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ANNOUNCEMENT OF 2016 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

| | Year 2016 | Year 2015 | % Change |
|--|-----------------------------|--------------------|------------------|
| | HK\$'M | HK\$'M | |
| Revenue | 2,804.3 | 2,934.0 | -4.4% |
| Gross profit | 1,165.0 | 1,234.7 | -5.6% |
| Operating profit before depreciation and amortisation, finance costs and tax | 1,192.8 | 873.2 | +36.6% |
| Profit for the year attributable to equity holders of the parent | 136.2 | 4.6 | +2,860.9% |
| Basic earnings per ordinary share attributable to equity holders of the parent | HK4.25 cents | HK0.14 cent | +2,935.7% |
| Proposed final dividend per ordinary share | HK1.37 cents | HK1.37 cents | – |
| Total dividends for the year per ordinary share | HK2.00 cents | HK2.00 cents | – |
| | As at 31st December, | | |
| | 2016 | 2015 | |
| | (Unaudited) | (Unaudited) | |
| Net asset value per ordinary share attributable to equity holders of the parent | HK\$2.67 | HK\$2.65 | +0.8% |

- **The Group's operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK\$1,192.8 million, as compared to HK\$873.2 million for the preceding year.**
- **Profit for the year attributable to shareholders amounted to HK\$136.2 million, as compared to HK\$4.6 million for the preceding year.**
- **The significant improvement in the profit attained was mainly attributable to the gain derived from the disposal by the Group of a 50% equity interest in the hotel project located at Ha Heung Road, To Kwa Wan, Kowloon.**
- **Depreciation charges in an aggregate amount of HK\$514.4 million have been provided on the Group's hotel properties in Hong Kong in the financial results under review which, though having no impact on cash flow, have adversely affected the overall reported profit. In addition, depreciation charges on the Group's aircraft fleet for the year amounted to HK\$63.9 million.**
- **The Century City Group comprises a total of five listed entities in Hong Kong. As the ultimate holding company of the Group, the Company held a controlling shareholding interest in Paliburg Holdings Limited, its intermediate listed subsidiary, and the core hotel and property businesses of the Group are conducted through different subsidiaries of Paliburg, including Regal Hotels International Holdings Limited, Regal Real Estate Investment Trust and Cosmopolitan International Holdings Limited.**
- **The Group first started in 2012 the investment in the aircraft ownership and leasing businesses, with the acquisition by a wholly owned subsidiary of the Company of an 84.9% effective interest in a Boeing 737-800 aircraft. Through the same aircraft manager appointed, Regal has since made substantial investments in this new line of business and owned as at 31st December, 2016 a fleet of 14 aircraft.**
- **In April 2016, a wholly owned subsidiary of the Company additionally acquired a used Boeing B737-300F freighter aircraft and has at the same time entered into a finance lease with a logistics operator for a term of 62 months, which is generating steady revenues.**

- Although the aircraft ownership and leasing business is becoming more competitive in recent years due to the increasing number of investors, the Group as a whole will continue to commit resources to this business sector, particularly having regard to the recent initiatives taken by the Hong Kong Government to amend the tax legislation to attract leasing companies to develop their business in Hong Kong. The ultimate aim of the Group is to develop its aircraft ownership and leasing business into a separate business unit that can be operated independently.
- Century Innovative Technology group (CIT), a 48%-owned associate of the Group, is an edutainment company principally engaged in the production of education and entertainment multimedia content, products, and services.
- CIT has developed a series of award-winning 3D animated content based on its flagship *Bodhi and Friends* characters, which have been successfully broadcasted in leading children television channels in China. To support its global expansion plans, CIT is collaborating with international production and distribution partners to distribute the *Bodhi and Friends* content across television, online and OTT networks in Greater China and various other regions around the world.
- Through CIT's global licensing deal with Mattel, one of the world's largest toy companies, the first *Bodhi and Friends* toys were released in March 2017 across leading toys retail chain stores in China. Apart from the its own e-commerce store that will open in the second quarter of 2017, CIT is also in discussions with prominent partners to further enlarge the distribution network to distribute both licensed products as well as self-developed branded merchandise, which are expected to generate increased distribution revenue and licensing income.
- Management is confident that the significant expansion in online and offline outlets offering *Bodhi and Friends*' content and products will be a significant step for CIT to becoming China's first global family brand.
- Detailed information on the business operations of Paliburg, Regal, Regal REIT and Cosmopolitan, the listed subsidiaries of the Company, are contained in their separate results announcements released today.
- All the listed members of the Century City Group have achieved steady progress in the year under review. The Century City Group has over the past years built up a strong foundation and many of its investments undertaken are gradually maturing to fruition. Accordingly, the Directors are optimistic that the Group will continue to grow and prosper.

FINANCIAL RESULTS

For the year ended 31st December, 2016, the Group achieved a consolidated profit attributable to shareholders of HK\$136.2 million, which was substantially above the profit of HK\$4.6 million recorded in 2015. The significant improvement in the profit attained was mainly attributable to the gain derived from the disposal by the Group of a 50% equity interest in the hotel project located at Ha Heung Road, To Kwa Wan, Kowloon.

The Group's operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK\$1,192.8 million, as compared to HK\$873.2 million for the preceding year. However, as previously explained, as all the Group's operating hotel properties in Hong Kong are owned and operated within the Group, they are classified in the Group's consolidated financial statements as property, plant and equipment and are subject to depreciation to conform to currently applicable accounting standards. Accordingly, depreciation charges in an aggregate amount of HK\$514.4 million have been provided on such hotel properties in the financial results under review which, though having no impact on cash flow, have adversely affected the overall reported profit. In addition, depreciation charges on the Group's aircraft fleet for the year amounted to HK\$63.9 million.

BUSINESS OVERVIEW

The Century City Group comprises a total of five listed entities in Hong Kong. As the ultimate holding company of the Group, the Company held as at the last year end date approximately 62.3% shareholding in Paliburg Holdings Limited, its intermediate listed subsidiary, and the core hotel and property businesses of the Group are conducted through different subsidiaries of Paliburg.

Regal Hotels International Holdings Limited, a listed subsidiary approximately 67.9% held by Paliburg as at 31st December, 2016, primarily undertakes the Group's hotel businesses. Apart from engaging in hotel operating and management businesses, Regal has a significant portfolio of diversified business interests and held approximately 74.6% of the outstanding

units of Regal Real Estate Investment Trust, a listed subsidiary of Regal which owns all the eight Regal and iclub Hotels operating in Hong Kong.

The Group's property development businesses are principally conducted through P&R Holdings Limited, which is a joint venture 50:50 owned by each of Paliburg and Regal. As Regal is a subsidiary of the Company held through Paliburg, P&R Holdings is effectively also a subsidiary of the Company. As at 31st December, 2016, P&R Holdings also held an effective controlling shareholding interest of approximately 77.0% in Cosmopolitan International Holdings Limited (comprising interests in its ordinary shares and convertible preference shares) and, in addition, substantial interests in the convertible bonds of Cosmopolitan. Cosmopolitan is consequently also a listed member of the Group, which is principally undertaking property development and investment in the People's Republic of China and other investment businesses.

The Group first started in 2012 the investment in the aircraft ownership and leasing businesses, with the acquisition by a wholly owned subsidiary of the Company of an 84.9% effective interest in a Boeing 737-800 aircraft. Through the same aircraft manager appointed, Regal has since made substantial investments in this new line of business. As at 31st December, 2016, the Regal group owned a fleet of 14 aircraft, including two Airbus 321 model aircraft and 12 Embraer ERJ-135 and ERJ-145 model aircraft, 6 of which are under operating leases and 7 under finance leases.

In April 2016, a wholly owned subsidiary of the Company additionally acquired a used Boeing B737-300F freighter aircraft and has at the same time entered into a finance lease with a logistics operator for a term of 62 months, which is generating steady revenues.

Although the aircraft ownership and leasing business is becoming more competitive in recent years due to the increasing number of investors, the Group as a whole will continue to commit resources to this business sector, particularly having regard to the recent initiatives taken by the Hong Kong Government to amend the tax legislation to attract leasing companies to develop their business in Hong Kong. The ultimate aim of the Group is to develop its aircraft ownership and leasing business into a separate business unit that can be operated independently.

The Group's financing business is operated through Cityline Finance Limited, a wholly owned subsidiary of the Company with a money lender's licence. Due to the keen competition in the mortgage lending business in Hong Kong, the development of Cityline's loan portfolio has been relatively slow.

Century Innovative Technology group (CIT), a 48%-owned associate of the Group, is an edutainment company principally engaged in the production of education and entertainment multimedia content, products, and services.

CIT has developed a series of award-winning 3D animated content based on its flagship *Bodhi and Friends* characters, which have been successfully broadcasted in leading children television channels in China. To support its global expansion plans, CIT is collaborating with international production and distribution partners to distribute the *Bodhi and Friends* content across television, online and OTT networks in Greater China and various other regions around the world.

Through CIT's global licensing deal with Mattel, one of the world's largest toy companies, the first *Bodhi and Friends* toys were released in March 2017 across leading toys retail chain stores in China. Apart from the its own e-commerce store that will open in the second quarter of 2017, CIT is also in discussions with prominent partners to further enlarge the distribution network to distribute both licensed products as well as self-developed branded merchandise, which are expected to generate increased distribution revenue and licensing income.

Management is confident that the significant expansion in online and offline outlets offering *Bodhi and Friends*' content and products will be a significant step for CIT to becoming China's first global family brand. Further detailed information in relation to the shareholding structure and business operations of CIT is contained in the section headed "Management Discussion and Analysis" in this announcement.

The operational performance and business review of the listed members of the Group during the year under review are highlighted below.

PALIBURG HOLDINGS LIMITED

For the year ended 31st December, 2016, Paliburg achieved a consolidated profit attributable to shareholders of HK\$217.0 million, as compared to the profit of HK\$21.5 million attained in 2015.

Further information on the principal business operations and outlook of Paliburg, including its Management Discussion and Analysis, is contained in Paliburg's announcement separately released today.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2016, Regal achieved a consolidated profit attributable to shareholders of HK\$213.7 million, representing an increase of 79.6% over the HK\$119.0 million attained in 2015.

Further information on the principal business operations and outlook of Regal, including its Management Discussion and Analysis, is contained in Regal's announcement separately released today.

REGAL REAL ESTATE INVESTMENT TRUST

For the year ended 31st December, 2016, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK\$564.0 million, while for the financial year 2015, a loss of HK\$1,527.8 million was reported.

Further information on the principal business operations and outlook of Regal REIT, including its Management Discussion and Analysis, is contained in Regal REIT's announcement separately released today.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2016, Cosmopolitan recorded a consolidated loss attributable to shareholders of HK\$115.3 million, as compared to a loss of HK\$344.9 million for the year 2015.

Further information on the principal business operations and outlook of Cosmopolitan, including its Management Discussion and Analysis, is contained in Cosmopolitan's announcement separately released today.

OUTLOOK

All the listed members of the Century City Group have achieved steady progress in the year under review. While the economic growth in most major economies is gradually improving, the outlook of the global market is still faced with uncertainties, including the increased geopolitical tensions, the rising protectionist sentiments and the uncertainty in policy directions. However, the Century City Group has over the past years built up a strong foundation and many of its investments undertaken are gradually maturing to fruition. Accordingly, the Directors are optimistic that the Group will continue to grow and prosper.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing business and other investments including financial assets investments.

The principal businesses of Paliburg, the Group's listed intermediate subsidiary, comprise its investment in Regal, its property development and investment businesses (including those undertaken in Hong Kong through P&R Holdings, the joint venture with Regal, and those in the PRC through Cosmopolitan, which is a listed subsidiary of P&R Holdings), construction and building related businesses, and other investment businesses. The business review of Paliburg during the year, the commentary on the property sectors in which the Paliburg group operates and the changes in the general market conditions and the potential impact on their operating performance and future prospects are contained in the separate final results announcements for 2016 released by Paliburg and Cosmopolitan.

The significant investments and business interests of Regal comprise hotel ownership business undertaken through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings and the interest in the retained houses in Regalia Bay in Stanley, aircraft ownership and leasing and other investment businesses. The performance of Regal's hotel, property and other investment businesses as well as that of Regal REIT during the year under review, the commentary on the hotel and property sectors in which the Regal group operates and the changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the separate final results announcements for 2016 released by Regal and Regal REIT.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the above sections headed "Business Overview" and "Outlook" and in this sub-section.

CENTURY INNOVATIVE TECHNOLOGY GROUP (CIT)

The Group effectively owns an aggregate of 48% interests (comprising 36% held by the Regal group and 12% held through wholly owned subsidiaries of the Company) in 8D Matrix Limited, an associate of the Group, which wholly owns CIT. The remaining 52% interest in 8D Matrix is held by private companies owned by Mr. Lo Yuk Sui, the Chairman and controlling shareholder of the Company. CIT is a dynamic edutainment company principally engaged in the production of high-quality education and entertainment multimedia content as

well as related products and services for the family, focusing primarily on the China market. CIT's flagship property "*Bodhi and Friends*" has been created by Miss Lo Po Man, the daughter of Mr. Lo and a Vice Chairman and an Executive Director of the Company, and the intellectual property rights over such characters are beneficially owned by Miss Lo.

To date, CIT has developed over 2,000 minutes of award-winning 3D animated content based on its flagship *Bodhi and Friends* characters. The first and second seasons debuted on China's two leading children television channels, CCTV (China Central Television) and Hunan Television, and reached No.1 in viewership ratings. The third season was launched in the first quarter of 2017 across the 5 major children channels in China, and the fourth and fifth seasons, written by an Emmy-award winning writer, are scheduled later this year. To support the global expansion plans of *Bodhi and Friends*, CIT is collaborating with international production and distribution partners to distribute content across television, online, and OTT networks in Greater China, Southeast Asia, Australia and various regions around the world.

Through CIT's global licensing deal with Mattel, one of the world's largest toy companies, the first *Bodhi and Friends* toys have been released in March 2017 across leading toys retail chain stores in China. *Bodhi and Friends* has also been licensed by Scholastic, one of the world's largest children publishers. As further testament to the brand's growing popularity, CIT is also in final discussions with a leading fast food chain to distribute *Bodhi and Friends* bilingual books in over 5,000 outlets across China. A *Bodhi and Friends* e-commerce store will open in the second quarter of 2017 to distribute both licensed products as well as self-developed branded merchandise. CIT is also in serious discussions with prominent partners to drive the development of offline centers and feature films. The introduction of intellectual property to international and Chinese networks and retail outlets is expected to generate increasing distribution revenue and licensing income.

Leveraging on its growing fan base, CIT is also developing smart toys and an education platform for families in China designed to make learning fun and effective. Co-developed with China's leading story-telling device manufacturer and distributor, *Bodhi and Friends'* branded devices will include CIT's award-winning music and language learning content and are expected to be launched in the second quarter of 2017. In collaboration with a leading

Chinese smart TV brand, CIT is co-developing a smart toy that connects to smart TVs, enabling children to access the world's best edutainment content. Capitalising on its online expertise, CIT plans to launch an O2O parent-child platform that offers adaptive edutainment content (animation, games and music) to children and intelligent customised services for parents. The launch of online subscription services will also increase engagement with CIT's loyal base of customers while generating stable revenue streams.

Management is confident that the significant expansion in online and offline outlets offering *Bodhi and Friends*' content and products will be a significant step for CIT to becoming China's first global family brand.

P&R HOLDINGS LIMITED

P&R Holdings is a 50:50 owned joint venture established by Paliburg and Regal, with capital contributions provided by Paliburg and Regal on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings, and is a subsidiary of Paliburg and the Company. The business scope of P&R Holdings is the development of real estate projects for sale and/or leasing, the undertaking of related investment and financing activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

Further information relating to the property development projects being undertaken and properties owned by the P&R Holdings group is set out below:

Hong Kong

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon and the Anchor Street/Fuk Tsun Street development project in Tai Kok Tsui, Kowloon, both of which are being undertaken pursuant to the development contracts awarded by the Urban Renewal Authority of Hong Kong, and the Ha Heung Road development project in To Kwa Wan, Kowloon, all of the other ongoing development projects and properties are presently wholly

owned by P&R Holdings group.

Domus and Casa Regalia at Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories

This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The occupation permit for the project was issued in November 2015 and the certificate of compliance was obtained in April 2016.

As previously reported, all the 134 units in the apartment block, named Domus, were sold in June 2015. The sale programme for the garden houses, named Casa Regalia, which constitute the main component of the development, was first launched in May 2016 and, up to date, 13 houses have been contracted to be sold. While the remaining houses are presently planned to be disposed of on a gradual basis, some of them may in the meantime be retained for rental income.

iclub Ma Tau Wai Hotel at Nos.8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon

As reported in the preceding section, following the sale of a 50% equity interest in the entity holding the project prior to the year end, it is now a 50% owned joint venture of P&R Holdings. The project has an aggregate site area of approximately 700 square metres (7,535 square feet) and has been developed into a 22-storey hotel (including 1 basement floor) with 340 guest rooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The occupation permit of the hotel was issued in November 2016. The hotel licence for the hotel is expected to be issued in the second quarter of 2017.

Sha Tin Town Lot No.482 at Po Tai Street, Ma On Shan, Sha Tin, New Territories

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is being developed into a shopping mall with 5 storeys above ground level. The superstructure works are nearing completion and the development is scheduled to be

completed in the fourth quarter of 2017. This property project is intended to be retained for rental income.

Sha Tin Town Lot No.578, Area 56A, Kau To, Sha Tin, New Territories

The project has a site area of 17,476 square metres (188,100 square feet) and is being developed into a luxurious residential development comprising 7 mid-rise apartment blocks with about 136 units, 24 detached garden houses and 198 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The superstructure works are in progress. The completion of this development is presently scheduled for 2018.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is planned for the development of a hotel with 98 guest rooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The foundation works have been completed. Excavation works for pile caps are in progress.

The Ascent at No.83 Shun Ning Road, Sham Shui Po, Kowloon

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and is being developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carpark. The superstructure works are in progress and the development is scheduled to be completed before the end of 2017. The presale of the residential units in this development was launched in July 2016 and, up to date, 155 of the total 157 residential units have been contracted to be sold.

iclub Mong Kok Hotel at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, Kowloon

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015, which has a site area of 725.5 square metres (7,809 square feet). The project has total permissible gross floor area of approximately 6,529

square metres (70,278 square feet) and covered floor area of approximately 9,355 square metres (100,697 square feet) and is being developed into a 20-storey hotel building comprising about 288 guest rooms, with ancillary accommodation. The superstructure works have commenced and the development project is presently anticipated to be completed in 2018.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of P&R Holdings. Further information relating to the property projects, all of which are wholly owned, and the 60% owned logistics business currently undertaken by the Cosmopolitan group in the PRC is set out below:

Property Development

Chengdu Project – Regal Cosmopolitan City

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

commercial and office space, serviced apartments and additional residential units, will continue to be developed in stages.

Tianjin Project – Regal Renaissance

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

Xinjiang Project

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

The Cosmopolitan group has completed the re-organisation of the local management team and will soon initiate measures to settle the land disputes with the surrounding villagers, with an aim to resume the possession of certain parcels of land within the project site being illegally occupied. Based on the legal advice obtained, the legitimate interests of the

Cosmopolitan group in this re-forestation and land grant contract remain valid and effective. The Cosmopolitan group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

Logistics Business

Shanghai Logistics Project

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

One of the companies within the Logistics Group is a licensed courier services provider in the PRC. It has leased certain industrial premises with an aggregate lettable area of about 40,000 square metres (431,000 square feet) in Pudong, Shanghai, the PRC (the “Leased Property”) from an affiliated company of the ultimate 40% shareholder of the Logistics Group to operate the logistics and related businesses. The ultimate 40% shareholder of the Logistics Group has also through his wholly owned subsidiary entered into a consultancy agreement with the Logistics Group to procure the development and expansion of the logistics businesses with an additional business operating area of 120,000 square metres (1,292,000 square feet). The shareholders of the company owning the Leased Property (being the ultimate 40% shareholder of the Logistics Group and his family member) have granted a purchase option to the Logistics Group to acquire the aforesaid property holding company owning the Leased

Property and its wholly owned subsidiary which has a contractual right to acquire the land parcel adjacent to the Leased Property. Further details of the above-mentioned acquisition, consultancy agreement, purchase option and other related transactions were disclosed in the related announcements.

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

HANG FOK PROPERTIES LIMITED

Hang Fok is an entity that is 50% beneficially owned by each of the Paliburg group and the Regal group and is effectively a subsidiary of the Group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. As also reported before, in the process of the legal actions taken, Hang Fok has recovered in February 2016 about RMB195 million (equivalent to approximately HK\$228.4 million) from the joint venture project company, as repayment of certain of the shareholder's loans owing to Hang Fok, plus accrued contractual interest thereon. As at 31st December, 2016, the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount. In March 2017, Hang Fok further recovered an additional amount of about RMB34 million (equivalent to approximately HK\$37.8 million) from the joint venture project company, which principally represents late payment interest as required by the relevant court rules in the PRC. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group's interest in this investment.

FINANCIAL REVIEW

ASSETS VALUE

As at 31st December, 2016, the Group's net assets attributable to equity holders of the parent amounted to HK\$8,557.5 million, representing HK\$2.67 per ordinary share.

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources and proceeds from the presale of the units. Project financing may be arranged in local currency on appropriate terms to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes are denominated in US dollar and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider

hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain the Group's exposure to currency fluctuation.

Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK\$1,278.1 million (2015 – HK\$256.3 million). Net interest payment for the year amounted to HK\$202.5 million (2015 – HK\$277.2 million).

Borrowings and Gearing

As at 31st December, 2016, the Group had cash and bank balances and deposits of HK\$5,319.1 million (2015 – HK\$2,678.8 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$11,145.0 million (2015 – HK\$11,059.2 million).

As at 31st December, 2016, the gearing ratio of the Group was 26.5% (2015 – 29.3%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$11,145.0 million (2015 – HK\$11,059.2 million), as compared to the total assets of the Group of HK\$41,982.1 million (2015 – HK\$37,738.8 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2016 are shown in the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2016 (the "2016 Annual Report") to be published on or before 30th April, 2017.

Pledge of Assets

As at 31st December, 2016, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK\$19,991.6 million (2015 – HK\$18,745.8 million) were pledged to secure general banking facilities granted to the Group and, in addition, certain of the Group's time deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$413.8 million (2015 – HK\$462.1 million) were pledged to secure bank guarantees procured by the

Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2016, certain ordinary shares in a listed subsidiary with a market value of HK\$370.7 million (2015 – HK\$406.5 million) were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2016 are shown in the Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2016 are shown in the Financial Statements.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK1.37 cents (2015 – HK1.37 cents) per ordinary share for the year ended 31st December, 2016. This proposed final dividend will absorb an amount of approximately HK\$43.9 million (2015 – HK\$43.9 million) and will be payable to the holders of ordinary shares on the Register of Ordinary Shareholders on 15th June, 2017.

Together with the interim dividend of HK0.63 cent (2015 – HK0.63 cent) per ordinary share paid in October 2016, total dividends per ordinary share for the year ended 31st December, 2016 will amount to HK2.00 cents (2015 – HK2.00 cents).

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Wednesday, 7th June, 2017. The Notice of the Annual General Meeting will be published on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company and sent to the shareholders of the Company, together with the Company’s 2016 Annual Report, in due course.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders of the Company will be closed during the following periods, and no transfers of shares will be effected during such periods:

- (i) from Friday, 2nd June, 2017 to Wednesday, 7th June, 2017, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2017 Annual General Meeting. In order to be entitled to attend and vote at the 2017 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company’s branch registrar in Hong Kong, Tricor Tengis Limited (the “Branch Registrar”), no later than 4:30 p.m. on Thursday, 1st June, 2017; and
- (ii) from Tuesday, 13th June, 2017 to Thursday, 15th June, 2017, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Branch Registrar no later than 4:30 p.m. on Monday, 12th June, 2017.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 30th June, 2017.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

| | Year ended 31st December, 2016 | Year ended 31st December, 2015 |
|---|-----------------------------------|-----------------------------------|
| | HK\$'M | HK\$'M |
| REVENUE (Notes 2 & 3) | 2,804.3 | 2,934.0 |
| Cost of sales | (1,639.3) | (1,699.3) |
| Gross profit | 1,165.0 | 1,234.7 |
| Other income and gains, net (Note 3) | 56.1 | 99.9 |
| Fair value gains on investment properties, net | 69.4 | 28.1 |
| Fair value losses on financial assets at fair value through profit or loss, net | (24.7) | (13.2) |
| Gain on bargain purchase (Note 11) | 3.1 | – |
| Gain on disposal of subsidiaries (Note 12) | 403.0 | – |
| Impairment loss on property under development | – | (57.0) |
| Impairment loss on properties held for sale | (15.5) | – |
| Property selling and marketing expenses | (57.6) | (46.7) |
| Administrative expenses | (406.0) | (372.6) |
| OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION | 1,192.8 | 873.2 |
| Depreciation and amortisation | (626.4) | (582.0) |
| OPERATING PROFIT (Notes 2 & 4) | 566.4 | 291.2 |
| Finance costs (Note 5) | (310.1) | (229.4) |
| Share of profits and losses of associates | (14.1) | (24.8) |
| PROFIT BEFORE TAX | 242.2 | 37.0 |
| Income tax (Note 6) | (4.1) | (16.1) |
| PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | 238.1 | 20.9 |

Consolidated Statement of Profit or Loss (Cont'd)

| | Year ended 31st December, 2016 | Year ended 31st December, 2015 |
|--|---|---|
| | HK\$'M | HK\$'M |
| Attributable to: | | |
| Equity holders of the parent | 136.2 | 4.6 |
| Non-controlling interests | 101.9 | 16.3 |
| | <hr/> 238.1 <hr/> | <hr/> 20.9 <hr/> |
| EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8) | | |
| Basic and diluted | <hr/> HK4.25 cents <hr/> | <hr/> HK0.14 cent <hr/> |

Consolidated Statement of Comprehensive Income

| | Year ended 31st December, 2016 | Year ended 31st December, 2015 |
|---|-----------------------------------|-----------------------------------|
| | HK\$'M | HK\$'M |
| PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | 238.1 | 20.9 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Changes in fair value of available-for-sale investments | (3.8) | 51.0 |
| Cash flow hedges: | | |
| Changes in fair value of cash flow hedges | – | (0.3) |
| Transfer from hedge reserve to the statement of profit or loss | – | 1.2 |
| | – | 0.9 |
| Exchange differences on translating foreign operations | (159.1) | (172.6) |
| Share of other comprehensive loss of associates | (0.1) | (0.1) |
| Other comprehensive loss for the year | (163.0) | (120.8) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | 75.1 | (99.9) |
| Attributable to: | | |
| Equity holders of the parent | 65.2 | (33.4) |
| Non-controlling interests | 9.9 | (66.5) |
| | 75.1 | (99.9) |

Consolidated Statement of Financial Position

| | 31st December, 2016 | 31st December, 2015 |
|---|---------------------|---------------------|
| | HK\$'M | HK\$'M |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 19,517.4 | 20,091.4 |
| Investment properties | 2,395.3 | 2,101.3 |
| Properties under development | 1,293.0 | 1,297.3 |
| Investment in a joint venture | 1,150.7 | – |
| Investments in associates | 35.3 | 23.3 |
| Available-for-sale investments | 335.6 | 215.3 |
| Financial assets at fair value through profit or loss | 1.9 | 1.9 |
| Contingent consideration receivable | 10.3 | – |
| Loans receivable | 93.4 | 9.4 |
| Finance lease receivable | 81.9 | – |
| Debtors, deposits and prepayments (Note 9) | 80.3 | 81.2 |
| Deferred tax assets | 94.0 | 79.1 |
| Other assets | 5.2 | 0.2 |
| Goodwill | 261.0 | 261.0 |
| Trademark | 610.2 | 610.2 |
| Other intangible assets | 97.1 | – |
| Total non-current assets | <u>26,062.6</u> | <u>24,771.6</u> |
| CURRENT ASSETS | | |
| Properties under development | 6,465.5 | 6,363.9 |
| Properties held for sale | 1,268.5 | 1,740.2 |
| Inventories | 64.8 | 52.7 |
| Loans receivable | 3.7 | 0.4 |
| Finance lease receivable | 45.0 | – |
| Debtors, deposits and prepayments (Note 9) | 1,304.9 | 1,007.9 |
| Held-to-maturity investments | 466.7 | 201.2 |
| Financial assets at fair value through profit or loss | 968.3 | 914.3 |
| Derivative financial instruments | 12.8 | 4.7 |
| Tax recoverable | 0.2 | 3.1 |
| Restricted cash | 438.5 | 177.8 |
| Pledged time deposits and bank balances | 265.1 | 346.3 |
| Time deposits | 2,726.0 | 501.8 |
| Cash and bank balances | 1,889.5 | 1,652.9 |
| Total current assets | <u>15,919.5</u> | <u>12,967.2</u> |

Consolidated Statement of Financial Position (Cont'd)

| | 31st December, 2016 | 31st December, 2015 |
|--|---------------------|---------------------|
| | HK\$'M | HK\$'M |
| CURRENT LIABILITIES | | |
| Creditors and accruals (Note 10) | (854.8) | (868.7) |
| Deposits received | (2,259.2) | (343.1) |
| Interest bearing bank borrowings | (992.8) | (1,271.7) |
| Other borrowings | (2,258.5) | – |
| Derivative financial instruments | (5.7) | (2.8) |
| Tax payable | (145.5) | (119.6) |
| Total current liabilities | <u>(6,516.5)</u> | <u>(2,605.9)</u> |
| NET CURRENT ASSETS | <u>9,403.0</u> | <u>10,361.3</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>35,465.6</u> | <u>35,132.9</u> |
| NON-CURRENT LIABILITIES | | |
| Creditors and deposits received | (170.8) | (177.2) |
| Interest bearing bank borrowings | (8,560.4) | (8,247.6) |
| Other borrowings | (4,621.3) | (4,218.7) |
| Convertible bonds | (31.1) | – |
| Deferred tax liabilities | (2,169.9) | (2,231.2) |
| Total non-current liabilities | <u>(15,553.5)</u> | <u>(14,874.7)</u> |
| Net assets | <u>19,912.1</u> | <u>20,258.2</u> |
| EQUITY | | |
| Equity attributable to equity holders of the parent | | |
| Issued capital | 320.4 | 320.4 |
| Reserves | 8,237.1 | 8,181.1 |
| | <u>8,557.5</u> | <u>8,501.5</u> |
| Non-controlling interests | <u>11,354.6</u> | <u>11,756.7</u> |
| Total equity | <u>19,912.1</u> | <u>20,258.2</u> |

Notes:

1. Basis of Preparation and Accounting Policies

The financial statements of the Group 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, 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, certain available-for-sale investments, financial assets at fair value through profit or loss, contingent consideration receivable and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest million except when otherwise indicated.

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

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

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's results of operation and financial position.

2. Operating Segment Information

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

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal REIT;
- (d) the asset management segment engages in the provision of asset management services to Regal REIT;
- (e) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (f) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental income; and

- (g) the others segment mainly comprises the provision of financing services, travel agency services, sale of food products, operation of security storage lounge, the provision of housekeeping services, logistics and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

Segment liabilities exclude convertible bonds, interest bearing bank borrowings, other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

| | Property development and investment | | Construction and building related businesses | | Hotel operation and management and hotel ownership | | Asset management | | Financial assets investments | | Aircraft ownership and leasing | | Others | | Eliminations | | Consolidated | |
|--|-------------------------------------|----------------|--|----------------|--|----------------|------------------|----------------|------------------------------|----------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M |
| Segment revenue: | | | | | | | | | | | | | | | | | | |
| Sales to external customers | 332.5 | 536.6 | 14.3 | 12.9 | 2,153.9 | 2,171.3 | - | - | 147.5 | 61.5 | 127.9 | 114.3 | 28.2 | 37.4 | - | - | 2,804.3 | 2,934.0 |
| Intersegment sales | 8.5 | 10.0 | 198.9 | 296.7 | 3.0 | - | 96.2 | 96.2 | - | - | - | - | 24.9 | 3.1 | (331.5) | (406.0) | - | - |
| Total | <u>341.0</u> | <u>546.6</u> | <u>213.2</u> | <u>309.6</u> | <u>2,156.9</u> | <u>2,171.3</u> | <u>96.2</u> | <u>96.2</u> | <u>147.5</u> | <u>61.5</u> | <u>127.9</u> | <u>114.3</u> | <u>53.1</u> | <u>40.5</u> | <u>(331.5)</u> | <u>(406.0)</u> | <u>2,804.3</u> | <u>2,934.0</u> |
| Segment results before depreciation and amortisation | 312.4 | 3.4 | 0.7 | (1.5) | 794.3 | 837.3 | (11.9) | (13.5) | 131.0 | 59.3 | 132.8 | 138.5 | 3.0 | (2.9) | - | - | 1,362.3 | 1,020.6 |
| Depreciation and amortisation | (24.2) | (16.5) | (0.4) | (0.3) | (521.6) | (511.6) | (0.4) | (0.4) | - | - | (63.9) | (49.5) | (12.7) | (1.1) | - | - | (623.2) | (579.4) |
| Segment results | <u>288.2</u> | <u>(13.1)</u> | <u>0.3</u> | <u>(1.8)</u> | <u>272.7</u> | <u>325.7</u> | <u>(12.3)</u> | <u>(13.9)</u> | <u>131.0</u> | <u>59.3</u> | <u>68.9</u> | <u>89.0</u> | <u>(9.7)</u> | <u>(4.0)</u> | <u>-</u> | <u>-</u> | <u>739.1</u> | <u>441.2</u> |
| Unallocated interest income and unallocated non-operating and corporate gains | | | | | | | | | | | | | | | | | 28.2 | 32.3 |
| Unallocated non-operating and corporate expenses | | | | | | | | | | | | | | | | | (200.9) | (182.3) |
| Operating profit | | | | | | | | | | | | | | | | | 566.4 | 291.2 |
| Finance costs | | | | | | | | | | | | | | | | | (310.1) | (229.4) |
| Share of profits and losses of associates | - | 0.1 | - | - | 1.7 | - | - | - | - | - | - | - | (15.8) | (24.9) | - | - | (14.1) | (24.8) |
| Profit before tax | | | | | | | | | | | | | | | | | 242.2 | 37.0 |
| Income tax | | | | | | | | | | | | | | | | | (4.1) | (16.1) |
| Profit for the year before allocation between equity holders of the parent and non-controlling interests | | | | | | | | | | | | | | | | | <u>238.1</u> | <u>20.9</u> |
| Attributable to: | | | | | | | | | | | | | | | | | | |
| Equity holders of the parent | | | | | | | | | | | | | | | | | 136.2 | 4.6 |
| Non-controlling interests | | | | | | | | | | | | | | | | | <u>101.9</u> | <u>16.3</u> |
| | | | | | | | | | | | | | | | | | <u>238.1</u> | <u>20.9</u> |

| | Property development and investment | | Construction and building related businesses | | Hotel operation and management and hotel ownership | | Asset management | | Financial assets investments | | Aircraft ownership and leasing | | Others | | Eliminations | | Consolidated | |
|---|-------------------------------------|----------------|--|----------------|--|----------------|------------------|----------------|------------------------------|----------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|-------------------|-------------------|
| | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M | 2016 HK\$'M | 2015 HK\$'M |
| Segment assets | 13,868.0 | 13,679.6 | 39.2 | 25.5 | 18,865.8 | 19,306.0 | 42.6 | 37.5 | 1,842.3 | 1,394.9 | 471.9 | 485.8 | 248.3 | 41.7 | (41.3) | (36.1) | 35,336.8 | 34,934.9 |
| Investment in a joint venture | 1,150.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,150.7 | - |
| Investments in associates | 21.2 | 6.3 | - | - | - | 7.1 | - | - | - | - | - | - | 14.1 | 9.9 | - | - | 35.3 | 23.3 |
| Cash and unallocated assets | | | | | | | | | | | | | | | | | 5,459.3 | 2,780.6 |
| Total assets | | | | | | | | | | | | | | | | | <u>41,982.1</u> | <u>37,738.8</u> |
| Segment liabilities | (2,575.9) | (708.2) | (41.4) | (57.8) | (391.6) | (379.6) | (2.4) | (1.5) | (10.6) | (22.3) | (202.2) | (202.2) | (8.1) | (3.9) | 41.3 | 36.1 | (3,190.9) | (1,339.4) |
| Interest bearing bank borrowings and unallocated liabilities | | | | | | | | | | | | | | | | | (18,879.1) | (16,141.2) |
| Total liabilities | | | | | | | | | | | | | | | | | <u>(22,070.0)</u> | <u>(17,480.6)</u> |
| Other segment information: | | | | | | | | | | | | | | | | | | |
| Capital expenditure* | 1,429.0 | 1,901.2 | 1.3 | - | 73.6 | 101.4 | 0.1 | 0.2 | - | - | 65.6 | 363.5 | 116.7 | 7.3 | | | | |
| Gain on bargain purchase | - | - | - | - | - | - | - | - | - | - | - | - | (3.1) | - | | | | |
| Gain on disposal of subsidiaries | (403.0) | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | |
| Loss/(Gain) on disposal of investment properties | 23.7 | (3.5) | - | - | - | - | - | - | - | - | - | - | - | - | | | | |
| Gain on disposal of property, plant and equipment, net | - | - | (0.1) | - | - | (0.2) | - | - | - | - | (19.6) | (38.1) | - | - | | | | |
| Reversal of impairment of loans receivable | - | - | - | - | - | - | - | - | - | - | - | - | (0.1) | (0.8) | | | | |
| Write-back of impairment of trade debtors | - | - | - | - | - | - | - | - | - | - | - | - | (0.1) | (0.1) | | | | |
| Impairment loss on property under development | - | 57.0 | - | - | - | - | - | - | - | - | - | - | - | - | | | | |
| Impairment loss on properties held for sale | 15.5 | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | |
| Fair value losses/(gains) on financial assets at fair value through profit or loss, net | - | - | - | - | - | - | - | - | 25.8 | 13.2 | - | - | (1.1) | - | | | | |
| Fair value gains on investment properties, net | (60.4) | (17.1) | - | - | (9.0) | (11.0) | - | - | - | - | - | - | - | - | | | | |
| Fair value gain upon reclassification of a property held for sale to an investment property | (3.7) | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | |
| Interest income | (0.7) | (0.1) | - | - | - | (0.5) | - | - | (38.4) | (34.4) | (7.4) | - | (3.2) | (1.6) | | | | |

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

Geographical information

(a) Revenue from external customers

| | 2016 | 2015 |
|----------------|----------------|---------------|
| | HK\$'M | HK\$'M |
| Hong Kong | 2,578.0 | 2,725.2 |
| Mainland China | 36.9 | 43.6 |
| Other | 189.4 | 165.2 |
| | 2,804.3 | 2,934.0 |

The revenue information above is based on the locations of the customers, except for the property development and investment segment which is based on the locations of the properties.

(b) Non-current assets

| | 2016 | 2015 |
|----------------|-----------------|---------------|
| | HK\$'M | HK\$'M |
| Hong Kong | 23,282.8 | 22,221.7 |
| Mainland China | 1,747.1 | 1,672.5 |
| Other | 402.1 | 562.1 |
| | 25,432.0 | 24,456.3 |

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

Information about major customer

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

3. Revenue, other income and gains, net are analysed as follows:

| | 2016 | 2015 |
|---|----------------|----------------|
| | HK\$'M | HK\$'M |
| <u>Revenue</u> | | |
| Rental income: | | |
| Hotel properties | 44.1 | 47.2 |
| Investment properties | 15.2 | 16.2 |
| Properties held for sale | – | 0.1 |
| Aircraft | 120.4 | 114.3 |
| Construction and construction-related income | 9.4 | 7.9 |
| Proceeds from sale of properties | 324.2 | 527.1 |
| Estate management fees | 4.9 | 5.0 |
| Net gain from sale of financial assets at fair value through profit or loss | 102.2 | 24.4 |
| Net gain on settlement of derivative financial instruments | 3.1 | 1.4 |
| Interest income from financial assets at fair value through profit or loss | 28.8 | 21.9 |
| Interest income from loans receivable | 1.4 | 0.4 |
| Interest income from finance leases | 7.5 | – |
| Dividend income from listed investments | 13.4 | 13.8 |
| Hotel operations and management services | 2,102.9 | 2,117.3 |
| Logistics and related services income | 13.9 | – |
| Other operations | 12.9 | 37.0 |
| | <u>2,804.3</u> | <u>2,934.0</u> |

| | 2016 | 2015 |
|---|---------------|---------------|
| | HK\$'M | HK\$'M |
| <u>Other income and gains, net</u> | | |
| Bank interest income | 26.6 | 27.7 |
| Other interest income | 12.9 | 15.0 |
| Dividend income from unlisted investment | 1.2 | – |
| Gain/(Loss) on disposal of investment properties | (23.7) | 3.5 |
| Gain on disposal of items of property, plant and equipment, net | 19.7 | 38.3 |
| Fair value gain upon reclassification of a property held for sale to an investment property | 3.7 | – |
| Others | 15.7 | 15.4 |
| | 56.1 | 99.9 |

4. An analysis of profit/(loss) on sale of investments and properties of the Group is as follows:

| | 2016 | 2015 |
|---|---------------|---------------|
| | HK\$'M | HK\$'M |
| Profit from sale of financial assets at fair value through profit or loss | 102.2 | 24.4 |
| Profit on settlement of derivative financial instruments | 3.1 | 1.4 |
| Profit/(Loss) on disposal of properties | (46.3) | 128.7 |

5. Finance costs of the Group are as follows:

| | 2016 | 2015 |
|--|---------------------|---------------------|
| | HK\$'M | HK\$'M |
| Interest on bank loans | 173.6 | 164.5 |
| Interest on other borrowings | 230.4 | 182.0 |
| Interest on convertible bonds | 2.1 | – |
| Amortisation of debt establishment costs | 63.7 | 38.1 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | <u>469.8</u> | <u>384.6</u> |
| Fair value changes on derivative financial instruments – cash flow hedge (transfer from hedge reserve) | – | 1.0 |
| Other loan costs | 13.5 | 14.0 |
| | <u>483.3</u> | <u>399.6</u> |
| Less: Finance costs capitalised | <u>(173.2)</u> | <u>(170.2)</u> |
| | <u><u>310.1</u></u> | <u><u>229.4</u></u> |

6. The income tax charge/(credit) for the year arose as follows:

| | 2016 | 2015 |
|--|---------------|---------------|
| | HK\$'M | HK\$'M |
| Current – Hong Kong | | |
| Charge for the year | 97.9 | 97.3 |
| Underprovision/(Overprovision) in prior years | 7.4 | (1.9) |
| Current – Overseas | | |
| Charge for the year | 3.2 | 1.1 |
| Overprovision in prior years | (0.2) | (0.1) |
| Deferred | (104.2) | (80.3) |
| Total tax charge for the year | <u>4.1</u> | <u>16.1</u> |

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2015 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

No provision for tax was required for the associates as no assessable profits were earned by the associates during the year (2015 – Nil).

7. Dividends:

| | 2016 | 2015 |
|---|---------------|---------------|
| | HK\$'M | HK\$'M |
| Interim – HK0.63 cent (2015 – HK0.63 cent) per ordinary share | 20.2 | 20.2 |
| Proposed final – HK1.37 cents (2015 – HK1.37 cents) per ordinary share | 43.9 | 43.9 |
| | 64.1 | 64.1 |

8. The calculation of the basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK\$136.2 million (2015 – HK\$4.6 million) and on the weighted average of 3,203.8 million (2015 – 3,203.8 million) ordinary shares of the Company in issue during the year.

No adjustment has been made to the basic earnings per ordinary share amount presented for the years ended 31st December, 2016 and 2015 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

9. Included in debtors, deposits and prepayments is an amount of HK\$156.3 million (2015 – HK\$175.4 million) representing the trade debtors of the Group. The aged analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

| | 2016 | 2015 |
|---------------------------------|---------------|---------------|
| | HK\$'M | HK\$'M |
| Outstanding balances with ages: | | |
| Within 3 months | 135.1 | 153.2 |
| Between 4 to 6 months | 4.2 | 8.9 |
| Between 7 to 12 months | 5.7 | 5.5 |
| Over 1 year | 14.4 | 11.6 |
| | <hr/> | <hr/> |
| | 159.4 | 179.2 |
| Impairment | (3.1) | (3.8) |
| | <hr/> | <hr/> |
| | 156.3 | 175.4 |
| | <hr/> <hr/> | <hr/> <hr/> |

Credit terms

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

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group holds collateral or other credit enhancements over certain of these balances.

10. Included in creditors and accruals is an amount of HK\$93.8 million (2015 – HK\$97.9 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

| | 2016 | 2015 |
|---------------------------------|-------------------------|------------------|
| | HK\$'M | HK\$'M |
| Outstanding balances with ages: | | |
| Within 3 months | 93.2 | 97.7 |
| Between 4 to 6 months | 0.4 | 0.1 |
| Between 7 to 12 months | 0.2 | – |
| Over 1 year | – | 0.1 |
| | <hr/> 93.8 <hr/> | <hr/> 97.9 <hr/> |

The trade creditors are non-interest bearing and are normally settled within 90 days.

11. Business combination

On 31st May, 2016, the Cosmopolitan group acquired from independent third parties 60% effective interest in a group of companies operating logistics and related businesses in the PRC.

The major assets acquired include, amongst others, property, plant and equipment, financial assets and intangible assets. Accordingly, the Cosmopolitan group has initially recognised identifiable net assets of HK\$56.2 million and gain on bargain purchase of HK\$3.1 million in accordance with HKFRS 3 (Revised) “Business Combinations”.

12. Disposal of subsidiaries

On 30th December, 2016, the Group disposed of 50% equity interest in a company and its subsidiaries that beneficially hold a hotel development project for a consideration of HK\$150.0 million (before net assets adjustment). Immediately after the disposal, those subsidiaries became a joint venture of the Group and the related gain on disposal amounted to HK\$403.0 million.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2016.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2016, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

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

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following members:

Executive Directors:

Mr. LO Yuk Sui

(Chairman and Chief Executive Officer)

Mr. Jimmy LO Chun To

(Vice Chairman)

Miss LO Po Man

(Vice Chairman)

Mr. Kenneth NG Kwai Kai

(Chief Operating Officer)

Mr. Donald FAN Tung

Mr. Kelvin LEUNG So Po

Independent Non-Executive Directors:

Mr. Anthony CHUANG

Mr. NG Siu Chan

Mr. WONG Chi Keung

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 27th March, 2017