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000 (note 40(b))	Capital and other reserves HK$'000	Convertible bond equity reserve HK$'000	Financial asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserves HK$'000 (note 40(c))	Defined benefit plan reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		676,659	1,705,102	367,278	194,415	5,336	247,321	(46,682)	(164,330)	3,004	(3,646)	1,235,963	4,220,420	240,264	4,460,684
Profit for the year		–	–	–	–	–	–	–	–	–	–	115,375	115,375	8,723	124,098
Other comprehensive income/(loss) for the year:															
– Changes in fair value of equity investments at fair value through other comprehensive income, net of income tax of nil		–	–	–	–	–	–	(258,087)	–	–	–	–	(258,087)	–	(258,087)
– Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(328,131)	–	–	–	(328,131)	(53,731)	(381,862)
– Share of other comprehensive income/(loss) of a joint venture		–	–	–	–	57,451	–	–	(33,951)	–	–	–	23,500	18,324	41,824
– Actuarial gains of defined benefit plans		–	–	–	–	–	–	–	–	–	659	–	659	–	659
Total comprehensive income/(loss) for the year		–	–	–	–	57,451	–	(258,087)	(362,082)	–	659	115,375	(446,684)	(26,684)	(473,368)
Deemed disposal of a subsidiary without loss of control[@]		–	–	–	–	(113,146)	–	–	–	–	–	–	(113,146)	1,081,616	968,470
Acquisition of the non-controlling interest of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(116,600)	(116,600)
Acquisition of subsidiaries classified as business combinations	42(a)	–	–	–	–	–	–	–	–	–	–	–	–	165,657	165,657
At 31 December 2016 and 1 January 2017		**676,659**	**1,705,102***	**367,278***	**194,415***	**(50,359)***	**247,321***	**(304,769)***	**(526,412)***	**3,004***	**(2,987)***	**1,351,338***	**3,660,590**	**1,344,253**	**5,004,843**
Profit for the year		–	–	–	–	–	–	–	–	–	–	300,916	300,916	(5,332)	295,584
Other comprehensive income for the year:															
– Changes in fair value of equity investments at fair value through other comprehensive income, net of income tax of nil		–	–	–	–	–	–	90,731	–	–	–	–	90,731	–	90,731
– Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	349,723	–	–	–	349,723	100,839	450,562
– Share of other comprehensive income of a joint venture		–	–	–	–	1,780	–	–	8,360	–	–	–	10,140	5,460	15,600
– Share of other comprehensive income of an associate		–	–	–	–	921	–	–	25,675	–	–	–	26,596	–	26,596
– Actuarial gains of defined benefit plans		–	–	–	–	–	–	–	–	–	312	–	312	–	312
Total comprehensive income for the year		–	–	–	–	2,701	–	90,731	383,758	–	312	300,916	778,418	100,967	879,385
Reclassification adjustment upon deemed disposal of equity investments at fair value through other comprehensive income	18(a)	–	–	–	–	–	–	132,300	–	–	–	(132,300)	–	–	–
Early redemption of convertible bonds	31	–	–	–	–	–	(247,321)	–	–	–	–	163,832	(83,489)	–	(83,489)
Acquisition of subsidiaries classified as business combinations	42(a)	–	–	–	–	47,977	–	–	–	–	–	–	47,977	981,954	1,029,931
Acquisition of subsidiaries classified as acquisition of assets and liabilities	42(b)	8,601	24,944	–	–	–	–	–	–	–	–	–	33,545	–	33,545
Acquisition of a non-controlling equity holder of a subsidiary		–	–	–	–	(17,718)	–	–	–	–	–	–	(17,718)	(74,270)	(91,988)
Transfer of share option reserve upon forfeiture of share options	39	–	–	–	(13,700)	–	–	–	–	–	–	13,700	–	–	–
Contribution from non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	20,412	20,412
At 31 December 2017		**685,260**	**1,730,046***	**367,278***	**180,715***	**(17,399)***	**–***	**(81,738)***	**(142,654)***	**3,004***	**(2,675)***	**1,697,486***	**4,419,323**	**2,373,316**	**6,792,639**

* These reserve accounts comprise the consolidated reserves of HK$3,734,063,000 (2016: HK$2,983,931,000) in the consolidated statement of financial position as at 31 December 2017.

@ Deemed disposal of a subsidiary without loss of control during the year ended 31 December 2016 arose from the conversion of the redeemable and convertible shares of China Logistics Infrastructures (Holdings) Limited ("China Logistics"), a subsidiary of the Company, by the holders into shares of China Logistics, resulting in a dilution of the Group's interest in China Logistics from 100% to 65%. Since the deemed disposal transaction did not result in a loss of control over China Logistics, it was accounted for as an equity transaction and the loss on the deemed disposal of partial interest in China Logistics of HK$113,146,000 was recognised directly in the consolidated capital reserve of the Group during the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**298,687**	171,881
Adjustments for:			
Gains on bargain purchase of subsidiaries	42(a)	**(578,151)**	(12,372)
Bank interest income	5	**(52,562)**	(32,686)
Other interest income	5	**(18,355)**	(10,741)
Government grants	5	**(6,473)**	(658)
Fair value loss/(gain) of investment properties, net	13	**110,572**	(80,819)
Fair value gain of a derivative financial instrument	5	**(3,173)**	(13,468)
Gain on deemed acquisition of an associate	5	**(138)**	–
Impairment of an associate	7	**4,534**	–
Gain on disposal of a land use right	5	**–**	(386)
Loss on disposal of items of property, plant and equipment	7	**107**	159
Depreciation	12	**40,346**	35,506
Amortisation of prepaid land lease payments	14	**1,411**	303
Provision/(reversal of provision) for compensation, net	32	**10,155**	(250,720)
Cost of defined benefit plans	36(a)	**992**	1,028
Finance costs	6	**506,361**	304,879
Share of profits of joint ventures		**(88,818)**	(12,255)
Share of profits of associates		**(53,360)**	–
Operating profit before working capital changes		**172,135**	99,651
Increase in inventories		**(900)**	(447)
Decrease/(increase) in trade receivables		**16,787**	(4,544)
Decrease/(increase) in prepayments, deposits and other receivables		**(62,291)**	2,705
Increase in amounts due from related parties		**(6,951)**	(674)
Increase/(decrease) in trade payables		**(44,138)**	15,444
Increase/(decrease) in other payables and accruals		**43,273**	(55,216)
Decrease in defined benefit plans		**(507)**	(421)
Cash generated from operations		**117,408**	56,498
Mainland China income tax paid		**(10,926)**	(12,610)
Settlement for compensation	32	**(7,793)**	(5,518)
Net cash flows from operating activities		**98,689**	38,370

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	12	**(22,638)**	(8,277)
Acquisition of investment properties	13	**(380,435)**	(392,948)
Acquisition of a land use right		**–**	(6,247)
Acquisition of subsidiaries classified as business combinations	42(a)	**(1,700,115)**	(287,017)
Acquisition of subsidiaries classified as acquisition of assets and liabilities	42(b)	**(152,095)**	–
Payment in respect of acquisition of a subsidiary in prior year		**(23,889)**	–
Investment in a joint venture		**(12,007)**	(186,486)
Acquisition of associates		**(180,337)**	–
Deposits paid for acquisitions of businesses		**–**	(106,580)
Proceeds from disposal of items of property, plant and equipment		**84**	428
Proceeds from disposal of land use rights		**–**	14,862
Refund of deposit paid for acquisition of a joint venture		**–**	138,601
Net repayment of loan advanced to third parties		**–**	30,443
Advance to a joint venture		**(763,706)**	–
Repayment of loans advance to a joint venture		**115,306**	–
Interest received		**52,562**	35,420
Increase in time deposits with maturity of more than three months when acquired		**(254,565)**	(5,484)
Net cash flows used in investing activities		**(3,321,835)**	(773,285)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling equity holders of subsidiaries		**20,411**	426,332
New loans		**1,474,378**	1,517,197
Repayment of loans		**(948,780)**	(1,540,967)
Issue of guaranteed bonds		**2,281,334**	–
Redemption of convertible bonds		**(689,109)**	–
Deposit received for partial disposal of a subsidiary		**114,972**	–
Net advances from related companies		**67,831**	36
Acquisitions of the non-controlling interests of subsidiaries		**(113,484)**	(116,600)
Interest paid		**(322,514)**	(245,703)
Government grants received		**89,530**	–
Net cash flows from financing activities		**1,974,569**	40,295

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,248,577)**	(694,620)
Cash and cash equivalents at beginning of year		**2,651,197**	3,345,282
Effect of foreign exchange rate changes, net		**55,902**	535
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,458,522**	2,651,197
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	26	**1,321,450**	824,364
Time deposits	26	**407,264**	1,842,460
Less: Restricted cash	26	**(93,942)**	(23,269)
Cash and cash equivalents as stated in the consolidated statement of financial position	26	**1,634,772**	2,643,555
Add: Restricted cash and pledged deposits		**41,292**	23,269
Less: Time deposits with maturity of more than three months when acquired		**(217,542)**	(15,627)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,458,522**	2,651,197

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2017 are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/registered capital	Percentage of attributable equity interest held by the Company	Percentage of attributable equity interest held by the Group	Principal activities
China Logistics Infrastructures (Holdings) Limited ("China Logistics")	British Virgin Islands/Hong Kong	US$100	65	65	Investment holding
廣州光明房產建設有限公司 ("Guangzhou Guangming")^^#	PRC/Mainland China	US$28,080,000	–	98.90	Shopping mall holding and leasing
北京金都假日飯店有限公司 ("BJ Holiday Inn")^^^#	PRC/Mainland China	US$11,520,000	–	100	Hotel operation
天津萬士隆國際物流有限公司^^#	PRC/Mainland China	US$6,660,000	–	75.50	Provision of logistics services
北建(上海)倉儲有限公司^	PRC/Mainland China	US$98,500,000	–	65	Provision of logistics services

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/registered capital	Percentage of attributable equity interest held by the Company	Percentage of attributable equity interest held by the Group	Principal activities
廈門遜達洪通倉儲物流有限責任公司^^#	PRC/Mainland China	RMB135,000,000	–	80	Provision of logistics services
眉山遜達洪通倉儲有限責任公司 ("Meishan Xunda")^^#	PRC/Mainland China	RMB100,000,000	–	60	Provision of logistics services
衢州通成農業發展有限公司^#	PRC/Mainland China	RMB249,800,000	–	100	Logistics facilities development
天域萬隆物流(天津)有限公司^#	PRC/Mainland China	US$9,800,000	–	75.50	Provision of logistics services
天津中漁置業有限公司^^#	PRC/Mainland China	RMB112,500,000	–	60	Provision of logistics services
Zhong Jian Jin Bian Jing Ji Te Qu Ltd ("Zhong Jian Jin Bian")Ω#	Cambodia	US$10,000,000	–	60	Development and sale of land located in a special econmic zone in Cambodia
天津通達優智物流有限公司 ("Tianjin Tong Da You Zhi")^Ω#	PRC/Mainland China	HK$20,000,000	–	65	Provision of logistics services
通遼大華物流有限責任公司Ω#	PRC/Mainland China	RMB23,848,800	–	100	Provision of logistics services

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/registered capital	Percentage of attributable equity interest held by the Company	Percentage of attributable equity interest held by the Group	Principal activities
新丹物流設施發展（蘇州）有限公司^Ω#	PRC/Mainland China	US$60,000,000	–	64.7	Logistics facilities development
嘉地工業地產發展（常熟）有限公司^Ω#	PRC/Mainland China	US$60,000,000	–	64.7	Logistics facilities development
福城工業設施發展（太倉）有限公司^Ω#	PRC/Mainland China	US$30,000,000	–	64.7	Provision of logistics services
北京允中投資咨詢有限公司^#	PRC/Mainland China	US$10,000,000	–	100	Office management
北京北建昱達投資諮詢有限公司^#	PRC/Mainland China	RMB2,000,000	–	100	Office management

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

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

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

Ω Acquired during the year.

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

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

At 31 December 2017, certain equity interests of subsidiaries with an aggregate carrying amount of HK$3,018,350,000 (2016: HK$3,068,373,000) were pledged to secure certain bank loans granted to the Group (note 29(a)(iii)).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.1 BASIS OF PRESENTATION

Despite that the Group had net current liabilities of HK$1,034,280,000 and the Group had capital commitments of HK$260,534,000 in total for various construction projects and acquisitions of businesses as further detailed in note 45 to the financial statements, the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group's cash flow projection which, inter alia, take into account the historical operating performance of the Group and the following:

(a) the existing banking facilities available to the Group as at the date of approval of these financial statements and on the assumption that such facilities will continue to be available from the Group's principal bankers;

(b) certain of the above-mentioned total capital commitments are expected to be fulfilled by the Group after 2018 with reference to the terms of respective agreements and the current status of the projects; and

(c) realisation of profits of certain investments or properties.

In addition, the Company will consider equity and/or debt financing when necessary.

Accordingly, these financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

2.2 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.2 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 43(b) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

(a) The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

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

(c) HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15 and the expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

The Group's principal activities which generated revenue during the year and are within the scope of HKFRS 15 consist of provision of property management services, logistics management services, and operating a hotel. Currently, the Group recognises property management services income and logistics management services income over time when services are provided, and recognises income from operation of a hotel immediately after customers' consumption inside the hotel. After assessment, the current accounting policy for recognition of property management service income and logistics management services income will still be an appropriate method under HKFRS 15. In respect of the operation of a hotel, given the short period of time to complete the services, the Group will continue to recognise revenue from these services when the services have been rendered upon adoption of HKFRS 15. Accordingly, the Group has determined that there will not be any significant impact on the Group's financial position and financial performance upon adoption of HKFRS 15. The Group anticipates that the application of HKFRS 15 may result in more disclosures in the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

(d) HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption. and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 44(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$1,685,000. Upon adoption of HKAS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

(e) Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

(f) HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

(g) HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

Business combinations and goodwill

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

Fair value measurement

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

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

Investment property

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

(i) Debt instruments at amortised cost

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

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

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

Reclassification

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

Derecognition

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

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

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

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

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

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

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

(ii) Loans and borrowings

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

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

(iii) Financial guarantee contracts

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Derecognition

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

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

Convertible bonds

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

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

Offsetting of financial instruments

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

Land held for development or sale

Land held for development or sale is stated at the lower of cost and net realisable value and comprises the land acquisition cost, property transfer tax and other costs directly attributable to such land during the development period.

Net realisable value takes into account the Group's proceeds derived from the sale of land held for development or sale, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land held for development or sale based on prevailing market conditions.

Any excess of cost over the net realisable value of individual items of land held for development or sale is recognised as an expense in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group a legally enforceable right to set off current tax assets and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

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

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 39 to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

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

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

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

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

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

Other employee benefits (Pension schemes)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits (Pension schemes) (Continued)

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

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

Borrowing costs

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

Foreign currencies

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation of fair value of investment properties

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

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

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

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

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

Control over the hotel operation

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

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

Classification of land held by the Group as land held for development or sale

The Group determines whether a freehold land qualifies as a land held for development or sale and has developed criteria in making that judgement. Land held for development or sale is intended for sale after development (if applicable) instead of holding to earn rentals or for capital appreciation or both.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Carrying amount of land held for development or sale

The Group's land held for development or sale is stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land held for development or sale, and its net realisable value, i.e., the revenue to be derived from the land held for development or sale for sale, less costs to development and the costs to be incurred in realising the revenue from the sale of land held for development or sale based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land held for development or sale over its net realisable value should be made. Such provisions would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land held for development or sale in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land held for development or sale as at 31 December 2017 was HK$4,201,252,000 (2016: Nil). Further details are given in note 20 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the respective business segment cash-generating units to which the goodwill is allocated, which is the higher of the fair value less costs of disposal and value in use. The assessment of the recoverable amount requires the use of estimates and assumptions such as identifying comparable market transactions for completed investment properties and certain investment properties under construction; and long-term rental rates (considering current and historical rents, price trends and related factors), discount rates, operating costs, future capital requirements and operating performance (which includes occupancy rate) for certain investment properties under construction. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections and impact the recoverable amount of the cash-generating unit, thus the goodwill impairment assessment. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2017 was HK$186,104,000 (2016: HK$142,609,000), details of which are set out in note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment of trade receivables and other receivables

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of the collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amounts of trade receivables and other receivables carried as assets in the consolidated statement of financial position as at 31 December 2017 were HK$11,317,000 (2016: HK$26,455,000) and HK$185,435,000 (2016: HK$101,668,000), respectively, details of which are set out in notes 23 and 24 to the financial statements.

Provision for compensation

As further disclosed in note 32 to the financial statements, Guangzhou Guangming, a subsidiary of the Group, involved in certain legal proceedings, arising from its failure to fulfill the compensation obligation liable to certain indigenous properties owners and tenants in accordance with the resettlement schedule agreed in prior years. Management determines the provision for compensation based on their best estimate, after considering all the available information such as the results of historical lawsuits, latest negotiations between local government authorities and certain indigenous properties owners and tenants, relevant rules and law and legal advice. If the final outcome of the claims and negotiations is different from the estimation made by management, such difference will impact the provision for compensation in the year in which the liabilities of the compensation are concluded.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2017 was HK$63,328,000 (2016: HK$39,739,000).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group recognised deferred tax assets of HK$21,164,000 as at 31 December 2017 (2016: Nil).

Purchase price allocation

During the year ended 31 December 2017, the Group entered into equity transfer agreements with certain third parties for the acquisitions of 100%, 100% and 60% equity interests in Tianjin Tong Da You Zhi, North Supply Chain Management Group Limited ("North Supply") and Zhong Jian Jin Bian (collectively, the "Acquisitions"), respectively. The allocation of the purchase prices to items with material fair value adjustments, such as properties, involved significant management judgement and estimation base on key assumptions such as current prices in an active market for properties, estimated annual rental income and the recoverability of receivables. Gains on bargain purchase of HK$578,151,000 in total were recognised in profit or loss and goodwill of HK$43,495,000 was recognised in the consolidated statement of financial position in respect of the Acquisitions during the year ended 31 December 2017. Further details of the Acquisitions are given in note 42(a) to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Fair value of a put option

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

4. OPERATING SEGMENT INFORMATION

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

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

(b) the logistics business segment engages in the leasing of warehouse facilities in Mainland China and provision of related services;

(c) the industrial business segment engages in the leasing of industrial facilities in Mainland China and provision of related management services; and

(d) the primary land development business segment engages in the sale of land held for development or sale and provision of primary land development services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that gains on bargain purchase of subsidiaries, gain on deemed acquisition of an associate, gain on disposal of a land use right, fair value gain of a derivative instrument, other unallocated gains, foreign exchange differences, interest income, finance costs, as well as head office and corporate income/expenses are excluded from such measurement.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (Continued)

	Properties business		Logistics business		Industrial business		Primary land development business		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Segment revenue:										
Sales to external customers	**138,942**	140,652	**194,345**	177,314	**1,738**	–	**–**	–	**335,025**	317,966
Changes in fair value of investment properties, net	**(32,521)**	19,929	**(116,879)**	60,890	**38,828**	–	**–**	–	**(110,572)**	80,819
	106,421	160,581	**77,466**	238,204	**40,566**	–	**–**	–	**224,453**	398,785
Segment results:										
The Group	**(15,351)**	275,249	**(72,862)**	153,998	**30,643**	–	**(14)**	–	**(57,584)**	429,247
Share of profits and losses of:										
Joint ventures	**–**	–	**88,818**	12,255	**–**	–	**–**	–	**88,818**	12,255
Associates	**53,360**	–	**–**	–	**–**	–	**–**	–	**53,360**	–
	38,009	275,249	**15,956**	166,253	**30,643**	–	**(14)**	–	**84,594**	441,502
Reconciliation:										
Gains on bargain purchase of subsidiaries									**578,151**	12,372
Gain on deemed acquisition of an associate									**138**	–
Gain on disposal of a land use right									**–**	386
Fair value gain of a derivative instrument									**3,173**	13,468
Bank interest income									**52,562**	32,686
Other interest income									**18,355**	10,741
Other unallocated gains									**16,481**	9,902
Foreign exchange differences, net									**109,833**	(15,082)
Corporate and other unallocated expenses									**(58,239)**	(29,215)
Finance costs									**(506,361)**	(304,879)
Profit before tax									**298,687**	171,881
Segment assets	**3,139,100**	2,922,603	**6,964,971**	5,729,423	**589,179**	–	**4,414,766**	–	**15,108,016**	8,652,026
Reconciliation:										
Corporate and other unallocated assets									**2,752,686**	3,066,438
Total assets									**17,860,702**	11,718,464
Segment liabilities	**(482,558)**	(402,415)	**(391,659)**	(323,860)	**(198,860)**	–	**(77,994)**	–	**(1,151,071)**	(726,275)
Reconciliation:										
Corporate and other unallocated liabilities									**(9,916,992)**	(5,987,346)
Total liabilities									**(11,068,063)**	(6,713,621)

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (Continued)

	Properties business		Logistics business		Industrial business		Primary land development business		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information										
Depreciation:										
Segment assets	**28,770**	33,307	**11,490**	2,150	**56**	–	**–**	–	**40,316**	35,457
Corporate and other unallocated assets									**30**	49
									40,346	35,506
Amortisation of prepaid land lease payments	**988**	–	**423**	303	**–**	–	**–**	–	**1,411**	303
Provision for compensation/(reversal of provision), net	**10,155**	(250,720)	**–**	–	**–**	–	**–**	–	**10,155**	(250,720)
Investments in joint ventures	**–**	–	**922,235**	766,995	**–**	–	**–**	–	**922,235**	766,995
Investments in associates	**607,556**	–	**–**	–	**–**	–	**168,091**	–	**775,647**	–
Impairment of an associate	**4,534**	–	**–**	–	**–**	–	**–**	–	**4,534**	–
Capital expenditure*:										
Segment assets	**6,034**	2,049	**491,307**	1,465,036	**582,184**	–	**4,201,252**	–	**5,280,777**	1,467,085
Corporate and other unallocated assets									**1,676**	–
									5,282,453	1,467,085

* Capital expenditure Consists of additions of property, plant and equipment, investment properties, prepaid land lease payments and land held for development or sale, including assets from the acquisition of subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Geographical information of revenue is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China.

(b) Non-current assets

	2017	2016
	HK$'000	HK$'000
The PRC	**10,420,823**	7,849,136
Cambodia	**3,613,530**	–
Others	**58,889**	85,118
	14,093,242	7,934,254

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

Information about major customers

During the years ended 31 December 2017 and 2016, the Group had no single external customer which contributed over 10% of the Group's total revenue for each of these years.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue			
Gross rental income		**222,064**	217,087
Hotel operation		**95,642**	90,967
Management fee income		**17,319**	9,912
		335,025	317,966
Other income			
Bank interest income		**52,562**	32,686
Other interest income		**18,355**	10,741
Government grants*		**6,473**	658
Others		**10,008**	9,244
		87,398	53,329
Gains, net			
Gain on disposal of a land use right		**–**	386
Gain on deemed acquisition of an associate	17(a)	**138**	–
Fair value gain of a derivative financial instrument	34	**3,173**	13,468
Foreign exchange differences, net		**109,833**	–
		113,144	13,854
Other income and gains, net		**200,542**	67,183

* The government grants recognised during the year represented grants received from certain government authorities in respect of the fulfilment of certain specific requirements in respect of the Group's investments in certain subsidiaries, construction of warehouses and purchase of land use rights and property, plant and equipment in the PRC.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

6. FINANCE COSTS

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

	2017 HK$'000	2016 HK$'000
Interest on bank loans	99,951	86,954
Interest on convertible bonds	21,628	22,465
Imputed interest on convertible bonds (note 31)	49,966	45,418
Interest on guaranteed bonds	251,883	150,042
Loss on early redemption of convertible bonds	82,933	–
Total	506,361	304,879

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2017 HK$'000	2016 HK$'000
Direct cost of rental income		30,350	16,233
Cost of hotel operation		46,147	46,601
Cost of services provided		3,458	1,322
Depreciation*	12	40,346	35,506
Amortisation of prepaid land lease payments	14	1,411	303
Impairment of an associate**	17(d)	4,534	–
Minimum lease payments under operating leases in respect of land and buildings		4,909	6,004
Loss on disposal of items of property, plant and equipment**		107	159
Write-off of trade receivables**		14,072	–
Employee benefit expense (including directors' remuneration – note 8):*			
Salaries, allowances and benefits in kind		81,884	68,766
Defined contribution scheme contributions		18,485	12,560
Cost of defined benefit plans	36(a)	992	1,028
		101,361	82,354
Foreign exchange differences, net		(109,833)	15,082**

* Depreciation and employee benefit expense disclosed above included amounts of HK$17,117,000 (2016: HK$17,037,000) and HK$22,255,000 (2016: HK$16,298,000), respectively, which are included in "Cost of sales and services" in the consolidated statement of profit or loss.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

8. DIRECTORS' REMUNERATION

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

	2017	2016
	HK$'000	HK$'000
Fees	**2,237**	1,915
Other emoluments:		
Salaries, allowances and benefits in kind	**3,553**	2,236
Performance-related bonus (note (a))	**1,779**	1,046
Pension scheme contributions	**117**	103
	5,449	3,385
	7,686	5,300

NOTES TO FINANCIAL STATEMENTS

31 December 2017

8. DIRECTORS' REMUNERATION (Continued)

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonus HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2017					
Executive directors:					
Mr. Qian Xu	180	1,828	819	–	2,827
Mr. Siu Kin Wai	180	–	210	–	390
Mr. Ang Renyi	144	–	–	–	144
Mr. Yu Luning	144	–	–	–	144
Mr. Hu Yebi	144	–	–	–	144
Mr. Li Changfeng	144	661	594	99	1,498
Mr. Dong Qilin	144	–	–	–	144
Mr. Zhao Jiansuo	144	–	–	–	144
Mr. Li Shuping	144	–	–	–	144
Mr. Cheng Ching Fu (appointed on 7 July 2017)	70	576	79	9	734
Mr. Wan Lee Cham (resigned on 7 July 2017)	72	488	77	9	646
	1,510	3,553	1,779	117	6,959
Independent non-executive directors:					
Mr. Goh Gen Cheung	144	–	–	–	144
Mr. James Chan	144	–	–	–	144
Mr. Zhu Wuxiang	144	–	–	–	144
Mr. Song Lishui	144	–	–	–	144
Mr. Xie Ming (appointed on 15 May 2017)	91	–	–	–	91
Mr. Chan Yuk Cheung (resigned on 15 May 2017)	60	–	–	–	60
	727	–	–	–	727
Total	2,237	3,553	1,779	117	7,686

NOTES TO FINANCIAL STATEMENTS

31 December 2017

8. DIRECTORS' REMUNERATION (Continued)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

8. DIRECTORS' REMUNERATION (Continued)

Notes:

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

(b) There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2017 included two (2016: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2016: four) non-director, highest paid employees for the year are as follows:

	Group	
	2017	2016
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,358**	3,947
Pension scheme contributions	**334**	332
	3,692	4,279

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

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	3
	3	4

NOTES TO FINANCIAL STATEMENTS

31 December 2017

10. INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Current – Mainland China		
Charge for the year	**33,265**	14,717
Overprovision in prior years	**(424)**	(915)
Deferred (note 37)	**(29,738)**	33,981
Total tax expense for the year	**3,103**	47,783

No provision for Hong Kong profits tax and Cambodia corporate income tax has been made as the Group did not generate any assessable profits arising in Hong Kong and Cambodia during the year (2016: Nil).

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

10. INCOME TAX (Continued)

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

Year ended 31 December 2017

	Hong Kong		Mainland China		Cambodia		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(335,859)		63,662		570,884		298,687	
Tax expense/(credit) at the statutory tax rate	(55,416)	16.5	15,916	25.0	97,050	17.0	57,550	19.3
Profit attributable to joint ventures and associates	–	–	(35,553)	(55.8)	–	–	(35,553)	(11.9)
Income not subject to tax	(28,976)	8.6	(12,303)	(19.3)	(97,072)	(17.0)	(138,351)	(46.3)
Expenses not deductible for tax	84,392	(25.1)	25,728	40.4	22	–	110,142	36.8
Tax losses not recognised as deferred tax assets	–	–	14,448	22.7	–	–	14,448	4.8
Tax losses utilised from previous periods	–	–	(4,709)	(0.7)	–	–	(4,709)	(1.6)
Adjustment in respect of current tax of previous periods	–	–	(424)	–	–	–	(424)	(0.1)
Tax expense at the Group's effective tax rate	–	–	3,103	4.9	–	–	3,103	1.0

NOTES TO FINANCIAL STATEMENTS

31 December 2017

10. INCOME TAX (Continued)

Year ended 31 December 2016

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

The share of income tax attributable to joint ventures and associates amounting HK$4,080,000 (2016: HK$4,900,000) and HK$26,634,000 (2016: Nil), respectively, are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of 6,822,201,563 (2016: 6,766,587,849) ordinary shares in issue during the year.

In respect of the diluted earnings per share amounts for the years ended 31 December 2017 and 2016, no adjustment has been made to the basic earnings per share amounts presented as the impact of the share options and convertible bonds outstanding during these years had either no diluting effect or an anti-dilutive effect on the basic earnings per share amounts presented.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

12. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Buildings HK$'000 (note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2017							
At 1 January 2017:							
Cost	622,840	226,193	11,536	62,852	15,432	5,266	944,119
Accumulated depreciation	(37,629)	(9,882)	(4,952)	(14,987)	(2,831)	–	(70,281)
Net carrying amount	585,211	216,311	6,584	47,865	12,601	5,266	873,838
Net carrying amount:							
At 1 January 2017	585,211	216,311	6,584	47,865	12,601	5,266	873,838
Acquisition of subsidiaries classified as business combinations (note 42(a))	–	–	–	114	–	–	114
Acquisition of subsidiaries classified as acquisition of assets and liabilities (note 42(b))	–	–	–	–	2	801	803
Transfer from investment properties (note 13)	–	3,645	–	–	–	–	3,645
Additions	–	3,462	7,361	4,949	2,457	4,409	22,638
Depreciation provided during the year	(16,085)	(6,055)	(4,601)	(10,623)	(2,982)	–	(40,346)
Disposals/written off	–	–	–	(56)	(135)	–	(191)
Exchange realignment	43,612	16,406	315	3,389	1,128	937	65,787
At 31 December 2017	612,738	233,769	9,659	45,638	13,071	11,413	926,288
At 31 December 2017:							
Cost	669,963	252,573	18,192	78,227	19,487	11,413	1,049,855
Accumulated depreciation	(57,225)	(18,804)	(8,533)	(32,589)	(6,416)	–	(123,567)
Net carrying amount	612,738	233,769	9,659	45,638	13,071	11,413	926,288

NOTES TO FINANCIAL STATEMENTS

31 December 2017

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel property HK$'000	Buildings HK$'000 (note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2016							
At 1 January 2016:							
Cost	665,806	237,212	10,111	63,215	11,286	5,473	993,103
Accumulated depreciation	(23,581)	(6,099)	(3,839)	(11,013)	(2,569)	–	(47,101)
Net carrying amount	642,225	231,113	6,272	52,202	8,717	5,473	946,002
Net carrying amount:							
At 1 January 2016	642,225	231,113	6,272	52,202	8,717	5,473	946,002
Acquisition of subsidiaries classified as business combinations (note 42(a))	–	5,079	1	9,029	920	1,383	16,412
Additions	–	–	1,339	84	6,854	–	8,277
Transfer	–	1,115	751	–	(522)	(1,344)	–
Depreciation provided during the year	(16,301)	(5,743)	(1,359)	(9,722)	(2,381)	–	(35,506)
Disposals	–	–	–	(145)	(303)	–	(448)
Exchange realignment	(40,713)	(15,253)	(420)	(3,583)	(684)	(246)	(60,899)
At 31 December 2016	585,211	216,311	6,584	47,865	12,601	5,266	873,838
At 31 December 2016:							
Cost	622,840	226,193	11,536	62,852	15,432	5,266	944,119
Accumulated depreciation	(37,629)	(9,882)	(4,952)	(14,987)	(2,831)	–	(70,281)
Net carrying amount	585,211	216,311	6,584	47,865	12,601	5,266	873,838

Note: At 31 December 2017, certain buildings of the Group with an aggregate net carrying amount of HK$58,545,000 (2016: HK$52,990,000) were pledged to secure certain bank loans granted to the Group (note 29(a)(i)).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

13. INVESTMENT PROPERTIES

	Notes	Completed HK$'000	Under construction HK$'000	Total HK$'000
Carrying amount as at 1 January 2016		4,174,342	842,399	5,016,741
Acquisition of subsidiaries classified as business combinations	42(a)	1,004,719	38,482	1,043,201
Additions		–	392,948	392,948
Transfer		519,137	(519,137)	–
Net gain on fair value adjustments		38,044	42,775	80,819
Exchange realignment		(353,481)	(53,392)	(406,873)
Carrying amount as at 31 December 2016 and 1 January 2017		5,382,761	744,075	6,126,836
Acquisition of subsidiaries classified as business combinations	42(a)	177,332	180,115	357,447
Acquisition of subsidiaries classified as acquisition of assets and liabilities	42(b)	176,894	106,858	283,752
Additions		2,507	377,928	380,435
Reclassification upon completion of construction		810,470	(810,470)	–
Net gain/(loss) on fair value adjustments		(113,428)	2,856	(110,572)
Transfer to owner-occupied property	12	(3,645)	–	(3,645)
Exchange realignment		435,403	56,956	492,359
Carrying amount as at 31 December 2017		6,868,294	658,318	7,526,612

Notes:

(a) At 31 December 2017, the Group's investment properties consisted of thirteen (2016: nine) completed properties and seven (2016: three) properties under construction.

The completed investment properties are leased to third parties and related companies under operating leases, further summary details of which are included in note 44(a) to the financial statements.

At 31 December 2017, certain investment properties of the Group with an aggregate carrying amount of HK$6,497,055,000 (2016: HK$5,601,560,000) were pledged to secure certain bank loans granted to the Group (note 29(a)(ii)).

(b) The Group's investment properties were revalued on 31 December 2017 based on valuations performed by CHFT Advisory and Appraisal Ltd. (2016: Crowe Horwath (HK) Consulting & Valuation Limited), independent professionally qualified valuers, at HK$7,526,612,000 (2016: HK$6,126,836,000). Each year, the Group's senior management decides which external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has on-going discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

13. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(b) (Continued)

Fair value hierarchy disclosure

At 31 December 2017, fair value measurements of all of the Group's investment properties are using significant unobservable inputs (Level 3) as defined in HKFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

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

Valuation techniques	Significant unobservable inputs		Input/range of input 2017	2016
Completed investment properties				
Direct comparison method	(i)	Price per square meter (sq.m)	**RMB2,700-RMB89,000 per sq.m**	RMB3,000-RMB85,000 per sq.m
Income capitalisation method	(i)	Capitalisation rate (%)	**5.5-10.75%**	5.75-10.75%
	(ii)	Annual rental income	**RMB5,600,000-RMB73,191,000 per annum**	RMB3,657,000-RMB106,815,000 per annum
Investment properties under construction				
Direct comparison method	(i)	Price per sq.m	**RMB3,300 per sq.m**	RMB3,500-RMB19,600 per sq.m

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

14. PREPAID LAND LEASE PAYMENTS

	Notes	2017 HK$'000	2016 HK$'000
Carrying amount as at 1 January		**24,385**	20,073
Acquisition of subsidiaries classified as acquisition of assets and liabilities	42(b)	**36,011**	–
Additions		**–**	6,247
Amortisation provided during the year:			
Charged to profit or loss		**(1,411)**	(303)
Exchange realignment		**2,182**	(1,632)
Carrying amount as at 31 December		**61,167**	24,385
Current portion included in prepayments, deposits and other receivables	24	**(2,433)**	(409)
Non-current portion		**58,734**	23,976

Note: At 31 December 2017, certain of the Group's prepaid land lease payments with a carrying amount of HK$19,575,000 (2016: HK$18,488,000) were sub-leased from certain grantees of the land use rights and therefore, the relevant land use rights were not registered under the name of the Group.

15. GOODWILL

	2017			2016		
	Properties business HK$'000	Logistics business HK$'000	Total HK$'000	Properties business HK$'000	Logistics business HK$'000	Total HK$'000
Cost and net carrying amount as at 1 January	**44,031**	**98,578**	**142,609**	44,031	18,738	62,769
Acquisition of subsidiaries classified as business combinations (note 42(a))	**–**	**43,495**	**43,495**	–	79,840	79,840
Cost and net carrying amount as at 31 December	**44,031**	**142,073**	**186,104**	44,031	98,578	142,609

NOTES TO FINANCIAL STATEMENTS

31 December 2017

15. GOODWILL (Continued)

Impairment testing of goodwill

At 31 December 2017, goodwill acquired through business combinations is allocated to the following operating segments for impairment testing:

- Properties business

- Logistics business

(i) Properties business

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

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

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the properties business segment as at 31 December 2017.

(ii) Logistics business

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

In assessing the fair value less costs of disposal of each individual business unit, references were made to the valuation of the investment properties and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end using direct comparison method (2016: direct comparison method or discounted cash flow method, where appropriate) which have used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13). For investment properties under construction which were valued using discounted cash flow method as at 31 December 2016, management used a discount rate of 11.5% and has projected cash flows for a period of 12-20 years based on lease agreements signed with tenants and no cash flows beyond the lease periods was projected by the management for the purpose of the valuation.

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the logistics business segment as at 31 December 2017.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

15. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

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

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

- Fair value change

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

- Realisation of assets and liabilities

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

- Business environment

  There are no major changes in the existing political, legal and economic conditions in Mainland China.

16. INTERESTS IN JOINT VENTURES

	Notes	**2017** **HK$'000**	2016 HK$'000
Investments in joint ventures, included in non-current assets:			
Share of net assets		**913,640**	758,400
Goodwill on acquisition		**8,595**	8,595
	(b)	**922,235**	766,995
Due from a joint venture, included in non-current assets	(d)	**918,173**	–
Interests in joint ventures, included in non-current assets		**1,840,408**	766,995
Due from a joint venture, included in current assets	(d)	**38,605**	239,295
Total interests in joint ventures		**1,879,013**	1,006,290

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. INTERESTS IN JOINT VENTURES (Continued)

Notes:

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

			Percentage of			
Company name	**Place of registration and business**	**Registered capital**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
北京北建通成國際物流有限公司 ("BIPL")	PRC/Mainland China	RMB810,000,000	76	76	76	Logistics facilities development
北京興奧投資管理有限公司	PRC/Mainland China	RMB50,000,000	51	50	51	Investment management

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

(b) Material joint venture disclosure

At 31 December 2017 and 2016, BIPL is considered a material joint venture of the Group and was accounted for using the equity method in the consolidated financial statements.

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

	BIPL	
	2017 **HK$'000**	2016 HK$'000
Summarised statement of financial position of the material joint venture		
Current assets	**379,392**	823,770
Non-current assets	**2,553,579**	750,874
Current liabilities	**(284,287)**	(495,071)
Non-current liabilities	**(1,462,277)**	(81,678)
Net assets	**1,186,407**	997,895
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**32,388**	384,592
Current financial liabilities (excluding trade and other payables and provisions)	**(147,110)**	(146,941)
Reconciliation to the Group's investment in the material joint venture:		
Proportion of the Group's ownership	**76%**	76%
Group's share of net assets of the joint venture, excluding goodwill	**901,669**	758,400
Goodwill on acquisition	**8,595**	8,595
Carrying amount of the investment	**910,264**	766,995

NOTES TO FINANCIAL STATEMENTS

31 December 2017

16. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(b) Material joint venture disclosure (Continued)

	BIPL	
	2017	2016
	HK$'000	HK$'000
Summarised statement of profit or loss and other comprehensive income of the material joint venture		
Revenue	**–**	–
Interest income	**6,939**	3,538
Interest expenses	**(8,807)**	(2,836)
Depreciation and amortisation	**(599)**	(958)
Other income and expenses, net	**161,080**	22,834
Income tax	**(41,702)**	(6,453)
Profit for the year	**116,911**	16,125
Other comprehensive income for the year	**5,640**	55,032
Total comprehensive income for the year	**122,551**	71,157
Share of the joint venture's profit for the year	**88,851**	12,255

(c) The following table illustrates the financial information of the Group's joint venture that is not material:

	2017	2016
	HK$'000	HK$'000
Share of the joint venture's loss for the year and total comprehensive loss for the year	**(33)**	–
Aggregate carrying amount of the Group's investment in the joint venture	**11,971**	–

(d) The Group's amount due from a joint venture as at 31 December 2017 included entrusted bank loans with an aggregate amount of RMB768,728,000 (equivalent to HK$922,976,000) (2016: RMB206,400,000 (equivalent to HK$239,295,000)) provided by the Group to finance the business development of BIPL.

The entrusted bank loans included in current assets bear interest at the rate of 4.35% (2016: 4.35%) per annum and are fully repayable in 2018 (2016: repaid in November 2017). The entrusted bank loans included in non-current assets bear interest at rates ranging from 4.35% to 4.75% (2016: Nil) per annum which are automatically renewed every year and repayable at the discretion of the joint venture.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

17. INVESTMENTS IN ASSOCIATES

	Notes	2017 HK$'000	2016 HK$'000
Share of net assets		**666,739**	–
Goodwill on acquisition		**113,442**	–
Total investments in associates	(b)	**780,181**	–
Provision for impairment	(d)	**(4,534)**	–
		775,647	–

Notes:

(a) Particulars of the Group's associates, which are indirectly held by the Company, are as follows:

Company name	Place of registration and business	Registered capital	Percentage of ownership interest attributable to the Group	Principal activities
Beijing Enterprises Medical and Health Industry Group Limited ("BE M&H")#	Cayman Islands/Mainland China	HK$1,209,648,000	15.62%	Properties development and provision of medical care services
北控城投控股集團有限公司Ω	PRC/Mainland China	RMB380,000,000	35%	Primary land development
MillenMin Ventures Inc. ("MVM")@Ω	Cayman Islands/Canada	Canadian Dollars 42	49.17%	Dormant

\# In the opinion of the directors, notwithstanding that the Group has only 15.62% equity interest in BE M&H, the Group has been able to exercise significant influence over BE M&H since the Group appointed three representatives as directors of BE M&H on 22 May 2017. The investment in BE M&H was therefore reclassified from equity investments at fair value through other comprehensive income as at 31 December 2016 (note 18(a)) to an investment in an associate, resulting in a gain on deemed acquisition of an associate of HK$138,000 recognised in profit or loss during the year ended 31 December 2017 (note 5).

Shares of BE M&H are listed on the Main Board of the Stock Exchange. The market value of the shares of BE M&H held by the Group as at 31 December 2017, based on its then quoted market price, amounted to approximately HK$363,825,000.

@ Shares of MVM are listed on the TSX Venture Exchange in Canada. The market value of the shares of MVM held by the Group as at 31 December 2017, based on its then quoted market price, amounted to approximately HK$6,298,000.

Ω Acquired during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

17. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Material associate disclosure

At 31 December 2017, BE M&H was considered a material associate of the Group and was accounted for using the equity method in the consolidated financial statements.

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

	2017 HK$'000
Summarised statement of financial position of the material associate	
Current assets	1,861,130
Non-current assets	2,235,852
Current liabilities	(412,711)
Non-current liabilities	(351,726)
Non-controlling interests	(206,790)
Net assets	3,125,755
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	471,436
Current financial liabilities (excluding trade and other payables and provisions)	(180,538)
Reconciliation to the Group's investment in the material associate:	
Proportion of the Group's ownership	15.62%
Group's share of net assets of the associate, excluding goodwill	488,243
Goodwill on acquisition	113,442
Carrying amount of the investment	601,685

NOTES TO FINANCIAL STATEMENTS

31 December 2017

17. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Material associate disclosure (Continued)

	2017 HK$'000
Revenue	80,581
Profit for the year	537,176
Other comprehensive income for the year	115,532
Total comprehensive income for the year	652,708
Share of the associate's profit for the year since reclassification as an associate on 22 May 2017	55,201

(c) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2017 HK$'000
Share of the associates' loss for the year and total comprehensive loss for the year	(1,841)
Aggregate carrying amount of the Group's investments in the associates	173,962

(d) The movement in provision for impairment of an associate are as follows;

	2017 **HK$'000**	2016 HK$'000
As at 1 January	**–**	–
Impairment loss recognised (note 7)	**4,534**	–
As at 31 December	**4,534**	–

NOTES TO FINANCIAL STATEMENTS

31 December 2017

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017	2016
	HK$'000	HK$'000
Listed equity investments, at fair value	**52,964**	481,982

Notes:

(a) The above investments in equity securities were designated as fair value through other comprehensive income, as management considered them as strategic investments for the purpose of future business development in the long run. As disclosed in note 17(a), the Group has been able to exercise significant influence over BE M&H since 22 May 2017, the Group's investment in BE M&H, which was previously accounted for as an equity investment at fair value through other comprehensive income as at 31 December 2016, was reclassified as an investment in an associate during the year. As a result, a gain on deemed acquisition of an associate of HK$138,000 was recognised in profit or loss for the current year and the then accumulated decline in fair value of the investment since acquisition of HK$132,300,000 was reclassified from the financial asset revaluation reserve to retained profits.

(b) The fair values of the listed equity investments are determined by reference to their published quotations. An increase in fair value for the year ended 31 December 2017 and an accumulated decrease in fair value since acquisition of these investments as of 31 December 2017 amounting to HK$90,731,000 (2016: decrease in fair value of HK$258,087,000) and HK$81,738,000 (2016: HK$304,769,000), respectively, have been recognised as other comprehensive income in the financial asset revaluation reserve.

(c) The market value of the Group's listed equity investment as at the date of approval of these financial statements was approximately HK$26,184,000 (2016: HK$619,346,000).

19. DEPOSITS PAID FOR ACQUISITIONS OF SUBSIDIARIES

The deposits as at 31 December 2017 represented deposits amounting to HK$91,296,000 (2016: HK$136,958,000) paid for the acquisitions of various equity interests in logistics businesses in Mainland China from independent third parties.

20. LAND HELD FOR DEVELOPMENT OR SALE

Land held for development or sale represented the acquisition cost, property transfer tax and development costs in relation to the Group's land development projects in Cambodia. Land held by the Group is freehold land with a total area of 14.87 square kilometres (2016: Nil). Land held for development or sale with a total carrying amount of HK$3,639,652,000 (2016: Nil) as at 31 December 2017 were classified as non-current assets as they are expected to be completed outside normal operating cycle and recoverable after one year as at that date.

21. PROPERTIES HELD FOR SALE

Properties held for sale of the Group as at 31 December 2017 and 2016 represented certain portion of the Group's shopping mall, which is located in Guangzhou, the PRC, which are held by the Group for future disposal. As at 31 December 2017, certain of these properties with a then total carrying amount of HK$97,476,000 (2016: HK$90,618,000) were pledged to secure certain bank loans granted to the Group (note 29(a)(iv)).

22. INVENTORIES

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

23. TRADE RECEIVABLES

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

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

	2017	2016
	HK$'000	HK$'000
Within one month	**3,792**	24,682
One to three months	**4,053**	1,734
Four to six months	**444**	39
More than six months	**3,028**	–
	11,317	26,455

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		2017	2016
	Notes	**HK$'000**	HK$'000
Prepayments		**10,415**	6,926
Prepayment for construction projects		**56,989**	–
Prepaid land lease payments – current portion	14	**2,433**	409
Deposits and other receivables		**82,481**	47,995
Due from former equity holders of subsidiaries		**102,954**	22,901
Deposit paid for acquisition of a business	(a)	**–**	30,772
		255,272	109,003
Portion classified as current assets		**(197,241)**	(106,569)
Non-current portion		**58,031**	2,434

Notes:

(a) The deposit as at 31 December 2016 represented a refundable deposit of RMB27,568,000 (equivalent to HK$30,772,000) paid for the acquisition of a 60% equity interest in Meishan Xunda from an independent third party. The acquisition transaction was completed during the prior year and the deposit paid was refunded during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

25. BALANCES WITH RELATED COMPANIES

	2017 HK$'000	2016 HK$'000
Due from related companies:		
Fellow subsidiaries	–	417
Associate	36,691	–
Non-controlling equity holders of subsidiaries	3,348	–
	40,039	417
Due to related companies:		
The immediate holding company	434	300
Fellow subsidiaries	909	225
Non-controlling equity holders of subsidiaries	610,494	63,300
	611,837	63,825
Portion classified as current liabilities	(163,386)	(32,339)
Non-current portion	448,451	31,486

The balance with the non-controlling equity holders of subsidiaries included in non-current liabilities are unsecured, interest-free and not repayable within one year.

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

26. PLEDGED AND RESTRICTED BANK DEPOSITS, RESTRICTED CASH AND CASH EQUIVALENTS

	Notes	2017 HK$'000	2016 HK$'000
Cash and bank balances other than time deposits		1,321,450	824,364
Time deposits		407,264	1,842,460
Total cash and bank balances	(a)	1,728,714	2,666,824
Less: Restricted cash, included in current assets	(b)	(38,667)	(23,269)
Pledged bank deposits, included in non-current assets	(b)	(2,625)	–
Restricted bank balances for the acquisition of equity interest in an associate, included in non-current assets	(c)	(52,650)	–
Cash and cash equivalents		1,634,772	2,643,555

NOTES TO FINANCIAL STATEMENTS

31 December 2017

26. PLEDGED AND RESTRICTED BANK DEPOSITS, RESTRICTED CASH AND CASH AND CASH EQUIVALENTS (Continued)

Notes:

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

At 31 December 2017, the cash and bank balances of the Group denominated in RMB amounted to HK$1,046,409,000 (2016: HK$1,164,056,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) At 31 December 2017, the usage of the Group's bank balances amounting to HK$41,292,000 (2016: HK$23,269,000) were restricted as to their use in accordance with the bank loan agreements of certain bank loans granted to the Group (note 29(a)(v)).

(c) At 31 December 2017, the usage of the Group's bank balances amounting to HK$52,650,000 was restricted as to their use in accordance with a subscription agreement entered into with certain third parties for the Group's capital injection into an associate, MVM. Further details of the bank balances are set out in the Company's announcements dated 27 January 2017, 7 July 2017 and 22 December 2017.

27. TRADE PAYABLES

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

	2017 **HK$'000**	2016 HK$'000
Within one month	**4,425**	6,192
One to two months	**1,470**	–
Two to three months	**3,380**	29
	9,275	6,221

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

28. OTHER PAYABLES AND ACCRUALS

	Notes	2017 HK$'000	2016 HK$'000
Interest payable of convertible bonds		–	19,387
Interest payable of guaranteed bonds		12,519	14,722
Accruals		29,664	10,363
Receipts in advance and rental deposits received from tenants		150,536	80,054
Other payables		257,872	154,729
Consideration payables for business acquisitions*		25,090	46,472
Deferred income – current portion	35	52,112	18,059
Defined benefit plans – current portion	36(b)	396	413
Construction fees payables		167,193	207,322
		695,382	551,521

* Balance as at 31 December 2017 included consideration payables of HK$22,582,000 for business combinations occurred in 2016.

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

29. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loans:		
Secured (note (a))	1,715,133	1,552,752
Unsecured	1,342,273	743,734
Total bank borrowings	3,057,406	2,296,486
Analysed into amounts repayable:		
Within one year or on demand	167,523	234,223
In the second year	1,053,131	804,067
In the third to fifth years, inclusive	1,560,532	1,112,243
After five years	276,220	145,953
Total bank borrowings	3,057,406	2,296,486
Portion classified as current liabilities	(167,523)	(234,223)
Non-current portion	2,889,883	2,062,263

NOTES TO FINANCIAL STATEMENTS

31 December 2017

29. BANK BORROWINGS (Continued)

Notes:

(a) Except for bank loans of HK$432,426,000 (2016: HK$332,220,000) in total which bear interest at fixed rates of 5.34% to 6.80% (2016: 5.34% to 6.80%), all other bank loans of the Group as at 31 December 2017 and 2016 are floating rate loans with interests at specified periods' LIBOR or HIBOR or the benchmark lending rate of the People's Bank of China plus a margin.

The secured bank loans of the Group are secured by:

(i) certain buildings with an aggregate carrying amount of HK$58,545,000 (2016: HK$52,990,000) (note 12);

(ii) certain investment properties with an aggregate carrying amount of HK$6,497,055,000 (2016: HK$5,601,560,000) (note 13(a));

(iii) certain equity interests of subsidiaries with an aggregate carrying amount of HK$3,018,350,000 (2016: HK$3,068,373,000) (note 1);

(iv) properties held for sale with a carrying amount of HK$97,476,000 (2016: HK$90,618,000) (note 21); and

(v) certain bank balances of HK$41,292,000 (2016: HK$23,269,000) (note 26(b)).

In addition, the Group's bank loans are guaranteed by the Company and directors of certain subsidiaries (2016: the Company).

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

	2017 **HK$'000**	2016 HK$'000
HK$	**225,000**	986,233
RMB	**1,175,333**	981,275
US$	**1,657,073**	328,978
	3,057,406	2,296,486

NOTES TO FINANCIAL STATEMENTS

31 December 2017

30. GUARANTEED BONDS

	Notes	2017 HK$'000	2016 HK$'000
5.50% guaranteed bonds due 2018	(a)	**2,320,180**	2,281,437
4.375% guaranteed bonds due 2020	(b)	**2,330,206**	–
		4,650,386	2,281,437
Portion classified as current liabilities		**(2,320,180)**	–
Non-current portion		**2,330,206**	2,281,437

Notes:

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

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

(b) On 1 March 2017, Keen Idea Global Limited ("Keen Idea"), a wholly-owned subsidiary of the Company, issued 4.375% guaranteed bonds due 2020 (the "2020 Notes") in an aggregate principal amount of US$300,000,000 to independent third parties. The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Keen Idea under the subscription agreement for the issue of 2020 Notes.

The 2020 Notes bear interest at a rate of 4.375% per annum, payable semi-annually in arrear on 8 March and 8 September in each year, commencing on 8 March 2017.

(c) The 2018 Notes and 2020 Notes are subject to redemption by the Group, in whole but not in part, at a redemption amount equal to the Make-Whole Price (as defined in the terms and conditions of the respective notes). Both notes also contain a provision for redemption at the option of the holders of the respective notes at 101% of the principal amount, together with interest accrued to the date of redemption, upon a change of control (as defined in terms and conditions of the respective notes) with respect to the Company. Within the best knowledge of the directors, the above event did not take place during the year and as at the date of approval of these financial statements. Further details of the 2018 Notes and 2020 Notes are set out in the Company's announcements dated 13 November 2015 and 2 March 2017, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

31. CONVERTIBLE BONDS

A summary information of the Group's convertible bonds as at 31 December 2016 is set out as follows:

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

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

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

Details of the PAG Convertible Bonds are set out in the Company's announcements dated 26 January 2014 and 12 February 2014. The PAG Convertible Bonds are classified as current liabilities as at 31 December 2016 because they have become redeemable at the option of the bond holders since 13 February 2017. The PAG Convertible Bonds were fully redeemed by the Company on 15 December 2017.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

31. CONVERTIBLE BONDS (Continued)

The convertible bonds were bifurcated into a liability component and an equity component for accounting purposes. The following tables summarise the movements in the principal amount, the liability and equity components of the Company's convertible bonds during the years ended 31 December 2017 and 2016:

	Note	PAG Convertible Bonds HK$'000
Principal amount outstanding		
At 1 January 2016, 31 December 2016 and 1 January 2017		628,196
Redemption during the year		(628,196)
At 31 December 2017		–
Liability component		
At 1 January 2016		413,074
Imputed interest expense	6	45,418
Exchange realignment		(28,689)
At 31 December 2016 and 1 January 2017		429,803
Imputed interest expense	6	49,966
Redemption during the year		(493,936)
Exchange realignment		14,167
At 31 December 2017		–
Equity component (included in the convertible bond equity reserve)		
At 1 January 2016, 31 December 2016 and 1 January 2017		247,321
Redemption during the year		(247,321)
At 31 December 2017		–

NOTES TO FINANCIAL STATEMENTS

31 December 2017

32. PROVISION FOR COMPENSATION

	2017 HK$'000	2016 HK$'000
At 1 January	**222,174**	497,329
Additional/(reversal of) provision	**10,155**	(250,720)
Settlement during the year	**(7,793)**	(5,518)
Exchange realignment	**19,197**	(18,917)
At 31 December	**243,733**	222,174

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

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

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

In arriving at the best estimate of the amount of the provisions for the resettlement compensation, management of the Group had made reference to the latest plan of the Compensation Arrangement, judgements of the lawsuits and all other available information. As a result of the new development on the latest plan of the Compensation Arrangement, in the opinion of the directors, the amounts of compensation cost that the Group may incur would be HK$243,733,000 (2016: HK$222,174,000) as at 31 December 2017.

33. DEPOSITS RECEIVED

On 15 December 2017, subsidiaries of the Group entered into a subscription agreement with two investors, pursuant to which the two investors agreed to subscribe for the subscription shares issued by a subsidiary. The Group intends to use the proceeds from the subscription in the funding requirement of registered capital of a new project company. Details of the transaction were set out in the Company's annoucement dated 15 December 2017. The transaction was completed subsequently on 8 February 2018 (note 50).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

34. DERIVATIVE FINANCIAL INSTRUMENT

Pursuant to a subscription agreement (the "Agreement") entered into between the Group and the non-controlling equity holder of China Logistics, the non-controlling equity holder of China Logistics was granted a put option by the Company over the 35 ordinary shares of China Logistics it held. According to the terms of the put option, the non-controlling equity holder has the right to sell all the 35 ordinary shares of China Logistics it held to the Company at a predetermined price (RMB888,000,000 plus interest at 7% per annum) when certain conditions are met. The put option was classified as a derivative financial instrument with an initial fair value of HK$67,588,000 and the subsequent change in fair value of the option will be recognised in profit or loss until the option is exercised by the non-controlling equity holder of China Logistics or expires in accordance with the terms of the Agreement.

Fair value hierarchy disclosure

At 31 December 2017, fair value measurement of the Group's derivative financial instrument at fair value through profit or loss is using significant unobservable inputs (Level 3) as defined in HKFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

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

	Note	2017 HK$'000	2016 HK$'000
Carrying amount as at 1 January		**54,120**	–
Initial recognition		**–**	67,588
Gain from a fair value adjustment recognised in profit or loss	5	**(3,173)**	(13,468)
Carrying amount as at 31 December		**50,947**	54,120

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

Valuation technique	Significant unobservable inputs		Input/range of input 2017	2106
Binomial Tree Pricing Method	(i)	Volatility	**46.26%-48.24%**	44.62%-49.06%
	(ii)	Risk-free rate	**4.00%-4.22%**	3.79%-4.07%
	(iii)	Price to book value ratio	**1.29**	1.12

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

34. DERIVATIVE FINANCIAL INSTRUMENT (Continued)

Fair value hierarchy disclosure (Continued)

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

35. DEFERRED INCOME

	2017 HK$'000	2016 HK$'000
Deferred income expected to be recognised in profit or loss:		
Within one year, included in current liabilities under other payables and accruals (note 28)	**52,112**	18,059
After one year, included in non-current liabilities	**86,940**	–
	139,052	18,059

Deferred income of the Group mainly represented government subsidies received in respect of the Group's investments in certain subsidiaries, construction of warehouses and purchase of land use rights and property, plant and equipment in the PRC. These subsidies are recognised in profit or loss on the straight-line basis over the expected useful lives of the underlying assets.

36. DEFINED BENEFIT PLANS

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

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

	Supplemental post-retirement benefits	
	2017 **HK$'000**	2016 HK$'000
Current service cost	**427**	491
Interest cost	**565**	537
Net benefit expenses	**992**	1,028

NOTES TO FINANCIAL STATEMENTS

31 December 2017

36. DEFINED BENEFIT PLANS (Continued)

(b) Present value of the defined benefit obligations

	Supplemental post-retirement benefits 2017 HK$'000	2016 HK$'000
At 1 January	**15,948**	17,110
Net benefit expenses recognised in profit or loss (note (a))	**992**	1,028
Benefit paid	**(507)**	(421)
Actuarial gains on obligations recognised in other comprehensive income	**(312)**	(659)
Exchange realignment	**1,204**	(1,110)
At 31 December	**17,325**	15,948
Portion classified as current liabilities, included in other payables and accruals (note 28)	**(396)**	(413)
Non-current portion	**16,929**	15,535

(c) Principal assumptions

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out at 31 December 2017 by Towers Watson & Co., an independent professionally actuarial consulting firm, using the projected unit credit actuarial cost method. The material actuarial assumption used in determining the defined benefit obligations for the Group's plans is as follows:

	2017	2016
Discount rate	**4.25%**	3.50%

NOTES TO FINANCIAL STATEMENTS

31 December 2017

36. DEFINED BENEFIT PLANS (Continued)

(c) Principal assumptions (Continued)

A quantitative sensitivity analysis for the discount rate as at 31 December 2017 and 2016 is shown below:

	Increase in rate	Decrease in net defined benefit obligations	Decrease in rate	Increase in net defined benefit obligations
	%	HK$'000	%	HK$'000
2017				
Current service cost	**0.25**	**(600)**	**(0.25)**	**636**
2016				
Current service cost	0.25	(569)	(0.25)	603

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

At 31 December 2017, the expected cash contribution to be made within the next 12 months out of the defined benefit obligations was HK$396,000 (2016: HK$413,000).

37. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	**21,164**	–
Deferred tax liabilities	**(1,466,928)**	(752,760)
	(1,445,764)	(752,760)

NOTES TO FINANCIAL STATEMENTS

31 December 2017

37. DEFERRED TAX (Continued)

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

		Deferred tax assets	Deferred tax liabilities			
		Arising from government grants	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of investment properties	Loss available for offsetting against future taxable profits	Total
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016		–	188,122	497,065	(2,625)	682,562
Net deferred tax credited/(charged) to profit or loss during the year	10	–	–	34,209	(228)	33,981
Acquisition of subsidiaries classified as business combinations	42(a)	–	86,918	–	–	86,918
Exchange realignment		–	–	(50,701)	–	(50,701)
At 31 December 2016 and 1 January 2017		–	**275,040**	**480,573**	**(2,853)**	**752,760**
Net deferred tax credited to profit or loss during the year	10	**21,500**	**–**	**8,238**	**–**	**8,238**
Acquisition of subsidiaries classified as business combinations	42(a)	–	**664,597**	**–**	**–**	**664,597**
Exchange realignment		**(336)**	**23,551**	**17,782**	**–**	**41,333**
At 31 December 2017		**21,164**	**963,188**	**506,593**	**(2,853)**	**1,466,928**

Notes:

(a) At 31 December 2017, deferred tax assets have not been recognised in respect of unused tax losses of HK$269,648,000 (2016: HK$246,425,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, unrecognised tax losses of HK$228,461,000 (2016: HK$214,791,000) will expire in one to five years.

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

At 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes (2016: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately HK$13,455,000 (2016: HK$8,825,000) in aggregate as at 31 December 2017.

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders (2016: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

38. SHARE CAPITAL

Shares

	2017	2016
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
6,852,600,585 (2016: 6,766,587,849) ordinary shares of HK$0.10 each	**685,260**	676,659

A summary of a movement of the Company's issued capital and share premium account during the years ended 31 December 2017 and 2016 is as follows:

	Number of ordinary shares in issue	**Issued capital**	**Share premium account**	**Total**
		HK$'000	HK$'000	HK$'000
At 1 January 2016, 31 December 2016 and 1 January 2017	6,766,587,849	676,659	1,705,102	2,381,761
Issue of shares as consideration for the acquisition of subsidiaries (note 42(b))	86,012,736	8,601	24,944	33,545
At 31 December 2017	6,852,600,585	685,260	1,730,046	2,415,306

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 39 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

39. SHARE OPTION SCHEME

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

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

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

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

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

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

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

	2017		2016	
	Weighted average exercise price (HK$ per share)	**Number of options '000**	Weighted average exercise price (HK$ per share)	Number of options '000
At 1 January	**0.596**	**962,313**	0.596	962,313
Cancelled during the year	**0.548**	**(56,200)**	–	–
At 31 December	**0.599**	**906,113**	0.596	962,313

NOTES TO FINANCIAL STATEMENTS

31 December 2017

39. SHARE OPTION SCHEME (Continued)

Notes:

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

Number of options outstanding			
2017	2016	**Exercise price***	
'000	'000	**(HK$ per share)**	**Exercise period****
172,000	189,000	0.465	28-10-2011 to 27-10-2021
277,413	289,313	0.410	1-6-2012 to 31-5-2022
152,000	170,000	0.574	24-5-2013 to 23-5-2023
185,700	190,000	0.940	31-3-2014 to 30-3-2024
38,000	40,000	0.750	28-8-2014 to 27-8-2024
81,000	84,000	0.720	8-4-2015 to 7-4-2025
906,113	962,313		

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

** The share options have no vesting period.

(b) At 31 December 2017, the Company had 906,113,000 (2016: 962,313,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 906,113,000 (2016: 962,313,000) additional ordinary shares of the Company and additional share capital of HK$90,611,000 (2016: HK$96,231,000) and share premium of HK$451,734,000 (2016: HK$476,932,000) (before issue expenses and without taking into account any transfer of share option reserve to the share premium account).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

40. RESERVES

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

(b) The share option reserve of the Group comprises the fair value of share options granted which are yet to exercise, as further explained in the accounting policy for the "Share-based payments" in note 2.5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits/accumulated losses should the related options expire or be forfeited.

(c) The PRC statutory reserves are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, joint ventures and associates established in Mainland China. None of the Group's PRC statutory reserve as at 31 December 2017 were distributable in the form of cash dividends.

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

During the year, Zhong Jian Jin Bian and China Logistics (2016: China Logistics) were considered subsidiaries that have material non-controlling interests, which are summarised below:

	Zhong Jian Jin Bian*	China Logistics	
	2017	**2017**	2016
Percentage of equity interest held by non-controlling interests	**40%**	**35%**	35%

	Zhong Jian Jin Bian*	China Logistics	
	2017	**2017**	2016
	HK$'000	**HK$'000**	HK$'000
Consolidated profit/(loss) for the year allocated to non-controlling interests	**–**	**(16,725)**	2,892
Dividends paid	**–**	**–**	–
Accumulated balances of non-controlling interests at the reporting date	**981,954**	**1,132,792**	1,071,633

NOTES TO FINANCIAL STATEMENTS

31 December 2017

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised consolidated financial information of Zhong Jian Jin Bian and China Logistics (2016: China Logistics):

	Zhong Jian Jin Bian*	China Logistics	
	2017	**2017**	2016
	HK$'000	**HK$'000**	HK$'000
Revenue	**–**	**111,668**	132,041
Total expenses	**–**	**(64,412)**	(64,294)
Profit/(loss) for the year	**(3)**	**(59,970)**	62,619
Total comprehensive income/(loss) for the year	**(3)**	**180,771**	(36,668)
Current assets	**639,600**	**727,693**	740,451
Non-current assets	**3,631,530**	**3,598,998**	3,439,448
Current liabilities	**(755,128)**	**(110,936)**	(94,170)
Non-current liabilities	**(1,042,121)**	**(907,518)**	(961,733)
Net cash flows from operating activities	**–**	**221,940**	60,214
Net cash flows used in investing activities	**–**	**(219,170)**	(281,636)
Net cash flows from/(used in) financing activities	**–**	**(49,495)**	270,808
Net increase/(decrease) in cash and cash equivalents	**–**	**(46,725)**	49,386

* Comparative amounts were not disclosed as Zhong Jian Jin Bian was acquired during the year.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

42. ACQUISITION OF SUBSIDIARIES

(a) Business combinations

The provisional fair value of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2017 as at their respective dates of acquisition are set out as follows:

		2017				2016
	Notes	Tianjin Tong Da You Zhi HK$'000 (note (a))	North Supply HK$'000 (note (b))	Zhong Jian Jin Bian HK$'000 (note (c))	Total HK$'000	Total HK$'000
Net assets acquired:						
Property, plant and equipment	12	–	114	–	114	16,412
Investment properties	13	94,652	262,795	–	357,447	1,043,201
Land held for development or sale		–	–	4,175,130	4,175,130	–
Inventories		–	6,447	–	6,447	–
Trade receivables		445	1,204	–	1,649	6,932
Prepayments, deposits and other receivables		250	82,682	–	82,932	8,573
Income tax recoverables		–	173	–	173	–
Due from related parties		–	10,171	–	10,171	12,026
Cash and cash equivalents		642	36,329	–	36,971	77,857
Non-current assets classified as held fro sale		–	–	–	–	14,633
Deferred income		–	(3,882)	–	(3,882)	–
Deferred tax liabilities	37	(15,070)	(55,257)	(594,270)	(664,597)	(86,918)
Trade payables		–	–	(6,311)	(6,311)	(56,949)
Income tax payables		(135)	–	–	(135)	(11,947)
Other payables and accruals		(6,514)	(49,291)	(37)	(55,842)	(60,520)
Due to non-controlling equity holders		–	–	(447,851)	(447,851)	–
Due to related parties		–	(63,217)	–	(63,217)	(31,988)
Bank borrowings		–	(65,213)	–	(65,213)	(309,990)
Non-controlling interests		–	–	(981,954)	(981,954)	(165,657)
		74,270	163,055	2,144,707	2,382,032	455,665
Goodwill on acquisition	15	–	43,495	–	43,495	79,840
Gains on bargain purchase of subsidiaries recognised in profit or loss		(7,263)	–	(570,888)	(578,151)	(12,372)
		67,007	206,550	1,573,819	1,847,376	523,133

NOTES TO FINANCIAL STATEMENTS

31 December 2017

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Business combinations (Continued)

	2017				2016
	Tianjin Tong Da You Zhi HK$'000 (note (a))	North Supply HK$'000 (note (b))	Zhong Jian Jin Bian HK$'000 (note (c))	Total HK$'000	Total HK$'000
Satisfied by:					
Cash	67,007	158,573	1,573,819	1,799,399	523,133
Issue of new ordinary shares of the Company as consideration	–	47,977	–	47,977	–
	67,007	206,550	1,573,819	1,847,376	523,133
Net cash outflows:					
Cash acquired	642	36,329	–	36,971	77,857
Cash consideration	(67,007)	(158,573)	(1,573,819)	(1,799,399)	(523,133)
Cash paid in excess of the consideration which is recoverable from the vendors	–	–	–	–	(30,772)
Cash consideration payable to the vendors	–	2,508	–	2,508	46,472
Deposit paid in prior year for the acquisition	59,805	–	–	59,805	142,559
	(6,560)	(119,736)	(1,573,819)	(1,700,115)	(287,017)
Contribution since acquistion:					
Revenue	5,178	1,194	–	6,372	33,891
Profit/(loss)	5,417	10,412	(3)	15,826	17,502

NOTES TO FINANCIAL STATEMENTS

31 December 2017

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Business combinations (Continued)

Notes:

(a) On 3 January 2017, the Group completed the acquisition of 100% equity interest in Tianjin Tong Da You Zhi, which is engaged in the operation of logistic warehouses in Tianjin, the PRC.

In the opinion of the directors, the gain on bargain purchase of Tianjin Tong Da You Zhi Investments was resulted from the appreciation of the fair value of the underlying properties held by Tong Da Investments between the date when the consideration was determined and the date of completion of the acquisition transaction.

(b) On 31 May 2017, the Group completed the acquisition of 100% equity interest in North Supply, which is engaged in the operation of food storage warehouses in Tongliao City, Inner Mongolia, the PRC.

Non-cash consideration for the acquisition of North Supply includes the issue of 127,937,663 ordinary shares of the Company which had a total fair value of HK$47,977,000, based on the quoted market price of the Company's share of HK$0.375 on the date of acquisition. At 31 December 2017, all the consideration shares have not been issued in accordance with the terms of the agreement and the corresponding consideration payable of HK$47,977,000 was recognised in capital and other reserves of the Group as at 31 December 2017.

(c) On 30 November 2017, the Group completed the acquisition of 60% equity interest in Zhong Jian Jin Bian, which is engaged in the development and sale of land located in a special economic zone in Cambodia.

In the opinion of the directors, the gain on bargain purchase of Zhong Jian Jin Bian resulted from the strategic cooperation with the investing partner and the appreciation potential of underlying lands held by Zhong Jian Jin Bian which arises from the "One Belt One Road" development strategy of the PRC government as the special economic zone is the only zone which targets PRC enterprises for investment.

The Group has elected to measure the non-controlling interest in Zhong Jian Jin Bian acquired at the non-controlling interests' proportionate share of the identifiable net assets of the subsidiaries acquired during the year ended 31 December 2017.

(d) The transaction costs incurred for these acquisitions were immaterial and have been expensed and included in administrative expenses in profit or loss.

(e) The aggregate fair values (and their respective gross contractual amounts) of the trade receivables and deposits and other receivables and amounts due from related parties as at their respective dates of acquisition amounted to HK$1,649,000, HK$82,933,000 and HK$10,171,000, respectively. None of these receivables have been impaired and it is expected that the full contractual amounts can be recovered.

(f) Had the above combinations taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$335,665,000 and HK$298,250,000, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of assets and liabilities

During the year, the Group acquired the entire equity interests of four entities, namely ZT 9 Development International Limited ("ZT 9 Development"), Fortune Land Industrial Development (Taicang) Pte Ltd ("Fortune Land"), Smooth Time Development Limited ("Smooth Time") and Rich Grow International Development Limited ("Rich Grow"). At the respective dates of the acquisitions, these four entities are either land/property holding companies or had not actively engaged in any businesses and accordingly, in the opinion of the directors, the acquisitions of them did not constitute business combinations but acquisition of assets and liabilities.

For accounting purposes, the cost of acquisition for each of these acquisitions has been allocated to the identifiable assets and liabilities of the acquirees as at the respective dates of acquisitions as follows:

	Notes	ZT 9 Development HK$'000 (note (a))	Fortune Land HK$'000 (note (b))	Smooth Time HK$'000 (note (c))	Rich Grow HK$'000 (note (d))	Total HK$'000
Net assets acquired						
Property, plant and equipment	12	–	2	–	801	803
Investment properties	13	106,850	176,902	–	–	283,752
Prepaid land lease payments	14	–	–	36,011	–	36,011
Prepayments, deposits and other receivables		33	12,707	–	5,534	18,274
Pledged and restricted bank deposits		–	27,056	–	–	27,056
Cash and cash equivalents		11,582	11,333	–	–	22,915
Other payables and accruals		(11,359)	(36,637)	–	(3,432)	(51,428)
Bank borrowings		–	(101,772)	–	–	(101,772)
		107,106	89,591	36,011	2,903	235,611
Satisfied by:						
Cash		107,106	89,591	5,369	–	202,066
Issue of new ordinary shares of the Company as consideration	38	–	–	30,642	2,903	33,545
		107,106	89,591	36,011	2,903	235,611
Net cash outflows:						
Cash acquired		11,582	38,389	–	–	49,971
Cash consideration		(107,106)	(89,591)	(5,369)	–	(202,066)
		(95,524)	(51,202)	(5,369)	–	(152,095)

NOTES TO FINANCIAL STATEMENTS

31 December 2017

42. ACQUISITION OF SUBSIDIARIES (Continued)

Notes:

(a) On 18 November 2016, the Group entered into a share transfer agreement with certain independent third parties to acquire the 100% equity interest in ZT 9 Development at an aggregate cash consideration of RMB95,007,000 (equivalent to HK$107,106,000). The acquisition was completed on 9 February 2017. On the date of the acquisition, ZT 9 Development had not carried out any significant business transaction except for holding one parcel of land with building under construction in the High-tech district of Changshu, Jiangsu Province, the PRC.

(b) On 30 June 2017, the Group acquired the entire equity interest in Fortune Land at an aggregate cash consideration of HK$89,591,000. On the date of the acquisition, Fortune Land and its subsidiaries had not carried out any significant business transaction except for holding five warehouses in the High-tech industrial zone of Taicang, Jiangsu Province, the PRC.

(c) On 31 May 2017, the Group acquired the entire equity interest in Smooth Time at an aggregate consideration of HK$36,011,000. On the date of the acquisition, Smooth Time and its subsidiaries had not carried out any significant business transaction except for holding certain parcel of land in Wuzhishan, Hainan Province, the PRC.

(d) On 31 May 2017, the Group acquired the entire equity interest in Rich Grow at an aggregate consideration of HK$2,903,000. On the date of the acquisition, Rich Grow and its subsidiaries had not carried out any significant business transaction except for holding a parcel of land in Baoting, Hainan Province, the PRC.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Apart from the issuance of the consideration shares in 2017 as disclosed in notes 42(a) and (b) to the financial statements and the conversion of the redeemable and convertible shares of China logistics in 2016 as disclosed in the consolidated statement of changes in equity, the Group had no other major non-cash transactions of investing and financing activities during the years ended 31 December 2017 and 2016.

(b) Changes in liabilities arising from financing activities

	Bank borrowings HK$'000	Convertible bonds HK$'000	Guaranteed bonds HK$'000	Advanced from related companies HK$'000
At 1 January 2017	2,296,486	429,803	2,281,437	63,825
Changes from financing cash flows	506,634	(493,936)	2,281,334	46,334
Foreign exchange movement	87,302	14,167	49,395	(9,389)
Interest expense	–	49,966	38,220	–
Increase arising from acquisition of subsidiaries	166,984	–	–	511,067
At 31 December 2017	3,057,406	–	4,650,386	611,837

NOTES TO FINANCIAL STATEMENTS

31 December 2017

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its completed investment properties (note 13) under operating lease arrangements, with the leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**222,117**	161,756
In the second to fifth years, inclusive	**403,801**	218,868
After five years	**158,333**	46,802
	784,251	427,426

(b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years (2016: one to three years).

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**1,487**	2,426
In the second to fifth years, inclusive	**198**	1,079
	1,685	3,505

NOTES TO FINANCIAL STATEMENTS

31 December 2017

45. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Acquisition of businesses	**252,137**	1,749,473
Construction of logistic facilities	**8,397**	89,963
Total capital commitments	**260,534**	1,839,436

In addition, the Group's share of a joint venture's own capital commitments, which are contracted but not provided for and not included in the above disclosure, amounted to HK$858,890,000 (2016: HK$422,816,000) as at 31 December 2017.

46. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2017 HK$'000	2016 HK$'000
Rental income from a former non-controlling equity holder of a subsidiary and its subsidiaries#	(i)	**1,649**	1,115
Interest income from a joint venture	(ii)	**18,355**	10,741
Rental expense paid to a fellow subsidiary	(iii)	**1,833**	1,366
Management fee paid to a subsidiary of a non-controlling equity holder of a subsidiary#	(iv)	**4,997**	2,165
Key management personnel service fees paid to a company	(v)	**8,587**	7,413

These transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

46. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Notes:

(i) The rental income was determined by reference to the prevailing market rentals at the time when the rental agreements were entered into.

(ii) The interest income was charged on bank entrusted loans advanced to a joint venture at mutually-agreed rates.

(iii) The rental expense related to the lease of an office located in Beijing from a fellow subsidiary. The rental expense was determined by reference to the prevailing market rentals at the time when the rental agreement was entered into.

(iv) The management fee was determined by reference to the property management market rate for properties of comparable size, location and facilities at the time when the property management agreements were entered into.

(v) The management fee was paid for the management and administrative services provided by a hotel management company in respect of the Group's hotel operation. The management fee was charged pursuant to the terms in the agreements signed between a wholly-owned subsidiary of the Group and the hotel management company on 14 June 1988, 31 May 1991, 21 July 2003 and 18 August 2005.

(vi) Pursuant to a deposit services master agreement (the "Deposit Agreement") entered into between the Company and Beijing Enterprises Group Finance Co., Ltd. ("BG Finance") on 29 June 2015, the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. BG Finance is a non-wholly-owned subsidiary of Beijing Enterprises Group and acts as a platform for members of Beijing Enterprises Group for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

The term of the Deposit Agreement shall commence on the date of the Deposit Agreement and continue up to and including 31 December 2019. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the term of the Deposit Agreement will not exceed HK$650,000,000. Further details of the Deposit Agreement are set out in the Company's announcement dated 28 April 2017.

The deposits placed by the Group with BG Finance as at the end of the reporting period amounted to HK$130,678,000 (2016: HK$85,143,000).

Save as disclosed above and the balances detailed in notes 16, 17 and 25 to the financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2017 and 2016.

(b) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "Other SOEs"). During the year, the Group had transactions with the Other SOEs including, but not limited to, bank borrowings and deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are individually or collectively significant related party transactions that require separate disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

46. RELATED PARTY DISCLOSURES (Continued)

(c) Compensation of key management personnel of the Group

	2017 HK$'000	2016 HK$'000
Short term employee benefits	**15,635**	13,275
Pension scheme contributions	**991**	952
Total compensation paid to key management personnel	**16,626**	14,227

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

Except for equity investments and a put option being classified as equity investments at fair value through other comprehensive income and a derivative financial instrument, respectively, as further detailed in notes 18 and 34 to the financial statements, all financial assets and liabilities of the Group as at 31 December 2017 and 2016 were loans and receivables and financial liabilities stated at amortised cost, respectively.

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

The fair values of the financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table sets out a comparison, by carrying amount and fair value, of the Group's financial instruments that are carried in the financial statements at other than fair value. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates and the Group's own non-performance risk for the financial liabilities was assessed to be insignificant.

	Carrying amount		Fair value	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current financial assets:				
Deposits and other receivables	**61**	2,434	**61**	2,434
Non-current financial liabilities:				
Deposit received	**114,972**	–	**110,152**	–
Due to related parties	**448,451**	31,486	**429,654**	31,373
Bank and other borrowings	**2,889,883**	2,062,263	**2,987,040**	2,511,976
Guaranteed bonds	**2,330,206**	2,281,437	**2,296,718**	2,312,275
	5,783,512	4,375,186	**5,823,564**	4,855,624

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, guaranteed bonds and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, deposits received and other payables.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

NOTES TO FINANCIAL STATEMENTS

31 December 2017

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's exposure to market risk arising from changes in interest rates in respect of cash and bank balances is considered relatively minimal.

At 31 December 2017, the Group's interest-bearing borrowings amounting to HK$2,624,980,000 (2016: HK$1,964,266,000) bore interest at floating rates.

At 31 December 2017, it was estimated that a general decrease (increase) of 100 basis points in interest rate of average balances of bank and other loans and bank balances during the year, with all other variables held constant, would increase (decrease) the Group's profit before tax by approximately HK$46,427,000 (2016: HK$32,099,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of their transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Owing to the fact that the presentation currency of these financial statements is Hong Kong dollar but the functional currency of the Company, the PRC subsidiaries, joint venture and associate is RMB, the net assets of the Group's investments in these entities are exposed to foreign currency translation risk.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group only leases its completed investment properties to recognised and creditworthy third parties. It is the Group's policy that securities deposits equivalent to three months rental are received in advance from the tenant upon each rental agreement is signed.

Since the Group only leases its completed investment properties to recognised and creditworthy third parties, and the trade receivables are fully collateralised by the security deposits paid by the relevant tenant, there is no requirement for further collateral. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by diversity in customer base and geographic locations of warehouse portfolio.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

The credit risk of the Group's other financial assets, which comprise amounts due from a joint venture and related companies, deposits and other receivables and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank and other borrowings and convertible bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	No fixed term or on demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017						
Trade payables	**–**	**9,275**	**–**	**–**	**–**	**9,275**
Other payables and accruals	**543,604**	**12,519**	**–**	**–**	**–**	**556,123**
Due to related companies	**163,386**	**–**	**448,451**	**–**	**–**	**611,837**
Bank borrowings	**–**	**460,223**	**1,259,400**	**1,452,296**	**508,650**	**3,680,569**
Guaranteed bonds	**–**	**2,570,956**	**102,540**	**2,360,870**	**–**	**5,034,366**
	706,990	**3,052,973**	**1,810,391**	**3,813,166**	**508,650**	**9,892,170**
At 31 December 2016						
Trade payables	–	6,221	–	–	–	6,221
Other payables and accruals	498,940	34,109	–	–	–	533,049
Due to related companies	62,151	558	372	372	372	63,825
Bank borrowings	–	234,223	804,067	941,938	316,258	2,296,486
Convertible bonds	–	21,893	21,900	550,017	–	593,810
Guaranteed bonds	–	127,943	2,439,450	–	–	2,567,393
	561,091	424,947	3,265,789	1,492,327	316,630	6,060,784

NOTES TO FINANCIAL STATEMENTS

31 December 2017

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

Depending on the market conditions and funding arrangements, if at any time repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings are calculated as total bank borrowings, the liability component of the convertible bonds and guaranteed bonds. The gearing ratio as at the end of the reporting period was as follows:

	Group	
	2017	2016
	HK$'000	HK$'000
Total borrowings	**7,707,792**	5,007,726
Total assets	**17,860,702**	11,718,464
Gearing ratio	**43%**	43%

50. EVENT AFTER THE REPORTING PERIOD

On 8 February 2018, China Industrial Properties (Holdings) Limited ("CIPHL"), a wholly-owned subsidiary of the Company, issued 688 ordinary shares to each of Red Supreme Limited and Champion Yield International Limited at a consideration of RMB50,000,000 each. Following issuance of shares, the Group's ownership interest in CIPHL was diluted from 100% to 86.24% without a loss of control and hence CIPHL continues to be accounted for as a subsidiary of the Group. For accounting purposes, any gain or loss on the deemed disposal of CIPHL as a result of this transaction will be recorded in capital and other reserves as an equity transaction, however, as the conversion was effected shortly before the date of approval of these financial statements, the Group is not yet in a position to disclose the financial impact of the deemed disposal. In addition, as a result of the completion of the share subscriptions, the deposits received of HK$114,972,000 of the Group as at 31 December 2017 will be accounted for as contributions from non-controlling interests.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2017	2016
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**54**	36
Interests in subsidiaries	**6,357,598**	3,043,593
Due from a joint venture	**498,557**	–
Deposits paid for acquisitions of businesses	**–**	73,787
Equity investments at fair value through other comprehensive income	**52,964**	85,082
Total non-current assets	**6,909,173**	3,202,498
CURRENT ASSETS		
Due from subsidiaries	**1,121,742**	1,168,113
Prepayments, deposits and other receivables	**26,130**	2,886
Cash and cash equivalents	**205,097**	1,476,433
Total current assets	**1,352,969**	2,647,432
CURRENT LIABILITIES		
Other payables and accruals	**31,146**	47,896
Due to the immediate holding company	**434**	300
Due to subsidiaries	**3,987,913**	1,632,427
Bank borrowings	**–**	108,738
Convertible bonds	**–**	429,803
Total current liabilities	**4,019,493**	2,219,164
NET CURRENT ASSETS/(LIABILITIES)	**(2,666,524)**	428,268

NOTES TO FINANCIAL STATEMENTS

31 December 2017

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2017 **HK$'000**	2016 HK$'000
NON-CURRENT LIABILITIES		
Bank borrowings	**1,342,273**	634,996
Total non-current liabilities	**1,342,273**	634,996
Net assets	**2,900,376**	2,995,770
EQUITY		
Issued capital	**685,260**	676,659
Reserves	**2,215,116**	2,319,111
Total equity	**2,900,376**	2,995,770

Qian Xu
Director

Siu Kin Wai
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2017

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

	Share premium account HK$'000	Contributed surplus HK$'000	Capital and other reserves HK$'000	Financial assets revaluation reserve HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	1,705,102	423,880	–	(18,332)	194,415	247,321	4,738	(72,209)	2,484,915
			–						
Loss for the year	–	–		–	–	–	–	(19,486)	(19,486)
Other comprehensive loss for the year			–						
– Exchange differences on translation of financial statements into presentation currency	–	–	–	–	–	–	(115,032)	–	(115,032)
– Changes in fair value of equity investments at fair value through other comprehensive income, net of income tax of nil	–	–	–	(31,286)	–	–	–	–	(31,286)
Total comprehensive loss for the year	–	–	–	(31,286)	–	–	(115,032)	(19,486)	(165,804)
At 31 December 2016 and 1 January 2017	**1,705,102**	**423,880**	**–**	**(49,618)**	**194,415**	**247,321**	**(110,294)**	**(91,695)**	**2,319,111**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(157,143)**	**(157,143)**
Other comprehensive income for the year									
– Exchange differences on translation of financial statements into presentation currency	**–**	**–**	**–**	**–**	**–**	**–**	**95,835**	**–**	**95,835**
– Changes in fair value of equity investments at fair value through other comprehensive income, net	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
of income tax of nil	**–**	**–**	**–**	**(32,119)**	**–**	**–**	**–**	**–**	**(32,119)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(32,119)**	**–**	**–**	**95,835**	**(157,143)**	**(93,427)**
Issue of shares	**24,944**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,944**
Early redemption of convertible bonds	**–**	**–**	**–**	**–**	**–**	**(247,321)**	**–**	**163,832**	**(83,489)**
Transfer of share option reserve upon forfeiture of share options	**–**	**–**	**–**	**–**	**(13,699)**	**–**	**–**	**13,699**	**–**
Share consideration payable for the acquisition of a subsidiary	**–**	**–**	**47,977**	**–**	**–**	**–**	**–**	**–**	**47,977**
At 31 December 2017	**1,730,046**	**423,880**	**47,977**	**(81,737)**	**180,716**	**–**	**(14,459)**	**(71,307)**	**2,215,116**

52. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation and disclosure.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2018.

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Completed investment properties			
Level 1 on No. 89 Shenfei Road, Levels 1 and 2 on Nos. 59, 119, 159, 199, 239 Shenfei Road, and Levels 1 and 2 on Nos. 60, 90, 120, 160, 200 and 240 Shenya Road, Shanghai Wai Gao Qiao Logistics Centre, Shanghai City, the PRC	Logistics Warehouse	Medium term lease	65%
Site 19, Third Avenue, Tianjin Airport Economic Area (International Logistics Zone), Tianjin City, the PRC	Logistics warehouse	Medium term lease	75.5%
Metro Mall (excluding Units 63 to 65, Basement I) No. 63 Xihu Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC*	Shopping mall	Medium term lease	98.9%
A warehouse and surplus land located in Peng Jia Tai Community, Xiazhuang Street, Chengyang District, Qingdao City, Shandong Province, the PRC	Cold chain warehouse	Medium term lease	80%
Five warehouses, an ancillary building and various developing portions located at Nos. 555-563 Ji'an Road, Tong'an District, Xiamen City, Fujian Province, the PRC	Logistics warehouse	Medium term lease	80%
Land and Buildings situated at Nos. 3 & 5 Bencao Avenue South Section, Meishan Economic Development New Zone, Shangyi Town, Meishan City, Sichuan Province, the PRC	Logistics warehouse	Medium term lease	60%

PARTICULARS OF PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
A warehouse located in Jin Ma Xian Dai Logistics Center, Jinma Avenue, Chengmai District, Haikou City, Hainan Province, the PRC	Logistics warehouse	Medium term lease	80%
Site F, Tianjin Airport International Logistics Zone, Tianjin City, the PRC	Logistics warehouse	Medium term lease	75.5%
Marine Economic Area, Binhai New Area, Hangu District, Tianjin City, the PRC	Cold chain warehouse	Medium term lease	60%
Five warehouses and ancillary facilities situated at Chengxiang Zhen High-tech Industry Park, Taicang City, Zhejiang Province, the PRC	Logistic warehouse	Medium term lease	64.7%
No. 168 Jing Bin Avenue, Tianjin Port Free Trade Zone, Tianjin City, the PRC	Logistic warehouse	Medium term lease	65%
Section No.2012-3, Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang Province, the PRC	Logistics center	Medium term lease	100%
Section No.2014-1, Jiang Jia Shan Kecheng District, Quzhou City Zhejiang Province, the PRC	Logistics center	Medium term lease	100%

PARTICULARS OF PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Investment properties under construction			
Land Lot No. 2016-G-9, East of Guoxiang Avenue and North of Songrui Road, Wuzhong Economic Development Area, Wuzhong City, Suzhou Province, the PRC	Logistic warehouse	Medium term lease	64.7%
Land Lot No. 2016-28, East of Wangguo Road and North of Guangqiong Road, Jiaxing City, Suzhou Province, the PRC	Logistic warehouse	Medium term lease	64.7%
Developing Project at Lot No. 104010GB00029, East of Wuyishan Road and North of Dongnan Avenue, Gaoxin High-tech Industries Development Area, Changshu City, Jiangsu Province, the PRC	Logistic warehouse	Medium term lease	64.7%
Land Lot No. 320517106901, North of Hengqi Road and West of Zhongliu Road, Chengxiang Zhen, Taicang City, Jiangsu Province, the PRC	Logistic warehouse	Medium term lease	64.7%
Warehouses and various building structures located in Ke'erqin Er Wei and Qi Jiefang, Ke'erqin District, Tongliao City, the PRC	Logistic warehouse	Medium term lease	100%
Developing warehouses in South of China Railway 19th Bureau, East of Tongliao Hexi Inner Mongolia Autonomous Region Food Reserve, Ke'erqin District, Tongliao City, the PRC	Logistic warehouse	Medium term lease	100%
A warehouse and various building structures located in Qi Jiefang, Ke'erqin District, Tongliao City, the PRC	Logistic warehouse	Medium term lease	100%

* The 6 Floor of Metro Mall was classified as properties held for sale as at 31 December 2017 (note 19).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual report and audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**335,025**	317,966	296,572	202,983	35,848
Profit before tax	**298,687**	171,881	341,033	298,209	776,031
Income tax	**(3,103)**	(47,783)	(67,118)	(107,199)	(53,228)
Profit for the year	**295,584**	124,098	273,915	191,010	722,803
Attributable to:					
Shareholders of the Company	**300,916**	115,375	276,786	166,876	700,962
Non-controlling interests	**(5,332)**	8,723	(2,871)	24,134	21,841
	295,584	124,098	273,915	191,010	722,803

ASSETS, LIABILITIES AND TOTAL EQUITY

	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**17,860,702**	11,718,464	11,466,544	9,555,333	5,448,227
Total liabilities	**(11,068,063)**	(6,713,621)	(7,005,860)	(5,243,365)	(1,950,795)
NET ASSETS	**6,792,639**	5,004,843	4,460,684	4,311,968	3,497,432
Attributable to:					
Shareholders of the Company	**4,419,323**	3,660,590	4,220,420	4,161,837	3,430,199
Non-controlling interests	**2,373,316**	1,344,253	240,264	150,131	67,233
TOTAL EQUITY	**6,792,639**	5,004,843	4,460,684	4,311,968	3,497,432