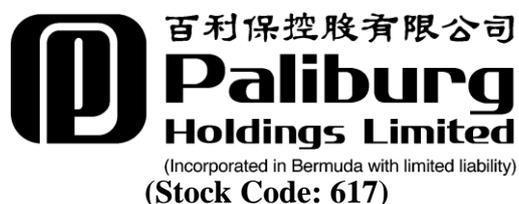


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## ANNOUNCEMENT OF 2016 GROUP FINAL RESULTS

### FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2016	Year 2015	% Change
	HK\$'M	HK\$'M	
<b>Revenue</b>	<b>2,771.8</b>	2,900.0	<b>-4.4%</b>
<b>Gross profit</b>	<b>1,134.0</b>	1,202.3	<b>-5.7%</b>
<b>Operating profit before depreciation and amortisation, finance costs and tax</b>	<b>1,174.8</b>	863.3	<b>+36.1%</b>
<b>Profit for the year attributable to equity holders of the parent</b>	<b>217.0</b>	21.5	<b>+909.3%</b>
<b>Basic earnings per ordinary share attributable to equity holders of the parent</b>	<b>HK19.47 cents</b>	HK1.93 cents	<b>+908.8%</b>
<b>Proposed final dividend per ordinary share</b>	<b>HK6.7 cents</b>	HK6.7 cents	–
<b>Total dividends for the year per ordinary share</b>	<b>HK9.0 cents</b>	HK9.0 cents	–
	<b>As at 31st December,</b>	<b>2015</b>	
	<b>2016</b>	<b>2015</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
<b>Net asset value per ordinary share attributable to equity holders of the parent</b>	<b>HK\$11.77</b>	HK\$11.69	<b>+0.7%</b>

- **Operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK\$1,174.8 million (2015 – HK\$863.3 million).**
- **Profit for the year attributable to shareholders amounted to HK\$217.0 million (2015 – HK\$21.5 million).**
- **The substantial increase in the profit achieved was mainly attributable to the gain derived from the disposal of a 50% equity interest in the hotel project located at Ha Heung Road, To Kwa Wan, Kowloon.**
- **Depreciation charges in a total amount of HK\$514.4 million have been provided on the Group's hotel properties for the year which, although having no impact on the Group's cash flow, have nevertheless adversely affected the results under review. In addition, depreciation charges on the Group's aircraft fleet for the year amounted to HK\$54.3 million.**
- **The sale of the garden houses in the residential project at Tan Kwai Tsuen Road in Yuen Long, developed by P&R Holdings Limited (a 50:50 joint venture between the Company and Regal Hotels International Holdings Limited and effectively a subsidiary of the Group), was first launched in May 2016 and up to date, 13 of the total 36 garden houses have been contracted for sale.**
- **In July 2016, P&R Holdings further launched the presale of the residential units in the commercial/residential joint venture project with the Urban Renewal Authority of Hong Kong at Shun Ning Road, Shum Shui Po, Kowloon. Response was favourable and 155 of the total 157 residential units have been sold.**
- **P&R Holdings completed prior to the year end the disposal of a 50% equity interest in the entity that beneficially holds the hotel development at Ha Heung Road, To Kwa Wan, Kowloon, based on an agreed value of HK\$1,300 million for the hotel on an unencumbered basis. A total gain of HK\$403.0 million was derived from this sale transaction.**
- **All the other property projects being developed by P&R Holdings, including the shopping mall project at Ma On Shan, the residential project at Kau To, the hotel project with the Urban Renewal Authority of Hong Kong in Tai Kok Tsui and another hotel project in Sheung Wan are all progressing steadily as planned.**

- **The Regal group was awarded in February 2017 the development right for a new hotel development project at the Hong Kong International Airport, which is currently planned to be developed into a multi-storey hotel building providing about 1,200 guest rooms and suites with ancillary facilities.**
- **The Regal group recently also entered into an agreement for the acquisition of the properties located at Nos.150-158 Queen's Road West, which are planned for a commercial/residential development.**
- **Cosmopolitan International Holdings Limited, a listed subsidiary of the Group held through P&R Holdings, is undertaking two composite developments in Tianjin and Chengdu in China, which are also progressing steadily. Up to date, total contracted units presales aggregated to over RMB1,909 million (equivalent to approximately HK\$2,159 million).**
- **Detailed information on the business operations of Regal, Regal Real Estate Investment Trust and Cosmopolitan, the three listed subsidiaries of the Company, are contained in their separate results announcements released today.**
- **Although significant unit presales in the few development projects of the Group in Hong Kong and Mainland China have been secured, the profits expected to be derived from such presales will only be accounted for in stages beginning from the financial year ending 2017 in accordance with the completion schedules.**
- **On the other hand, the shopping mall development project at Ma On Shan, which is expected to be completed before the end of 2017, is intended to be retained as an investment property to boost the Group's recurring revenues.**
- **The various property projects in Hong Kong being developed by P&R Holdings were acquired at costs which are relatively low as compared to the current market prices. Accordingly, it can be expected that substantial cash flow and profit will be contributed to the Group over the next few years when these projects are gradually completed and sold.**
- **The Group as a whole will continue to take active steps to replenish its development land bank in Hong Kong but will also, at the same time, review other investment opportunities in Hong Kong as well as overseas that are considered to be beneficial to the Group's further growth and development.**

## **FINANCIAL RESULTS**

For the year ended 31st December, 2016, the Group 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. The substantial increase in the profit achieved was mainly attributable to the gain derived from the disposal of a 50% equity interest in the hotel project located at Ha Heung Road, To Kwa Wan, Kowloon.

Operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK\$1,174.8 million (2015 – HK\$863.3 million). As the Group's hotel properties in Hong Kong are all 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 charges to conform to currently applicable accounting standards. Accordingly, depreciation charges in a total amount of HK\$514.4 million have been provided on these hotel properties for the year which, although having no impact on the Group's cash flow, have nevertheless adversely affected the results under review. In addition, depreciation charges on the Group's aircraft fleet for the year amounted to HK\$54.3 million.

## **BUSINESS OVERVIEW**

The Group comprises a total of four listed entities, with diversified business interests in properties, hotels, other investments and aircraft ownership and leasing businesses.

As at 31st December, 2016, the Group directly held a controlling shareholding interest of approximately 67.9% in Regal Hotels International Holdings Limited which, in turn, held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal which owns all the eight operating hotels of the Group in Hong Kong.

The Group's property development and investment businesses in Hong Kong are principally undertaken through P&R Holdings Limited, a joint venture 50:50 held by each of the Company and Regal. As Regal is a listed subsidiary of the Company, P&R Holdings is effectively also a subsidiary of the Group.

Apart from its property development and investment businesses, P&R Holdings also held as at 31st December, 2016 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 focused on property development and investment in the People's Republic of China and other investment businesses.

Further information on the latest progress of the Group's property businesses as well as the financial results and operational review of Regal (including Regal REIT) and Cosmopolitan are presented below.

## **PROPERTIES**

The property market in Hong Kong in the early part of 2016 was slightly affected by the weak economic conditions but as the economy gradually improved, the buying demand for residential properties quickly revived. To restrain speculative activities, the Hong Kong Government imposed in November 2016 a new flat 15% stamp duty on the purchases of residential units (except for Hong Kong permanent residents that do not own another residential property). However, due to the strong underlying demand for properties in Hong Kong, the imposition of this new measure has not significantly weakened the property market.

Mainland Chinese developer companies have been increasingly active in the bidding of residential sites offered for tender by the Hong Kong Government and a number of sites have recently been sold at tender prices well above market expectations. Though this will provide a strong support for the land prices, the current market conditions are proving more challenging for the Group to replenish its development land bank in Hong Kong, at least in the short term.

As mentioned in the Interim Report 2016, the sale of the garden houses in P&R Holdings' residential project at Tan Kwai Tsuen Road in Yuen Long was first launched in May 2016 and up to date, 13 of the total 36 garden houses have been contracted for sale. In July 2016, P&R Holdings further launched the presale of the residential units in the commercial/residential joint venture project with the Urban Renewal Authority of Hong Kong at Shun Ning Road, Shum Shui Po, Kowloon. Response was favourable and 155 of the total 157 residential units have been sold.

As mentioned above, P&R Holdings completed prior to the year end the disposal of a 50% equity interest in the entity that beneficially holds the hotel development at Ha Heung Road, To Kwa Wan, Kowloon, based on an agreed value of HK\$1,300 million for the hotel on an unencumbered basis. A total gain of HK\$403.0 million was derived from this sale transaction and reflected in the results of the Group for the year under review. Further details regarding this transaction were contained in the circular of the Company dated 26th January, 2017 despatched to shareholders.

All the other property projects being developed by P&R Holdings including the shopping mall project at Ma On Shan and the residential project at Kau To, both in Sha Tin, the hotel project with the Urban Renewal Authority of Hong Kong in Tai Kok Tsui and another hotel project in Sheung Wan are all progressing steadily as planned.

The Regal group recently entered into an agreement to acquire a piece of development property at No.150-158 Queen's Road West, Hong Kong, which is planned for a commercial/residential development.

In the meanwhile, the property development business of the Group in Mainland is undertaken through the Cosmopolitan group and its operational review is contained in the paragraph headed "Cosmopolitan International Holdings Limited" below.

More detailed information on the Group's development projects and properties are contained in the section headed "Management Discussion and Analysis" in this announcement.

### **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

With the continuing inflow of funds from Mainland Chinese investors, the prospects of the property market in Hong Kong will continue to be positive, although there could be uncertainties coming from external market factors including the upward trend in the interest rates.

Under the prevailing accounting standards and the accounting policies adopted by the Group, the revenues from the contracted presales will not be recognised until, in the case of a development project in Hong Kong, when the relevant occupation permit is issued, and in the case of development projects in China, when the units presold have been completed and handed over to the purchasers. Accordingly, although significant unit presales in the few development projects of the Group in Hong Kong and Mainland China have been secured, the profits expected to be derived from such presales will only be accounted for in stages beginning from the financial year ending 2017 in accordance with the completion schedules.

On the other hand, the shopping mall development project at Ma On Shan, which is expected to be completed before the end of 2017, is intended to be retained as an investment property to boost the Group's recurring revenues.

The various property projects in Hong Kong being developed by P&R Holdings were acquired at costs which are relatively low as compared to the current market prices. Accordingly, it can be expected that substantial cash flow and profit will be contributed to the Group over the next few years when these projects are gradually completed and sold.

The Group as a whole will continue to take active steps to replenish its development land bank in Hong Kong but will also, at the same time, review other investment opportunities in Hong Kong as well as overseas that are considered to be beneficial to the Group's further growth and development.

## **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 significant investments and business interests of Regal, a principal listed subsidiary of the Group, 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. Cosmopolitan is a listed subsidiary of the Group held through P&R Holdings. The principal business activities of the Cosmopolitan group comprise property development and investment, mainly focused in the PRC, investment in financial assets, logistics operation and other investments.

The performance of the Group's property, construction and building related and other investment businesses, and the principal businesses of Regal, Regal REIT as well as those of Cosmopolitan during the year under review, the commentary on the hotel and property sectors in which the Group operates and the changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the sections headed "Business Overview" and "Outlook" above and in this sub-section as well as in the separate final results announcements for 2016 released by Regal, Regal REIT and Cosmopolitan.

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.

## **P&R HOLDINGS LIMITED**

P&R Holdings is a 50:50 owned joint venture established with Regal, with capital contributions provided by the Company and Regal on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings, and is a subsidiary of 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 Cosmopolitan 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 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.

## **CONSTRUCTION AND BUILDING RELATED BUSINESSES**

The Group's wholly owned construction arm, Chatwin Engineering Limited, was the main contractor for the construction of P&R Holdings' hotel developments at Bonham Strand, Sheung Wan (now operating as the iclub Sheung Wan Hotel) and at Merlin Street, Fortress Hill (now operating as the iclub Fortress Hill Hotel), which were completed in January and May 2014, respectively, as well as the residential project at Tan Kwai Tsuen Road, Yuen Long which was completed in November 2015. Chatwin is presently undertaking the main contract works for P&R Holdings' hotel development projects at Ha Heung Road, To Kwa Wan and at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, which were also awarded to Chatwin through competitive tender process. Due to the increasing number of projects undertaken by the Group as whole, the Group's development consultancy division, which provides professional services on architectural, engineering and interior design aspects, is likewise principally supporting the needs of the Group's member companies.

## **OTHER INVESTMENTS**

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, bonds as well as treasury and yield enhancement products.

## **FINANCIAL REVIEW**

### **ASSETS VALUE**

As at 31st December, 2016, the Group's net assets attributable to equity holders of the parent amounted to HK\$13,113.5 million, representing HK\$11.77 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\$1,233.2 million (2015 – HK\$242.6 million). Net interest payment for the year amounted to HK\$212.4 million (2015 – HK\$280.3 million).

## **Borrowings and Gearing**

As at 31st December, 2016, the Group had cash and bank balances and deposits of HK\$5,192.5 million (2015 – HK\$2,500.3 million) and the Group’s borrowings, net of cash and bank balances and deposits, amounted to HK\$11,271.6 million (2015 – HK\$11,237.7 million).

As at 31st December, 2016, the gearing ratio of the Group was 27.2% (2015 – 30.1%), representing the Group’s borrowings net of cash and bank balances and deposits of HK\$11,271.6 million (2015 – HK\$11,237.7 million), as compared to the total assets of the Group of HK\$41,515.0 million (2015 – HK\$37,293.7 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 HK6.7 cents (2015 – HK6.7 cents) per ordinary share for the year ended 31st December, 2016. This proposed final dividend will absorb an amount of approximately HK\$74.7 million (2015 – HK\$74.7 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 15th June, 2017.

Together with the interim dividend of HK2.3 cents (2015 – HK2.3 cents) per ordinary share paid in October 2016, total dividends per ordinary share for the year ended 31st December, 2016 will amount to HK9.0 cents (2015 – HK9.0 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)	2,771.8	2,900.0
Cost of sales	(1,637.8)	(1,697.7)
Gross profit	1,134.0	1,202.3
Other income and gains, net (Note 3)	54.8	96.1
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	(23.7)	(0.4)
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	(392.7)	(359.1)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	1,174.8	863.3
Depreciation and amortisation	(615.0)	(571.1)
OPERATING PROFIT (Notes 2 & 4)	559.8	292.2
Finance costs (Note 5)	(310.1)	(229.4)
Share of profits and losses of associates	(10.2)	(18.6)
PROFIT BEFORE TAX	239.5	44.2
Income tax (Note 6)	(4.1)	(16.1)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	235.4	28.1

## Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2016 HK\$'M	Year ended 31st December, 2015 HK\$'M
Attributable to:		
Equity holders of the parent	217.0	21.5
Non-controlling interests	18.4	6.6
	<hr/> 235.4 <hr/>	<hr/> 28.1 <hr/>
<b>EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)</b>		
Basic and diluted	<b>HK19.47 cents</b>	HK1.93 cents
	<hr/>	<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	235.4	28.1
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	(4.1)	36.9
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	(163.3)	(134.9)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	72.1	(106.8)
Attributable to:		
Equity holders of the parent	102.4	(62.3)
Non-controlling interests	(30.3)	(44.5)
	72.1	(106.8)

## Consolidated Statement of Financial Position

	31st December, 2016	31st December, 2015
	HK\$'M	HK\$'M
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	19,429.0	19,993.3
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	31.8	20.8
Available-for-sale investments	278.1	173.9
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	36.8	–
Deposits and prepayments	73.7	78.4
Deferred tax assets	94.0	79.1
Other asset	5.0	–
Goodwill	261.0	261.0
Trademark	610.2	610.2
Other intangible assets	97.1	–
Total non-current assets	<u>25,861.3</u>	<u>24,626.6</u>
<b>CURRENT ASSETS</b>		
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	36.3	–
Debtors, deposits and prepayments (Note 9)	1,261.7	974.6
Held-to-maturity investments	466.7	201.2
Financial assets at fair value through profit or loss	881.0	826.0
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	2,682.0	455.7
Cash and bank balances	1,806.9	1,520.5
Total current assets	<u>15,653.7</u>	<u>12,667.1</u>

## Consolidated Statement of Financial Position (Cont'd)

	31st December, 2016	31st December, 2015
	HK\$'M	HK\$'M
<b>CURRENT LIABILITIES</b>		
Creditors and accruals (Note 10)	(847.3)	(860.8)
Deposits received	(2,253.4)	(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>(6,503.2)</u>	<u>(2,598.0)</u>
NET CURRENT ASSETS	<u>9,150.5</u>	<u>10,069.1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>35,011.8</u>	<u>34,695.7</u>
<b>NON-CURRENT LIABILITIES</b>		
Creditors and deposits received	(114.5)	(147.0)
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>(15,497.2)</u>	<u>(14,844.5)</u>
Net assets	<u>19,514.6</u>	<u>19,851.2</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	111.4	111.4
Reserves	13,002.1	12,918.6
	<u>13,113.5</u>	<u>13,030.0</u>
<b>Non-controlling interests</b>	<u>6,401.1</u>	<u>6,821.2</u>
Total equity	<u>19,514.6</u>	<u>19,851.2</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	335.1	539.2	14.3	12.9	2,153.9	2,171.3	-	-	142.7	47.7	99.0	91.9	26.8	37.0	-	-	2,771.8	2,900.0
Intersegment sales	5.9	7.4	198.9	296.7	3.0	-	96.2	96.2	-	-	-	-	24.9	3.1	(328.9)	(403.4)	-	-
<b>Total</b>	<b>341.0</b>	<b>546.6</b>	<b>213.2</b>	<b>309.6</b>	<b>2,156.9</b>	<b>2,171.3</b>	<b>96.2</b>	<b>96.2</b>	<b>142.7</b>	<b>47.7</b>	<b>99.0</b>	<b>91.9</b>	<b>51.7</b>	<b>40.1</b>	<b>(328.9)</b>	<b>(403.4)</b>	<b>2,771.8</b>	<b>2,900.0</b>
Segment results before depreciation and amortisation	315.0	6.0	0.7	(1.5)	794.3	837.3	(11.9)	(13.5)	127.0	58.3	106.3	118.0	2.3	(2.7)	-	-	1,333.7	1,001.9
Depreciation and amortisation	(24.2)	(16.5)	(0.4)	(0.3)	(521.6)	(511.6)	(0.4)	(0.4)	-	-	(54.3)	(39.9)	(12.6)	(1.0)	-	-	(613.5)	(569.7)
<b>Segment results</b>	<b>290.8</b>	<b>(10.5)</b>	<b>0.3</b>	<b>(1.8)</b>	<b>272.7</b>	<b>325.7</b>	<b>(12.3)</b>	<b>(13.9)</b>	<b>127.0</b>	<b>58.3</b>	<b>52.0</b>	<b>78.1</b>	<b>(10.3)</b>	<b>(3.7)</b>	<b>-</b>	<b>-</b>	<b>720.2</b>	<b>432.2</b>
Unallocated interest income and unallocated non-operating and corporate gains																	27.4	28.7
Unallocated non-operating and corporate expenses																	(187.8)	(168.7)
Operating profit																	559.8	292.2
Finance costs																	(310.1)	(229.4)
Share of profits and losses of associates	-	0.1	-	-	1.7	-	-	-	-	-	-	-	(11.9)	(18.7)	-	-	(10.2)	(18.6)
Profit before tax																	239.5	44.2
Income tax																	(4.1)	(16.1)
Profit for the year before allocation between equity holders of the parent and non-controlling interests																	235.4	28.1
Attributable to:																		
Equity holders of the parent																	217.0	21.5
Non-controlling interests																	18.4	6.6
																	<u>235.4</u>	<u>28.1</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	18,866.6	19,307.0	42.6	37.5	1,681.5	1,246.3	317.4	387.1	237.5	34.7	(41.3)	(36.1)	35,011.5	34,681.6
Investment in a joint venture	1,150.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,150.7	-
Investments in associates	21.2	6.3	-	-	-	7.1	-	-	-	-	-	-	10.6	7.4	-	-	31.8	20.8
Cash and unallocated assets																	5,321.0	2,591.3
Total assets																	<u>41,515.0</u>	<u>37,293.7</u>
Segment liabilities	(2,575.9)	(708.2)	(41.4)	(57.8)	(391.6)	(379.6)	(2.4)	(1.5)	(10.6)	(22.3)	(138.4)	(170.1)	(8.1)	(3.9)	41.3	36.1	(3,127.1)	(1,307.3)
Interest bearing bank borrowings and unallocated liabilities																	<u>(18,873.3)</u>	<u>(16,135.2)</u>
Total liabilities																	<u>(22,000.4)</u>	<u>(17,442.5)</u>
Other segment information:																		
Capital expenditure*	1,429.0	1,901.2	1.3	-	73.6	101.4	0.1	0.2	-	-	2.6	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)				
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	-	-	-	-	-	-	-	-	24.8	0.4	-	-	(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	<u>(0.7)</u>	<u>(0.1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.5)</u>	<u>-</u>	<u>-</u>	<u>(37.3)</u>	<u>(33.0)</u>	<u>(1.0)</u>	<u>-</u>	<u>(1.8)</u>	<u>(1.1)</u>				

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

## Geographical information

### (a) Revenue from external customers

	<b>2016</b>	<b>2015</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Hong Kong	<b>2,574.4</b>	2,713.6
Mainland China	<b>36.9</b>	43.6
Other	<b>160.5</b>	142.8
	<hr/> <b>2,771.8</b> <hr/>	<hr/> 2,900.0 <hr/>

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

	<b>2016</b>	<b>2015</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Hong Kong	<b>23,274.0</b>	22,213.8
Mainland China	<b>1,747.1</b>	1,672.5
Other	<b>318.8</b>	469.2
	<hr/> <b>25,339.9</b> <hr/>	<hr/> 24,355.5 <hr/>

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:

	<b>2016</b>	<b>2015</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<u>Revenue</u>		
Rental income:		
Hotel properties	44.1	47.2
Investment properties	15.2	16.2
Properties held for sale	2.6	2.7
Aircraft	98.0	91.9
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	15.4
Net gain on settlement of derivative financial instruments	3.1	1.4
Interest income from financial assets at fair value through profit or loss	27.7	20.6
Interest income from finance leases	1.0	–
Dividend income from listed investments	9.7	10.3
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>2,771.8</u>	<u>2,900.0</u>

	<b>2016</b>	<b>2015</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
<u>Other income and gains, net</u>		
Bank interest income	<b>25.9</b>	26.6
Other interest income	<b>12.9</b>	14.8
Dividend income from unlisted investment	<b>0.8</b>	–
Gain/(Loss) on disposal of investment properties	<b>(23.7)</b>	3.5
Gain on disposal of items of property, plant and equipment, net	<b>19.7</b>	38.3
Fair value gain upon reclassification of a property held for sale to an investment property	<b>3.7</b>	–
Others	<b>15.5</b>	12.9
	<b>54.8</b>	96.1

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

	<b>2016</b>	<b>2015</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Profit from sale of financial assets at fair value through profit or loss	<b>102.2</b>	15.4
Profit on settlement of derivative financial instruments	<b>3.1</b>	1.4
Profit/(Loss) on disposal of properties	<b>(46.3)</b>	128.7

5. Finance costs of the Group are as follows:

	<b>2016</b>	<b>2015</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
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>310.1</u>	<u>229.4</u>

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

	<b>2016</b>	<b>2015</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
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:

	<b>2016</b>	<b>2015</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Interim – HK2.3 cents (2015 – HK2.3 cents) per ordinary share	<b>25.6</b>	25.6
Proposed final – HK6.7 cents (2015 – HK6.7 cents) per ordinary share	<b>74.7</b>	74.7
	<b>100.3</b>	100.3

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\$217.0 million (2015 – HK\$21.5 million) and on the weighted average of 1,114.6 million (2015 – 1,114.6 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\$145.9 million (2015 – HK\$165.0 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:

	<b>2016</b>	<b>2015</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>124.4</b>	142.3
Between 4 to 6 months	<b>4.1</b>	8.8
Between 7 to 12 months	<b>5.6</b>	5.3
Over 1 year	<b>13.5</b>	10.9
	<hr/> <b>147.6</b>	<hr/> 167.3
Impairment	<b>(1.7)</b>	(2.3)
	<hr/> <b>145.9</b> <hr/>	<hr/> 165.0 <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 does not hold any collateral or other credit enhancements over 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:

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

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 and Managing Director)*

Mr. Donald FAN Tung

*(Chief Operating Officer)*

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Kenneth WONG Po Man

***Independent Non-Executive Directors:***

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP

Mr. NG Siu Chan

Hon Abraham SHEK Lai Him, GBS, JP

Mr. WONG Chi Keung

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 27th March, 2017