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CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2016

The board of directors (the “Board”) of Chinese Estates Holdings Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the financial year ended 31st December, 2016 (the “Year”) pursuant to paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Group’s consolidated statement of comprehensive income and consolidated statement of financial position, all of which have been reviewed by the Audit Committee, together with the comparative figures of the corresponding year ended 31st December, 2015 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2016

	<i>Notes</i>	2016 HK\$’000	2015 HK\$’000
Revenue	3	3,745,148	1,542,397
Cost of sales		(1,597,606)	(255,521)
Gross profit		2,147,542	1,286,876
Other income	5	102,914	134,909
Investment income, net	6	3,038,649	1,140,016
Administrative expenses		(331,484)	(344,790)
Other expenses		-	(317)
Gain (loss) on disposals of equipment, net		216	(1,255)
Gain on disposal of investment property		-	17,679
Fair value changes on investment properties		139,216	4,689,224
Finance costs	8	(176,505)	(316,865)
Other gains and losses, net	9	2,176,425	940,944
Share of results of associates		161,182	649,705
Profit before tax		7,258,155	8,196,126
Income tax expense	10	(564,966)	(476,395)
Profit for the year	7	6,693,189	7,719,731

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the year ended 31st December, 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Other comprehensive expenses			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value changes on financial assets measured at fair value through other comprehensive income		(2,368,729)	-
Share of other comprehensive income of associates		91	-
		<u>(2,368,638)</u>	<u>-</u>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value changes on available-for-sale investments		-	(24,971)
Exchange differences on translation of foreign operations		(570,994)	(118,888)
Reclassification adjustment related to foreign operations disposed of		9,053	(882,250)
Share of other comprehensive expenses of associates		(11,063)	(75,484)
Reclassification adjustment related to disposal of associates		-	(105,054)
		<u>(573,004)</u>	<u>(1,206,647)</u>
Other comprehensive expenses for the year (net of tax)		<u>(2,941,642)</u>	<u>(1,206,647)</u>
Total comprehensive income for the year		<u>3,751,547</u>	<u>6,513,084</u>
Profit for the year attributable to:			
Owners of the Company		6,360,312	7,727,208
Non-controlling interests		332,877	(7,477)
		<u>6,693,189</u>	<u>7,719,731</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		3,418,670	6,520,561
Non-controlling interests		332,877	(7,477)
		<u>3,751,547</u>	<u>6,513,084</u>
Earnings per share (HK\$)			
Basic and diluted	12	<u>3.334</u>	<u>4.051</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December, 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investment properties		12,887,253	21,941,263
Property, plant and equipment		45,430	50,540
Intangible assets		-	-
Goodwill		322,938	322,938
Interests in associates		1,955,120	3,770,476
Advances to associates		49,485	55,482
Available-for-sale investments		-	743,649
Financial assets designated as at fair value through profit or loss		-	798,489
Financial assets measured at fair value through profit or loss	13	373,050	-
Financial assets measured at fair value through other comprehensive income		5,442,591	-
Advances to investee companies		596,354	413,579
Advance to a non-controlling shareholder		14,908	14,908
Other receivables	14	1,102,338	3,998,358
Deferred tax assets		2,692	4,280
Pledged deposits		13,884	24,557
		<u>22,806,043</u>	<u>32,138,519</u>
Current assets			
Stock of properties		1,273,474	2,595,987
Available-for-sale investment		-	67,625
Investments held-for-trading		-	364,244
Financial assets designated as at fair value through profit or loss		-	10,270,781
Financial assets measured at fair value through profit or loss	13	14,642,623	-
Inventories		2,860	2,533
Debtors, deposits, other receivables and prepayments	14	4,722,891	3,366,415
Securities trading receivables and deposits		27,327	86,175
Tax recoverable		3,991	3,955
Pledged deposits		929,879	178,193
Time deposits, bank balances and cash		1,070,471	2,849,807
Sales proceeds held by stakeholders		296,176	1,891,712
		<u>22,969,692</u>	<u>21,677,427</u>
Assets classified as held for sale		-	9,239,271
		<u>22,969,692</u>	<u>30,916,698</u>
Current liabilities			
Creditors and accruals	15	408,702	1,081,746
Securities trading and margin payable		9,245	11,181
Deposits and receipts in advance		252,132	2,106,924
Tax liabilities		294,511	239,906
Borrowings		10,797,503	8,651,773
Provisions		-	1,249
		<u>11,762,093</u>	<u>12,092,779</u>
Liabilities directly associated with assets classified as held for sale		-	1,857,996
		<u>11,762,093</u>	<u>13,950,775</u>
Net current assets		<u>11,207,599</u>	<u>16,965,923</u>
Total assets less current liabilities		<u>34,013,642</u>	<u>49,104,442</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31st December, 2016

	2016	2015
	HK\$'000	HK\$'000
Equity attributable to owners of the Company		
Share capital	190,762	190,762
Properties revaluation reserve	18,632	98,162
Securities investments reserve	-	16,044
Financial assets measured at fair value through other comprehensive income reserve	(2,255,201)	-
Statutory reserve	668	24,028
Other reserve	(2,378)	(2,407)
Special reserve	2,499,685	2,499,685
Capital redemption reserve	138,062	138,062
Translation reserve	(728,226)	(155,193)
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale	-	127,054
Retained profits		
- proposed final dividend	19,076	19,076
- special interim dividends/conditional special interim dividend declared	3,815,238	3,815,238
- others	26,107,898	33,477,089
	29,804,216	40,247,600
Non-controlling interests	95,639	77,762
Total equity	29,899,855	40,325,362
Non-current liabilities		
Borrowings	3,793,891	5,880,000
Amounts due to associates	110,269	1,789,647
Amounts due to investee companies	-	27,085
Amounts due to non-controlling shareholders	84,761	523,768
Deferred tax liabilities	124,866	558,580
	4,113,787	8,779,080
	34,013,642	49,104,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2016

1. Basis of Preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements include applicable disclosures required by the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at their fair values.

2. Application of New and Amended HKFRSs

The accounting policies adopted in these consolidated financial statements for the Year are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31st December, 2015 except as described below.

In the current year, the Group has applied, for the first time, the following amendments to existing HKFRSs (“Amendments”) issued by the HKICPA, which are effective for current financial year of the Group. The Amendments adopted by the Group in these consolidated financial statements are set out below:

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

In addition, the Group has applied HKFRS 9 (2014) “Financial Instruments” in advance that is effective for annual periods beginning on or after 1st January, 2018 and chosen its date of initial application on 1st January, 2016.

Amendments to HKAS 1 Disclosure Initiative

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- the materiality requirements in HKAS 1;
- that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income.

The application of the Amendments had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

2. Application of New and Amended HKFRSs (continued)

HKFRS 9 (2014) Financial Instruments

Accounting policies applied from 1st January, 2016

HKFRS 9 (2014) addresses the classification, measurement and recognition of financial assets and financial liabilities. The final version of HKFRS 9 (2014) was issued in September 2014. It replaces the guidance in HKAS 39 “Financial Instruments: Recognition and Measurement” that relates to the classification and measurement of financial instruments. HKFRS 9 (2014) retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments (that are not held-for-trading) are measured at fair values with an irrevocable election at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at FVTPL. HKFRS 9 (2014) relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually uses for risk management purposes.

In accordance with HKFRS 9 (2014), the Group did not restate prior periods and the cumulative effect of initially applying the standard as an adjustment was recognised in either retained profits or an appropriate equity reserve as of the opening balance as at 1st January, 2016.

The following summarises the classification and measurement changes for the Group’s financial assets and financial liabilities on 1st January, 2016, the Group’s date of initial application of HKFRS 9 (2014):

	Notes	Originally stated			Remeasurement upon application of HKFRS 9 (2014) HK\$’000	HKFRS 9 (2014)		
		Available-for-sale investments HK\$’000	Fair value through profit or loss HK\$’000	Loans and receivables HK\$’000		FVTPL HK\$’000	FVTOCI HK\$’000	Amortised cost HK\$’000
Financial assets								
Advances to associates		-	-	55,482	-	-	-	55,482
Advance to an investee company		-	-	413,579	-	-	-	413,579
Advance to a non-controlling shareholder		-	-	14,908	-	-	-	14,908
Debtors, deposits and other receivables		-	-	7,306,708	-	-	-	7,306,708
Securities trading receivables and deposits		-	-	86,175	-	-	-	86,175
Pledged deposits		-	-	202,750	-	-	-	202,750
Time deposits, bank balances and cash		-	-	2,849,807	-	-	-	2,849,807
Sales proceeds held by stakeholders		-	-	1,891,712	-	-	-	1,891,712
Equity securities								
- Held-for-trading		-	364,244	-	-	364,244	-	-
- Not held-for-trading	(i)	794,693	-	-	96,960	-	891,653	-
Club debentures	(ii)	16,581	-	-	61,553	78,134	-	-
Bonds	(iii)	-	11,069,270	-	-	11,069,270	-	-
		811,274	11,433,514	12,821,121	158,513	11,511,648	891,653	12,821,121

2. Application of New and Amended HKFRSs (continued)

HKFRS 9 (2014) Financial Instruments (continued)

Accounting policies applied from 1st January, 2016 (continued)

The following summarises the classification and measurement changes for the Group's financial assets and financial liabilities on 1st January, 2016, the Group's date of initial application of HKFRS 9 (2014): (continued)

	Originally stated	Remeasurement upon application of HKFRS 9 (2014)	HKFRS 9 (2014)
	Amortised cost HK\$'000	HK\$'000	Amortised cost HK\$'000
Financial liabilities			
Creditors and accruals	1,081,746	-	1,081,746
Securities trading and margin payable	11,181	-	11,181
Deposits received	2,051,899	-	2,051,899
Borrowings	14,531,773	-	14,531,773
Amounts due to associates	1,789,647	-	1,789,647
Amounts due to investee companies	27,085	-	27,085
Amounts due to non-controlling shareholders	523,768	-	523,768
	20,017,099	-	20,017,099

Effect on interests in associates to the consolidated financial statements upon the Group's early adoption of HKFRS 9 (2014) as at 1st January, 2016 is as follows:

	Originally stated	Remeasurement upon application of HKFRS 9 (2014)	HKFRS 9 (2014)
	HK\$'000	HK\$'000	HK\$'000
Interests in associates	3,770,476	433	3,770,909

The impact on the Group's reserves due to reclassification and remeasurement of financial instruments as at 1st January, 2016 is as follows:

	Notes	Securities investments reserve HK\$'000	Financial assets measured at FVTOCI reserve HK\$'000	Retained profits HK\$'000
At 1st January, 2016 (originally stated)		16,044	-	37,311,403
Reclassification upon application of HKFRS 9 (2014)	(i)	(16,044)	16,044	-
Remeasurement upon application of HKFRS 9 (2014)	(i) and (ii)	-	96,960	61,553
Effect on interests in associates upon application of HKFRS 9 (2014)	(i)	-	433	-
At 1st January, 2016 (restated)		-	113,437	37,372,956

2. Application of New and Amended HKFRSs (continued)

HKFRS 9 (2014) Financial Instruments (continued)

Accounting policies applied from 1st January, 2016 (continued)

Notes:

(i) Unlisted equity securities previously classified as available-for-sale investments

The Group elected to present in other comprehensive income subsequent changes in the fair value of all its unlisted equity securities previously classified as available-for-sale investments because these investments are not held-for-trading. As a result, the financial assets were reclassified from available-for-sale investments with original carrying amount of approximately HK\$794,693,000 to financial assets measured at FVTOCI and were remeasured at fair value to approximately HK\$891,653,000. Cumulative fair value gain of approximately HK\$16,044,000 was reclassified from the securities investments reserve to the financial assets measured at FVTOCI reserve and additional fair value gain of approximately HK\$97,393,000 (including share of other comprehensive income of associates of approximately HK\$433,000) was recognised in the financial assets measured at FVTOCI reserve upon remeasurement on 1st January, 2016.

(ii) Club debentures previously classified as available-for-sale investments

The Group elected to present in profit or loss subsequent changes in the fair value of all its club debentures previously classified as available-for-sale investments because the Group considered their investment purpose at the date of initial application of HKFRS 9 (2014). As a result, the financial assets were reclassified from available-for-sale investments with original carrying amount of approximately HK\$16,581,000 to financial assets measured at FVTPL and were remeasured at fair value to approximately HK\$78,134,000. Additional fair value gain of approximately HK\$61,553,000 was recognised in retained profits upon remeasurement on 1st January, 2016.

(iii) Bonds previously classified as financial assets designated as at fair value through profit or loss

The Group reclassified the financial assets designated as at fair value through profit or loss to financial assets measured at FVTPL and no change in their measurement on 1st January, 2016.

The Group has not early adopted the following new HKFRSs and amendments to existing HKFRSs (“new and amended HKFRSs”) that have been issued but are not yet effective.

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ²
HKFRS 10 and HKAS 28 (2011) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 ²
HKFRS 16	Leases ³
HKAS 7 (Amendments)	Disclosure Initiative ¹
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for annual periods beginning on or after 1st January, 2017

² Effective for annual periods beginning on or after 1st January, 2018

³ Effective for annual periods beginning on or after 1st January, 2019

⁴ Effective for annual periods beginning on or after a date to be determined

2. Application of New and Amended HKFRSs (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1st January, 2018. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

The directors of the Company ("Directors") are in the process of assessing the potential impact of the new and amended HKFRSs but are not yet in a position to determine whether the new and amended HKFRSs will have a significant impact on how the Group's results of operations and financial position are prepared and presented. The new and amended HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Revenue

Revenue represents the aggregate amounts received and receivable from property rental income, sales of properties held for sale, gain/loss on sales of investments held-for-trading, hotel operation income, commission from brokerage, settlement charges from brokerage, cosmetic goods sold less returns and interest income from loan financing, analysed as follows:

	2016 HK\$'000	2015 HK\$'000
Property rental income	823,856	1,325,875
Sales of properties held for sale	2,943,434	151,616
Loss on sales of investments held-for-trading, net	(37,434)	(2,415)
Hotel operation income	-	49,125
Brokerage and cosmetic income	15,240	18,196
Interest income from loan financing	52	-
	<u>3,745,148</u>	<u>1,542,397</u>

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has six reportable segments – (i) property development and trading; (ii) property leasing for retail; (iii) property leasing for non-retail; (iv) listed equity investments at FVTOCI (2015: listed available-for-sale equity investments); (v) listed investments held-for-trading and treasury products; and (vi) unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management of the Group uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
- Retail	–	Property leasing from retail properties
- Non-retail	–	Property leasing from non-retail properties
Listed equity investments at FVTOCI (2015: listed available-for-sale equity investments)	–	Listed equity securities at FVTOCI (2015: listed equity securities in available-for-sale investments)
Listed investments held-for-trading and treasury products	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are unrealised fair value changes on investment properties and other properties together with their, if applicable, respective deferred tax. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

Unallocated corporate assets mainly comprised leasehold land and building for own use, deposit paid in respect of a property, advance to a non-controlling shareholder, deferred tax assets, tax recoverable and deferred consideration receivables in respect of disposals of subsidiaries.

Unallocated corporate liabilities mainly comprised tax liabilities, bank loans (2015: excluded a bank loan originated in the United Kingdom), amounts due to associates, amounts due to investee companies, amounts due to non-controlling shareholders and deferred tax liabilities (2015: also included deposit received in respect of disposal of a subsidiary).

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2015.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business unit has different markets and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the property or asset location.

There was one major customer (2015: one) who individually accounted for 10% or more of the Group's revenue. Revenue of approximately HK\$377,836,000 (2015: HK\$182,977,000) was derived from property development and trading segment from a customer in Hong Kong (2015: non-retail property leasing segment from a customer outside Hong Kong).

4. Operating Segments (continued)

Operating segment information is presented below:

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2016

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	10,001,356	-	-	10,001,356
- Other countries	-	-	-	-	2,087,530	-	-	2,087,530
	-	-	-	-	12,088,886	-	-	12,088,886
Revenue								
Revenue from external customers								
- Hong Kong	2,943,434	236,492	269,787	-	(37,434)	4,191	11,101	3,427,571
- Mainland China	-	38,531	19,036	-	-	-	-	57,567
- United Kingdom	-	23,654	236,356	-	-	-	-	260,010
	2,943,434	298,677	525,179	-	(37,434)	4,191	11,101	3,745,148
Revenue from external customers after non-controlling interests	2,209,162	297,498	524,759	-	(37,434)	4,191	11,101	3,009,277
Attributable property sales from associates								
- Hong Kong	89,713	-	-	-	-	-	-	89,713
Attributable rental revenue from associates/investee company								
- Hong Kong	-	20,433	39,281	-	-	-	-	59,714
- Mainland China	-	67,308	8,112	-	-	-	-	75,420
	2,298,875	385,239	572,152	-	(37,434)	4,191	11,101	3,234,124
Result								
Segment result								
- Hong Kong	1,402,255	228,673	272,961	189,653	704,720	26,083	23,368	2,847,713
- Mainland China	-	35,519	16,637	-	-	4,053	-	56,209
- United Kingdom	-	22,906	230,691	-	-	304	-	253,901
- Other countries	-	-	-	-	216,385	-	-	216,385
	1,402,255	287,098	520,289	189,653	921,105	30,440	23,368	3,374,208
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	5,119	-	-	-	-	-	-	5,119
- Attributable gross income								
- Hong Kong	-	19,507	38,078	-	-	-	2,330	59,915
- Mainland China	-	67,308	8,112	-	-	-	-	75,420
- Attributable operating cost								
- Hong Kong	-	(793)	(6,557)	-	-	-	-	(7,350)
- Mainland China	-	(28,135)	(2,597)	-	-	-	-	(30,732)
Non-controlling interests	(392,395)	(1,057)	(376)	-	-	-	-	(393,828)
	1,014,979	343,928	556,949	189,653	921,105	30,440	25,698	3,082,752
Finance costs	-	(1,658)	(70,241)	-	(16,123)	-	-	(88,022)
Other gains and losses, net	(134,542)	(160)	-	-	-	-	-	(134,702)
Share of results of associates								
- income tax and others	(28)	(31,549)	(5,644)	-	-	-	(465)	(37,686)
Income tax expense	-	-	-	(19,117)	(117)	-	-	(19,234)
	880,409	310,561	481,064	170,536	904,865	30,440	25,233	2,803,108
Unallocated items								
Unallocated corporate expenses, net								(248,247)
Unallocated finance costs								(88,483)
Imputed interest income from deferred consideration receivables								1,831,876
Gains on disposals of subsidiaries								2,311,127
Unallocated income tax expense								(514,832)
Unallocated non-controlling interests								60,951
Operating profit for the year attributable to owners of the Company								6,155,500
Realised fair value changes on disposals of investment properties (including share of results of associates)								(372,677)
- Recognised in current year								(372,677)
Major non-cash items								608,389
- Unrealised fair value changes on investment properties (including share of results of associates)								(30,900)
- Deferred tax expense								608,389
Profit for the year attributable to owners of the Company								6,360,312

4. Operating Segments (continued)

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31st December, 2016

	HK\$'000
Core profit (excluding major non-cash items)	
Operating profit for the year attributable to owners of the Company	6,155,500
Major accumulated realised fair value changes together with their respective deferred tax on disposals of investment properties and stock of properties in current year (including fair value changes recognised in properties revaluation reserve and share of results of associates) after non-controlling interest	
- Recognised in current year	(372,677)
- Recognised in prior years	<u>17,248,651</u>
Core profit for the year attributable to owners of the Company	<u><u>23,031,474</u></u>

Consolidated Statement of Financial Position

At 31st December, 2016

	Property development and trading HK\$'000	Property leasing		Listed equity investments at FVTOCI HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	2,322,983	3,635,368	4,037,319	4,559,729	13,695,381	364,102	56,246	28,671,128
- Mainland China	-	388,955	27,045	-	-	-	6,133	422,133
- United Kingdom	-	1,508,649	5,551,717	-	-	-	-	7,060,366
- Other countries	-	11	-	-	1,577,011	693,763	-	2,270,785
Interests in associates								
- Hong Kong	81,330	373,778	1,318,165	-	-	2,368	5,637	1,781,278
- Mainland China	-	120,649	53,193	-	-	-	-	173,842
Advances to associates								
- Hong Kong	1,139	-	210	-	-	5	1,145	2,499
- Mainland China	-	32,611	14,375	-	-	-	-	46,986
Reportable segment assets	<u>2,405,452</u>	<u>6,060,021</u>	<u>11,002,024</u>	<u>4,559,729</u>	<u>15,272,392</u>	<u>1,060,238</u>	<u>69,161</u>	<u>40,429,017</u>
Unallocated corporate assets								<u>5,346,718</u>
Consolidated total assets								<u><u>45,775,735</u></u>
Liabilities								
Segment liabilities								
- Hong Kong	430,034	23,413	62,451	44	7,193,900	11,895	12,480	7,734,217
- Mainland China	-	11,611	25	-	-	-	80	11,716
- United Kingdom	-	13,399	103,813	-	-	-	-	117,212
- Other countries	-	1	15	-	2,700,203	7	-	2,700,226
Reportable segment liabilities	<u>430,034</u>	<u>48,424</u>	<u>166,304</u>	<u>44</u>	<u>9,894,103</u>	<u>11,902</u>	<u>12,560</u>	<u>10,563,371</u>
Unallocated corporate liabilities								<u>5,312,509</u>
Consolidated total liabilities								<u><u>15,875,880</u></u>
Additions to non-current assets (other than financial instruments and deferred tax assets)								
	<u>328</u>	<u>1,592,723</u>	<u>1,998,998</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>738</u>	

4. Operating Segments *(continued)*
Other Material Items
For the year ended 31st December, 2016

	Reportable segments HK\$'000	Adjustments for unallocated items HK\$'000	Adjustments for realised fair value changes HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income HK\$'000
Interest income	934,720	1,831,876	-	-	2,766,596
Finance costs	(88,022)	(88,483)	-	-	(176,505)
Net income	846,698	1,743,393	-	-	2,590,091
Depreciation	-	(10,304)	-	-	(10,304)
Fair value changes on investment properties	-	-	(415,763)	554,979	139,216
Write-down of stock of properties	(128,457)	-	-	-	(128,457)
Share of results of associates	64,686	-	43,086	53,410	161,182
Income tax expense	(19,234)	(514,832)	-	(30,900)	(564,966)
Non-controlling interests	(393,828)	60,951	-	-	(332,877)

4. Operating Segments (continued)
Consolidated Statement of Comprehensive Income
For the year ended 31st December, 2015

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	861,625	-	-	861,625
- Other countries	-	-	-	-	4,431,956	-	-	4,431,956
	-	-	-	-	5,293,581	-	-	5,293,581
Revenue								
Revenue from external customers								
- Hong Kong	50,809	586,748	447,030	-	(2,415)	8,116	10,080	1,100,368
- Mainland China	100,807	59,426	44,527	-	-	-	49,125	253,885
- United Kingdom	-	5,167	182,977	-	-	-	-	188,144
	151,616	651,341	674,534	-	(2,415)	8,116	59,205	1,542,397
Revenue from external customers after non-controlling interests	138,914	650,156	674,098	-	(2,415)	8,116	59,205	1,528,074
Attributable property sales from associates								
- Hong Kong	6,566	-	-	-	-	-	-	6,566
- Mainland China	102,705	-	-	-	-	-	-	102,705
Attributable rental revenue from associates/investee company								
- Hong Kong	-	19,865	38,068	-	-	-	-	57,933
- Mainland China	-	70,970	67,070	-	-	-	-	138,040
	248,185	740,991	779,236	-	(2,415)	8,116	59,205	1,833,318
Result								
Segment result								
- Hong Kong	32,795	547,237	429,450	-	369,579	46,420	21,159	1,446,640
- Mainland China	32,191	51,620	20,656	-	-	21,842	(15,219)	111,090
- United Kingdom	-	5,033	178,232	-	-	53	-	183,318
- Other countries	-	-	-	-	498,789	(3,899)	-	494,890
	64,986	603,890	628,338	-	868,368	64,416	5,940	2,235,938
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	4,135	-	-	-	-	-	-	4,135
- Mainland China	5,106	-	-	-	-	-	-	5,106
- Attributable gross income								
- Hong Kong	-	18,768	36,862	-	-	-	2,181	57,811
- Mainland China	-	70,970	67,070	-	-	-	-	138,040
- Attributable operating cost								
- Hong Kong	-	(1,145)	(6,032)	-	-	-	-	(7,177)
- Mainland China	-	(30,155)	(12,203)	-	-	-	-	(42,358)
Non-controlling interests	(8,199)	(1,065)	(392)	-	-	-	-	(9,656)
	66,028	661,263	713,643	-	868,368	64,416	8,121	2,381,839
Other income and expenses, net	7,318	-	-	-	-	-	-	7,318
Gain on disposal of investment property	-	-	17,679	-	-	-	-	17,679
Finance costs	-	(2,768)	(98,012)	-	(8,023)	-	-	(108,803)
Other gains and losses, net	(58)	(8)	-	-	-	-	-	(66)
Share of results of associates								
- income tax and others	(13,315)	(34,143)	(54,058)	-	-	-	(370)	(101,886)
Non-controlling interests	(2)	-	-	-	-	-	-	(2)
	59,971	624,344	579,252	-	860,345	64,416	7,751	2,196,079
Unallocated items								
Unallocated corporate expenses, net								(237,082)
Unallocated finance costs								(208,062)
Imputed interest income from deferred consideration receivables								209,265
Gain on disposals of subsidiaries, net								941,010
Share of results of associates - gain on disposal of subsidiaries, net of tax								514,060
Income tax expense								(335,676)
Unallocated non-controlling interests								17,135
Operating profit for the year attributable to owners of the Company								3,096,729
Realised fair value changes together with their respective deferred tax on disposals of investment properties (including share of results of associates)								
- Recognised in current year								(154,602)
Major non-cash items								
- Unrealised fair value changes on investment properties (including share of results of associates)								4,771,189
- Deferred tax credit								13,892
Profit for the year attributable to owners of the Company								7,727,208

4. Operating Segments (continued)

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31st December, 2015

	HK\$'000
Core profit (excluding major non-cash items)	
Operating profit for the year attributable to owners of the Company	3,096,729
Major accumulated realised fair value changes together with their respective deferred tax on disposals of investment properties in current year (including share of results of associates) after non-controlling interest	
- Recognised in current year	(154,602)
- Recognised in prior years	13,843,651
	<u>16,785,778</u>
Core profit for the year attributable to owners of the Company	<u>16,785,778</u>

Consolidated Statement of Financial Position

At 31st December, 2015

	Property development and trading HK\$'000	Property leasing		Listed available-for-sale equity investments HK\$'000	Listed investments held-for-trading and treasury products HK\$'000	Unlisted investments, investment holding and brokerage HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
		Retail HK\$'000	Non-retail HK\$'000					
Assets								
Segment assets								
- Hong Kong	5,006,542	10,607,954	8,230,890	-	8,624,769	333,733	41,915	32,845,803
- Mainland China	-	975,946	828,809	-	-	-	6,654	1,811,409
- United Kingdom	-	116,573	4,319,308	-	-	-	-	4,435,881
- Other countries	-	11	-	-	3,088,898	725,873	-	3,814,782
Interests in associates								
- Hong Kong	142,755	357,486	1,365,871	-	-	1,722	5,029	1,872,863
- Mainland China	-	131,621	1,765,992	-	-	-	-	1,897,613
Advances to associates								
- Hong Kong	7,208	-	181	-	-	2	1,126	8,517
- Mainland China	-	30,575	16,390	-	-	-	-	46,965
Reportable segment assets	<u>5,156,505</u>	<u>12,220,166</u>	<u>16,527,441</u>	<u>-</u>	<u>11,713,667</u>	<u>1,061,330</u>	<u>54,724</u>	<u>46,733,833</u>
Assets classified as held for sale								9,239,271
Unallocated corporate assets								<u>7,082,113</u>
Consolidated total assets								<u>63,055,217</u>
Liabilities								
Segment liabilities								
- Hong Kong	1,533,734	140,762	153,900	-	210	14,006	6,273	1,848,885
- Mainland China	-	19,086	12,667	-	-	-	19	31,772
- United Kingdom	-	73,862	2,748,353	-	-	-	-	2,822,215
- Other countries	-	1	-	-	5,389,995	6	-	5,390,002
Reportable segment liabilities	<u>1,533,734</u>	<u>233,711</u>	<u>2,914,920</u>	<u>-</u>	<u>5,390,205</u>	<u>14,012</u>	<u>6,292</u>	<u>10,092,874</u>
Liabilities directly associated with assets classified as held for sale								1,857,996
Unallocated corporate liabilities								<u>10,778,985</u>
Consolidated total liabilities								<u>22,729,855</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>219,801</u>	<u>16,451</u>	<u>933,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,927</u>	

4. Operating Segments (continued)
Other Material Items
For the year ended 31st December, 2015

	Reportable segments HK\$'000	Adjustments for unallocated items HK\$'000	Adjustments for realised fair value changes and related deferred tax HK\$'000	Adjustments for major non-cash items HK\$'000	Consolidated statement of comprehensive income HK\$'000
Interest income	557,258	209,265	-	-	766,523
Finance costs	(108,803)	(208,062)	-	-	(316,865)
Net income	448,455	1,203	-	-	449,658
Depreciation	-	(55,832)	-	-	(55,832)
Fair value changes on investment properties	-	-	(4,860)	4,694,084	4,689,224
Share of results of associates	53,671	514,060	4,869	77,105	649,705
Income tax (expense) credit	-	(335,676)	(154,611)	13,892	(476,395)
Non-controlling interests	(9,658)	17,135	-	-	7,477

5. Other Income

	2016 HK\$'000	2015 HK\$'000
Included in other income are:		
Building management fee income	80,252	159,989
Building management fee expenses	(60,359)	(141,678)
	19,893	18,311
Rental services income	21,275	26,137
Property management services, leasing administration services and property administration services income	40,371	27,107
Asset management and maintenance services income	2,354	19,864
Advisory and consultancy services income	306	2,330
Consultancy fee income	225	237
Exchange gain, net	-	8,908
Reversal of impairment in respect of other receivable and interest thereon	3,494	7,318
Forfeiture of deposits received on sales of stock of properties	460	12

6. Investment Income, Net

	2016 HK\$'000	2015 HK\$'000
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised gain arising on change in fair value	-	24,159
Financial assets measured at fair value through profit or loss (2015: financial assets designated as at fair value through profit or loss):		
Unrealised (loss) gain arising on change in fair value of bonds	(126,183)	309,369
Realised gain (loss) arising on change in fair value of bonds		
- Change in fair value	139,965	(29,523)
- Exchange component of change	2,999	(4,139)
Net gain arising on change in fair value of bonds	16,781	275,707
Unrealised loss arising on change in fair value of club debentures	(269)	-
Loss on disposal of a club debenture	(53)	-
Impairment loss for an available-for-sale investment	-	(3,899)
Other investment income, net	15,520	14,992
Dividend income on:		
Listed investments	192,335	34,242
Unlisted investments	50,502	32,400
Interest income	2,763,833	762,415
	<u>3,038,649</u>	<u>1,140,016</u>

Included in interest income are interests from bonds of approximately HK\$923,556,000 (2015: HK\$521,683,000) and imputed interest income from deferred consideration receivables of approximately HK\$1,831,876,000 (2015: HK\$209,265,000).

7. Profit for the Year

	2016 HK\$'000	2015 HK\$'000
Profit for the year has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	(185,798)	(256,098)
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$297,000 (2015: HK\$794,000)	(9,502)	(9,782)
	(195,300)	(265,880)
Auditors' remuneration:		
Auditors of the Company		
- Current year	(2,306)	(2,429)
Other auditors		
- Current year	(581)	(429)
- Underprovision in prior years	(150)	(118)
Depreciation	(10,304)	(55,832)
Exchange loss, net	(25,493)	-
Cost of trading properties recognised	(1,296,535)	(71,132)
Cost of cosmetic products recognised	(3,717)	(3,479)
Cost of inventories for hotel recognised	-	(5,389)
Share of tax of associates (included in share of results of associates)	(11,070)	(82,440)
Gross proceeds on disposal of investments held-for-trading	608,587	720,079
Carrying amount on investments held-for-trading disposed of	(644,717)	(721,451)
Transaction costs on investments held-for-trading disposed of	(1,304)	(1,043)
Net loss on disposal of investments held-for-trading included in revenue	(37,434)	(2,415)
Gross rental income from investment properties	823,856	1,325,875
Less: Direct operating expenses from investment properties that generated rental income during the year	(42,112)	(81,303)
Direct operating expenses from investment properties that did not generate rental income during the year	(4,357)	(12,344)
	777,387	1,232,228

8. Finance Costs

	2016 HK\$'000	2015 HK\$'000
Interest on:		
Bank loans	152,644	324,020
Other loans	77,347	17,304
Amount due to a non-controlling shareholder	-	16,920
Total interest	229,991	358,244
Exchange gain on translation of foreign currency loans, net	(61,224)	(9,281)
Other finance costs	10,251	36,157
	179,018	385,120
Less: Interest capitalised to stock of properties under development	(2,513)	(284)
Interest capitalised to investment properties under development	-	(67,971)
	176,505	316,865

During the Year, the Group has capitalised borrowing costs at a rate of 2.28% (2015: ranging from 2.23% to 6.76%) per annum amounting to approximately HK\$2,513,000 (2015: HK\$68,255,000) on qualifying assets.

9. Other Gains and Losses, Net

	2016 HK\$'000	2015 HK\$'000
Included in other gains and losses, net are:		
Gain on disposal of a subsidiary - Pioneer Time (<i>note (i)</i>)	1,276,903	-
Gain on disposal of a subsidiary - Evergo Shanghai (<i>note (ii)</i>)	721,294	-
Gain on disposals of subsidiaries - Windsor Group (<i>note (iii)</i>)	312,930	-
Write-down of stock of properties	(128,457)	-
Impairment loss recognised in respect of interest in and advance to an associate, net	(6,083)	-
Underprovision for rental guarantee (<i>note (iv)</i>)	(160)	(8)
Gain on disposals of subsidiaries - Chengdu Project (<i>note (v)</i>)	-	707,492
Gain on disposal of subsidiaries - One Group (<i>note (vi)</i>)	-	212,332
Gain on disposal of a subsidiary - Chongqing Project (<i>note (vii)</i>)	-	118,421
Loss on disposals of subsidiaries - Silvercord Group (<i>note (viii)</i>)	-	(97,235)
	1,873,587	(177,050)

Notes:

- (i) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Pioneer Time Investment Limited ("Pioneer Time"), an indirect wholly-owned subsidiary of the Company ("Pioneer Time Disposal") on 15th January, 2016. Pioneer Time held the property known as MassMutual Tower (now known as China Evergrande Centre) in Hong Kong. Details of the Pioneer Time Disposal are set out in Note 16(a).
- (ii) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Evergo Real Estate (Shanghai) Company Limited ("Evergo Shanghai"), an indirect wholly-owned subsidiary of the Company ("Evergo Shanghai Disposal") on 22nd June, 2016. Evergo Shanghai held the property known as Evergo Tower in Shanghai, the People's Republic of China ("PRC"). Details of the Evergo Shanghai Disposal are set out in Note 16(b).
- (iii) Gain on disposals of subsidiaries arose from the disposals of the Group's entire issued share capital of Keep Speed Company Limited ("Keep Speed") and Jumbo Grace Limited ("Jumbo Grace"), both are indirect wholly-owned subsidiaries of the Company, and Jumbo Grace's subsidiary (collectively "Windsor Group") ("Windsor Disposal") on 1st September, 2016. Windsor Group held the property known as Windsor House in Hong Kong. Details of the Windsor Disposal are set out in Note 16(c).
- (iv) The amount represented underprovision for rental guarantee provided to purchasers of certain shops or units of an investment property in Hong Kong disposed of in prior years.
- (v) Gain on disposals of subsidiaries arose from the disposals of the Group's entire issued share capital of Lucky Benefit Limited and Rising Sheen Limited, both are indirect wholly-owned subsidiaries of the Company, and their respective subsidiaries (collectively "Chengdu Project") ("Chengdu Project Disposal") on 30th July, 2015. Chengdu Project held property projects known as Splendid City, The Metropolis and Chinese Estates Plaza in Chengdu, the PRC, together with an investment in an exempted limited partnership registered under the Partnership Enterprise Law of the PRC.
- (vi) Gain on disposal of subsidiaries arose from the disposal of the Group's entire issued share capital of Asian East Limited, an indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively "One Group") ("One Disposal") on 15th July, 2015. One Group held the property known as The ONE in Hong Kong.
- (vii) Gain on disposal of a subsidiary arose from the disposal of the Group's entire issued share capital of Million Castle Investments Limited ("Million Castle"), an indirect wholly-owned subsidiary of the Company ("Chongqing Project") ("Chongqing Project Disposal") on 27th October, 2015. Million Castle indirectly held 25% interests in a property project known as The Coronation in Chongqing, the PRC.
- (viii) Loss on disposals of subsidiaries arose from the disposals of the Group's entire issued share capital of Brass Ring Limited, Union Leader Limited and Chinese Estates and Finance, Limited (now known as Silvercord Finance Limited), all are indirect wholly-owned subsidiaries of the Company, and their respective subsidiaries (collectively "Silvercord Group") ("Silvercord Disposal") on 13th January, 2015. Silvercord Group held the property known as Silvercord in Hong Kong.

10. Income Tax Expense

	2016 HK\$'000	2015 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	325,491	112,077
Other than Hong Kong	178,395	218,050
	503,886	330,127
Underprovision (overprovision) in prior years:		
Hong Kong Profits Tax	(700)	399
Other than Hong Kong	28,212	(16,482)
	27,512	(16,083)
Deferred tax:		
Current year charge	33,568	162,351
	564,966	476,395

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the Year. PRC Enterprise Income Tax for PRC subsidiaries are calculated at PRC Enterprise Income Tax rate of 25% (2015: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. Dividends

	2016 HK\$'000	2015 HK\$'000
(a) Final dividend for 2015 paid on 6th June, 2016 of HK1 cent (2014: HK1 cent) per share	19,076	19,076
(b) Interim dividend for 2016 paid on 23rd September, 2016 of HK1 cent (2015: HK30 cents) per share	19,076	572,286
(c) Conditional special interim dividend declared on 21st December, 2015 and paid on 20th January, 2016 of HK\$2 per share	3,815,238	-
(d) Special interim dividend paid on 11th August, 2016 of HK\$2.1 per share	4,006,000	-
(e) Special interim dividend paid on 1st September, 2016 of HK\$3.23 per share	6,161,610	-
(f) Special interim dividend declared on 16th December, 2014 and paid on 13th January, 2015 of HK\$4 per share	-	7,630,476
(g) Special interim dividend paid on 15th July, 2015 of HK\$2.6 per share	-	4,959,810
(h) Special interim dividend paid on 14th September, 2015 of HK\$1.2 per share	-	2,289,143
Total dividends paid	14,021,000	15,470,791

On 16th January, 2017, the Board has declared special interim dividends of HK\$2 in aggregate per share which were paid on 10th February, 2017.

Final dividend for the Year of HK1 cent (2015: HK1 cent) per share has been proposed by the Board and is subject to shareholders' approval at the forthcoming annual general meeting of the Company.

12. Earnings per Share

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

	2016 HK\$'000	2015 HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	<u>6,360,312</u>	<u>7,727,208</u>
	Number of shares	
	2016	2015
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>1,907,619,079</u>	<u>1,907,619,079</u>

Diluted earnings per share for the years ended 31st December, 2016 and 2015 were the same as the basic earnings per share as there were no diluting events during both years.

13. Financial Assets Measured at Fair Value Through Profit or Loss

	2016 HK\$'000	2015 HK\$'000
Bonds	14,952,866	-
Club debentures	<u>62,807</u>	-
	<u>15,015,673</u>	<u>-</u>
Analysed for reporting purpose as:		
Non-current	373,050	-
Current	<u>14,642,623</u>	-
	<u>15,015,673</u>	<u>-</u>

Major terms of the bonds denominated in United States dollar ("US\$"), Euro ("EUR"), Pound Sterling ("GBP") and Singapore dollar ("SGD") are as follows:

Notional amount	Maturity
US\$143,000,000	2018
US\$85,882,000	2019
US\$186,000,000	2020
US\$45,500,000	2021
US\$30,000,000	2022
US\$113,000,000	2023
US\$41,000,000	2026
EUR2,300,000	2026
US\$2,500,000	2028
US\$29,000,000	2036
US\$3,750,000	2042
US\$34,000,000	2046
US\$10,000,000	2072
US\$20,000,000	2075
US\$1,064,036,000	Perpetual
EUR28,600,000	Perpetual
GBP11,000,000	Perpetual
SGD42,750,000	Perpetual

14. Debtors, Deposits, Other Receivables and Prepayments

Included in debtors, deposits, other receivables and prepayments are trade receivables of approximately HK\$5,894,000 (2015: HK\$12,315,000) comprised rental receivables billed in advance and settlements from tenants which are expected upon receipts of billings and receivables from cosmetic business.

The following is the aged analysis of trade receivables (net of allowance for doubtful debts), presented based on the respective revenue recognition dates, at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
0 - 30 days	2,371	2,443
31 - 60 days	794	649
61 - 90 days	693	362
Over 90 days	2,036	8,861
	5,894	12,315

Included in debtors, deposits, other receivables and prepayments are consideration receivables in respect of deferred considerations of the Chengdu Project Disposal, the Chongqing Project Disposal and the Pioneer Time Disposal of approximately HK\$5,100,696,000 (2015: the Chengdu Project Disposal and the Chongqing Project Disposal of HK\$6,808,466,000) in aggregate, of which approximately HK\$3,998,358,000 (2015: HK\$2,810,108,000) to be received within one year was shown as current and HK\$1,102,338,000 (2015: HK\$3,998,358,000) to be received after one year was shown as non-current. The deferred consideration receivables were initially recognised at fair value and subsequently measured at amortised cost, which were recorded as other receivables.

The consideration of the Chengdu Project Disposal was HK\$6,500,000,000 of which 10% was received from Shengyu (BVI) Limited (“Shengyu”), a wholly-owned subsidiary of Evergrande Real Estate Group Limited (now known as China Evergrande Group) which is independent of and not connected with the Company, as at 31st December, 2015. In accordance with the equity and debt transfer agreement of the Chengdu Project Disposal dated 14th July, 2015, the remaining 90% of the cash consideration receivable from the Chengdu Project Disposal amounting to HK\$5,850,000,000 would be received in 4 instalments within 24 months from the date of the disposal agreement. During the Year, the Group received HK\$2,600,000,000 (2015: nil).

The consideration of the Chongqing Project Disposal was HK\$1,750,000,000 of which 15% was received from Shengyu as at 31st December, 2015. In accordance with the equity and debt receivable transfer agreement of the Chongqing Project Disposal dated 19th October, 2015, the remaining 85% of the cash consideration receivable from the Chongqing Project Disposal amounting to HK\$1,487,500,000 would be received in 4 instalments within 24 months from the date of the disposal agreement. During the Year, the Group received HK\$612,500,000 (2015: nil).

The consideration of the Pioneer Time Disposal was approximately HK\$12,448,280,000 (after adjustment) of which HK\$5,000,000,000 was received from Shengyu at the date of completion of the Pioneer Time Disposal. In accordance with the equity and debt transfer agreement of the Pioneer Time Disposal dated 12th November, 2015, the remaining cash consideration receivable from the Pioneer Time Disposal amounting to approximately HK\$7,448,280,000 would be received in 6 instalments within 6 years from the date of completion of the Pioneer Time Disposal. During the Year, the Group received HK\$5,700,000,000.

15. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK\$24,879,000 (2015: HK\$64,975,000).

The following is the aged analysis of trade payables at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
0 - 90 days	965	50,813
Over 90 days	23,914	14,162
	24,879	64,975

16. Disposals of Subsidiaries

(a) Pioneer Time Disposal on 15th January, 2016

On 12th November, 2015, Great System Investment Limited (“Great System”), an indirect wholly-owned subsidiary of the Company, and Shengyu entered into an equity and debt transfer agreement, pursuant to which Great System agreed to sell and Shengyu agreed to acquire the entire issued share capital of Pioneer Time.

The Pioneer Time Disposal was completed on 15th January, 2016 at a consideration of approximately HK\$12,448,280,000 (after adjustment). Upon completion, Pioneer Time ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group.

Details of the Pioneer Time Disposal were set out in the announcements of the Company dated 12th November, 2015 and 15th January, 2016 and the circular of the Company dated 3rd December, 2015.

	2016 HK\$'000
The net assets of Pioneer Time as at the date of disposal were as follows:	
Investment properties	8,657,600
Property, plant and equipment	505,585
Debtors, deposits, other receivables and prepayments	5,006
Bank balances and cash	554
Creditors and accruals	(1,268)
Deposits and receipts in advance	(54,249)
Tax liabilities	(1,763)
Deferred tax liabilities	(17,651)
Amount due to the Group	(1,053,961)
Net assets disposed of	<u>8,039,853</u>
Sale of amount due to the Group	1,053,961
Gain on disposal of a subsidiary	<u>1,276,903</u>
	<u><u>10,370,717</u></u>
Satisfied by:	
Cash consideration received	5,000,000
Present value of deferred consideration (<i>note</i>)	5,372,854
	<u>10,372,854</u>
Expenses incurred for disposal	(2,137)
	<u><u>10,370,717</u></u>
Net cash inflow arising on disposal:	
Cash consideration	12,448,280
Cash consideration receivable (<i>note</i>)	(7,448,280)
Deposit received in prior year	(1,250,000)
Cash consideration received	<u>3,750,000</u>
Expenses incurred for disposal	(2,137)
Bank balances and cash disposed of	(554)
	<u><u>3,747,309</u></u>

The gain on the Pioneer Time Disposal was included in other gains and losses, net (Note 9(i)) in the consolidated statement of comprehensive income.

Note: The deferred consideration represents the consideration of approximately HK\$7,448,280,000 receivable in cash in 6 instalments within 6 years from the date of completion of the Pioneer Time Disposal. On 4th July, 2016, the Group received HK\$5,700,000,000.

16. Disposals of Subsidiaries (continued)

(b) Evergo Shanghai Disposal on 22nd June, 2016

On 19th May, 2016, Digi-Star Limited (“Digi-Star”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party to dispose of the entire issued share capital of Evergo Shanghai.

The Evergo Shanghai Disposal was completed on 22nd June, 2016 at a consideration equivalent to approximately HK\$1,355,843,000. Upon completion, Evergo Shanghai ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group.

	2016 HK\$'000
The net assets of Evergo Shanghai as at the date of disposal were as follows:	
Investment properties	1,037,057
Equipment	195
Debtors, deposits, other receivables and prepayments	1,527
Tax recoverable	185
Bank balances and cash	49,168
Creditors and accruals	(9,289)
Deposits and receipts in advance	(17,328)
Deferred tax liabilities	(438,081)
Net assets disposed of	<u>623,434</u>
Release of translation reserve upon disposal	9,053
Gain on disposal of a subsidiary	<u>721,294</u>
	<u><u>1,353,781</u></u>

Satisfied by:

Cash consideration	1,355,843
Expenses incurred for disposal	(2,062)
	<u>1,353,781</u>

Net cash inflow arising on disposal:

Cash consideration	1,355,843
Expenses incurred for disposal	(2,062)
Bank balances and cash disposed of	(49,168)
	<u>1,304,613</u>

The gain on the Evergo Shanghai Disposal was included in other gains and losses, net (Note 9(ii)) in the consolidated statement of comprehensive income.

(c) Windsor Disposal on 1st September, 2016

On 23rd December, 2015, (i) China Entertainment and Land Investment Company, Limited (“CELIC”), a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of CELIC; (iii) Magic Square Limited (“Magic Square”), a company wholly-owned by Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”), the then substantial shareholder and controlling shareholder of the Company; and (iv) Mr. Joseph Lau, being the guarantor of Magic Square, entered into a sale and purchase agreement, pursuant to which CELIC agreed to sell and Magic Square agreed to acquire the entire issued share capital of Keep Speed.

On the same date, (i) Good Top Limited (“Good Top”), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Good Top; (iii) Best Range Limited (“Best Range”), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of Best Range, entered into a sale and purchase agreement (“Windsor SP Agreement”), pursuant to which Good Top agreed to sell and Best Range agreed to acquire the entire issued share capital of Jumbo Grace.

The Windsor Disposal was completed on 1st September, 2016 at a total consideration of approximately HK\$6,187,432,000. Upon completion, the Windsor Group ceased to be subsidiaries of the Company and its consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

16. Disposals of Subsidiaries (continued)

(c) Windsor Disposal on 1st September, 2016 (continued)

Upon completion of the Windsor Disposal, the Group recorded gain on disposals of subsidiaries of approximately HK\$312,930,000. The gain was mainly derived from (i) the decrease in fair value of the investment properties of HK\$343,763,000 due to revaluation of the investment properties as at 30th June, 2016 (which is carried out in accordance with the Group's accounting policies on revaluation of the Group's investment properties as at 30th June, 2016) as compared with the property valuation under the Windsor SP Agreement (of which gain of HK\$72,000,000 was recognised in 2015 and loss of approximately HK\$415,763,000 was recognised in 2016); (ii) additions of investment properties during the Year of approximately HK\$26,797,000; and (iii) increase in fair value of the club debenture of HK\$2,200,000 due to the revaluation of the financial assets measured at FVTPL as at 30th June, 2016 (which is carried out in accordance with the Group's accounting policies on revaluation of the Group's financial assets measured at FVTPL as at 30th June, 2016 upon early adoption of HKFRS 9 (2014)) as compared with the valuation under the Windsor SP Agreement.

Details of the Windsor Disposal were set out in the announcements of the Company dated 23rd December, 2015, 2nd February, 2016, 1st September, 2016 and 5th October, 2016 and the circular of the Company dated 15th January, 2016.

	2016
	HK\$'000
The consolidated net assets of the Windsor Group as at the date of disposal were as follows:	
Investment properties	10,483,034
Equipment	1,084
Financial asset measured at fair value through profit or loss	15,000
Debtors, deposits, other receivables and prepayments	71,107
Pledged deposits	181,902
Bank balances and cash	14,412
Amount due from the Group	4,624,834
Creditors and accruals	(22,456)
Deposits and receipts in advance	(228,163)
Tax liabilities	(30,265)
Borrowing	(4,585,000)
Deferred tax liabilities	(27,989)
Amount due to the Group	(2,550,592)
Consolidated net assets disposed of	7,946,908
Sale of amount due to the Group	2,550,592
Assumption of amount due from the Group	(4,624,834)
Gain on disposals of subsidiaries	312,930
	<u>6,185,596</u>
Satisfied by:	
Cash consideration	6,187,432
Expenses incurred for disposal	(1,836)
	<u>6,185,596</u>
Net cash inflow arising on disposal:	
Cash consideration	6,187,432
Settled by special interim dividend (note)	(4,320,773)
Net cash consideration received	1,866,659
Expenses incurred for disposal	(1,836)
Bank balances and cash disposed of	(14,412)
	<u>1,850,411</u>

The gain on the Windsor Disposal was included in other gains and losses, net (Note 9(iii)) in the consolidated statement of comprehensive income.

Note: Best Range has elected to settle the consideration by procuring Mr. Joseph Lau's entitlement on the special interim dividend (Note 11(e)) in an amount of approximately HK\$4,320,773,000.

17. Capital Commitments

	2016 HK\$'000	2015 HK\$'000
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	15,026	102,257
Renovation of properties	5,656	6,997
Capital investment in limited partnership (<i>note</i>)	125,434	126,901
Investee company's contribution	-	171,600
	<u>146,116</u>	<u>407,755</u>

Note: The Group had committed to make a capital contribution of US\$100,000,000 (equivalent to approximately HK\$775,500,000) in an exempted limited partnership formed under the Exempted Limited Partnership Law (Revised) of the Cayman Islands ("Cayman Islands Partnership"). Up to the end of the reporting period, approximately US\$83,825,000 (equivalent to approximately HK\$649,768,000) (2015: US\$83,625,000 (equivalent to approximately HK\$648,214,000)) among the contribution has been paid by the Group. The outstanding amount was approximately US\$16,175,000 (equivalent to approximately HK\$125,434,000, after exchange adjustment).

18. Contingent Liabilities and Assets

Contingent Liabilities

	2016 HK\$'000	2015 HK\$'000
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	<u>15,000</u>	<u>15,000</u>

Contingent Assets

Post-completion development upside sharing or compensation upside sharing on the case of Moon Ocean Ltd. ("Moon Ocean")

On 1st September, 2014, (i) Data Dynasty Limited ("Data Dynasty"), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Data Dynasty; (iii) One Midland Limited ("One Midland"), a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of One Midland, entered into a sale and purchase agreement, namely "Moon Ocean SP Agreement", pursuant to which Data Dynasty agreed to sell and One Midland agreed to acquire the entire issued share capital of Value Eight Limited ("Value Eight"), Value Eight held investments relating to the Macau Land (as defined below) through Moon Ocean ("Moon Ocean Disposal").

Subject to completion of the Moon Ocean Disposal on 31st October, 2014, (a) if judgments are made in favour of Moon Ocean in the appeals to its legal case in the Macau Special Administrative Region of the PRC ("Macau") ("Appeals") and have become final and the title to the Macau land previously held by Moon Ocean ("Macau Land") is vested on Moon Ocean again, One Midland shall pay to Data Dynasty the development upside sharing pursuant to the Moon Ocean SP Agreement; or (b) if judgments are made against Moon Ocean in the Appeals and have become final, One Midland shall pay to Data Dynasty the compensation upside sharing pursuant to the Moon Ocean SP Agreement.

The Appeals comprise (i) the appeal against the Chief Executive of Macau's declaration of the previous act of the Chief Executive of Macau in confirming the approval of the transfers of the rights deriving from the land concession for the Macau Land to Moon Ocean and the amendments of the related land concession contracts in March 2006 invalid ("First Decision Appeal"); and (ii) the appeal against the notice from the Land, Public Works and Transport Bureau of Macau that the Chief Executive of Macau declared the previous act of approval of the increase of residential gross floor area of the Macau Land and an exchange of land in March 2011 by the Chief Executive of Macau was invalid ("Second Decision Appeal").

The arrangement of the development upside sharing or the compensation upside sharing (as the case may be) allows the Group to share the possible upside or compensation in relation to the Macau Land and the La Scala project post completion of the Moon Ocean SP Agreement.

18. Contingent Liabilities and Assets *(continued)*

Contingent Assets (continued)

Post-completion development upside sharing or compensation upside sharing on the case of Moon Ocean Ltd. (“Moon Ocean”) *(continued)*

The aggregate amount of all the development upside sharing or the compensation upside sharing (as the case may be) payable by One Midland to Data Dynasty shall be subject to a maximum amount of HK\$12,500,000,000.

The Directors consider the aggregate amount of all the development upside sharing or the compensation upside sharing (as the case may be) payable by One Midland to Data Dynasty and the maximum amount of HK\$12,500,000,000 for the development upside sharing or the compensation upside sharing (as the case may be) are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The Last Instance Court of Macau denied the First Decision Appeal in its judgment on 22nd June, 2016. Up to the date of this announcement, the Second Decision Appeal is still in progress.

Details of the Moon Ocean Disposal, the development upside sharing and the compensation upside sharing were set out in the announcement of the Company dated 2nd September, 2014 and the circular of the Company dated 23rd September, 2014.

DIVIDENDS

During the Year, the Board had paid an interim dividend of HK1 cent per share (payment date: 23rd September, 2016) (2015: HK30 cents per share) and special interim dividends of (i) HK\$2 per share (payment date: 20th January, 2016) (2015: HK\$4 per share and HK\$2.6 per share), (ii) HK\$2.1 per share (payment date: 11th August, 2016), and (iii) HK\$3.23 per share (payment date: 1st September, 2016) (2015: HK\$1.2 per share). Subsequent to the Year, the Board had also declared a special interim dividend of HK\$1.36 per share for the Year and special interim dividends of HK\$0.46 per share and HK\$0.18 per share respectively in connection with the completion of the disposal transactions both occurred in February 2017 (payment date: 10th February, 2017). As the Company has paid substantial interim dividends during the Year, the Board has recommended the payment of a nominal final dividend of HK1 cent per share for the Year (the “Final Dividend”) (2015: HK1 cent per share).

Subject to shareholders’ approval at the forthcoming annual general meeting of the Company to be held on 24th May, 2017 (the “2017 AGM”), dividend warrants will be posted on or about 12th June, 2017 to shareholders whose names appear on the register of members of the Company on 1st June, 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members’ eligibility to attend and vote at the 2017 AGM, and entitlement to the recommended Final Dividend, the register of members will be closed during the following periods respectively:

- | | |
|--|---|
| (1) <i>For ascertaining eligibility to attend and vote at the 2017 AGM:</i> | |
| Latest time to lodge transfers documents for registration | 4:30 p.m. on 18th May, 2017 |
| Closure of register of members | 19th May, 2017 to 24th May, 2017
(both days inclusive) |
| (2) <i>For ascertaining entitlement to the recommended Final Dividend:</i> | |
| Latest time to lodge transfers documents for registration | 4:30 p.m. on 29th May, 2017 |
| Closure of register of members | 31st May, 2017 to 1st June, 2017
(both days inclusive) |
| Record date | 1st June, 2017 |

To be eligible to attend and vote at the 2017 AGM, and to qualify for the recommended Final Dividend, all properly completed share transfers documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than the respective latest time as stated above.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Year amounted to HK\$3,745.1 million (2015: HK\$1,542.4 million), an increase of 142.8% over last year and comprised gross rental income of HK\$823.9 million (2015: HK\$1,325.9 million), property sales of HK\$2,943.4 million (2015: HK\$151.6 million), loss on sales of investments held-for-trading on a net basis of HK\$37.4 million (2015: HK\$2.4 million) and others of HK\$15.2 million (2015: HK\$67.3 million). The increase in revenue was mainly due to the increase in sales of trading properties.

Gross Profit

Gross profit for the Year amounted to HK\$2,147.5 million (2015: HK\$1,286.9 million), an increase of 66.9% as compared with last year which was mainly due to the increase in profit from property sales of HK\$1,337.3 million while the decrease in net rental income of HK\$454.8 million.

Property Leasing

For property leasing, the rental revenue in retail and non-retail section has decreased significantly by 54.1% to HK\$298.7 million and 22.1% to HK\$525.2 million respectively during the Year. The total rental income in revenue for the Year recorded a decrease of 37.9% to HK\$823.9 million as compared with last year of HK\$1,325.9 million.

Together with the attributable rental revenue generated from associates and an investee company of HK\$135.1 million (2015: HK\$196.0 million), the total attributable rental revenue to the Group after non-controlling interests amounted to HK\$957.4 million (2015: HK\$1,520.2 million), which representing a decline of 37.0% over last year.

Attributable net rental income for the Year showed HK\$900.9 million, a 34.5% decrease over HK\$1,374.9 million in last year.

The decline in attributable rental revenue and net rental income were mainly due to the disposals of subsidiaries holding Windsor House, Evergo Tower in Shanghai, the PRC, MassMutual Tower (now known as China Evergrande Centre) and The ONE in September 2016, June 2016, January 2016 and July 2015 respectively, since then the results of those subsidiaries were not consolidated to the Group. For those properties remained as at 31st December, 2016, the attributable rental revenue and net rental income maintained stable performance over last year. In addition, the newly acquired properties in the United Kingdom contributed rental revenue and net rental income of HK\$60.0 million and HK\$58.3 million respectively during the Year.

Property Development and Trading

During the Year, the attributable property sales revenue and the relevant attributable profit from the Group and its associates reached HK\$2,298.9 million (2015: HK\$248.2 million) and HK\$1,015.0 million (2015: HK\$66.0 million), which were 9.3 times and 15.4 times to last year respectively.

Sales of One South Lane in the West District (100% interest) generated profit of HK\$53.2 million (2015: sales of Phase I, Phase II and parking spaces of Splendid City in Chengdu, the PRC (100% interest) generated profit of HK\$0.4 million, HK\$2.1 million and HK\$7.7 million respectively and Tower 1 of The Metropolis in Chengdu, the PRC (100% interest) generated profit of HK\$22.0 million).

Sales of 55 Conduit Road in Mid-Levels West (70% interest) (including 1 unit and 1 parking space of 55 Conduit Road sold to a connected person as disclosed in section headed "Other Information and Events After the Reporting Period" below) and sales of parking spaces at The Zenith in Wanchai (87.5% interest) had contributed an attributable profit to the Group of HK\$954.4 million and HK\$2.7 million respectively (2015: sales of One WanChai and parking spaces at The Zenith in Wanchai (both 87.5% interest) had contributed an attributable profit of HK\$23.9 million and HK\$4.7 million respectively).

In respect of properties held by associates, sales of parking spaces at Greenville Residence in Yuen Long (50% interest) and parking spaces at The Hermitage in West Kowloon (25% interest) generated profit of HK\$0.5 million and HK\$4.2 million respectively (2015: sales of Hing Wai Centre in Aberdeen (50% interest) and The Coronation in Chongqing, the PRC (25% interest) generated profit of HK\$0.1 million and HK\$5.1 million respectively) as reflected in the share of results of associates.

As at 31st December, 2016, deposits received from stock of properties contracted to be sold amounted to HK\$84.5 million. Of which, deposits of HK\$2.9 million were received for One South Lane with contracted sales of HK\$29.0 million (after discount), deposits of HK\$25.2 million were received for 55 Conduit Road with contracted sales of HK\$265.1 million (after cash rebate) and its attributable interest of sales to the Group amounted to HK\$185.6 million, together with deposits of HK\$56.4 million were received for The Zenith with contracted sales of HK\$564.2 million and its attributable interest of sales to the Group amounted to HK\$493.7 million.

In summary, the Group together with associates executed properties sale agreements, including contracted for sales agreements to third parties, recorded an attributable contracted sales of HK\$1,608.1 million (after cash rebate or discount) (2015: together with a connect person totaling HK\$1,457.1 million) during the Year. Total attributable property sales profit recognised for the Year was HK\$1,015.0 million (2015: HK\$66.0 million).

Securities Investments

The Group has in the ordinary and normal course of business conducted its securities investment activities. During the Year, the Group recorded a realised loss of HK\$37.4 million (2015: HK\$2.4 million) on disposal of listed investments held-for-trading (the gain/loss of which was included in revenue) with gross proceeds of HK\$608.6 million (2015: HK\$720.1 million). However, a realised gain from sale of bonds of HK\$142.9 million (2015: realised loss of HK\$33.7 million) was recognised. The net realised gain for the Year was HK\$105.5 million (2015: net realised loss of HK\$36.1 million).

Furthermore, the Group recorded an unrealised loss of HK\$126.2 million representing the changes in fair value of bonds (2015: unrealised gain of HK\$333.5 million representing the changes in fair value of listed investments held-for-trading and bonds), which had no effect on the cash flow of the Group.

Summing up the above and adding the net income from net dividend income, interest income, other net investment income and net finance costs of HK\$1,096.1 million (2015: HK\$562.9 million), the gain recognised on securities investments was HK\$1,075.4 million (2015: HK\$860.3 million).

The respective income/expense from securities investments under different categories are further elaborated below.

Listed Equity Investment at Fair Value Through Other Comprehensive Income

In May 2016, the Group acquired 577,180,500 H shares of Shengjing Bank Co., Ltd. (Stock Code: 2066) (“Shengjing Bank”) at a consideration of HK\$6,926.2 million included in financial assets measured at FVTOCI. During the Year, the after-expenses dividend income of HK\$189.6 million and the withholding tax of HK\$19.1 million, making a net dividend income of HK\$170.5 million was recognised in the consolidated statement of comprehensive income and an unrealised loss on fair value change of HK\$2,366.5 million was recorded as an other comprehensive expense. The Group believes that the decrease in share price of Shengjing Bank from May to the end of December 2016, among other things, was because of the slowdown in the PRC economic growth and the challenging environment on risk management in the PRC banking industry. The fair value change is a non-cash item and will not affect the cash flow of the Group.

Shengjing Bank is a joint stock company and a commercial bank incorporated in the PRC and is principally engaged in corporate banking, retail banking and treasury business. Its corporate banking products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, and remittance and settlement services. The H shares of Shengjing Bank are listed on the main board of the Stock Exchange. Its headquarters are located in Shenyang, Liaoning Province, the PRC, which is a leading commercial bank in Northeast China.

Listed Investments Held-for-trading and Treasury Products

The listed investments held-for-trading and treasury products recorded a profit before and after finance costs of HK\$921.0 million and HK\$904.9 million (2015: HK\$868.3 million and HK\$860.3 million) respectively for the Year.

Profit from the listed investments held-for-trading and treasury products reflected in the consolidated statement of comprehensive income for the Year comprised a realised loss on listed securities of HK\$37.4 million (2015: HK\$2.4 million), a realised gain on bonds of HK\$142.9 million (2015: realised loss of HK\$33.7 million), an unrealised loss on fair value changes of bonds of HK\$126.2 million (2015: unrealised gain on fair value changes of listed investments held-for-trading and bonds of HK\$333.5 million) and net dividend income, interest income and other net investment income of HK\$941.7 million (2015: HK\$570.9 million). Net relevant finance costs for the Year was HK\$16.1 million (2015: HK\$8.0 million) including interest expense of HK\$77.3 million (2015: HK\$17.3 million) and exchange gain of HK\$61.2 million (2015: HK\$9.3 million).

Other Income and Expenses

Other income for the Year, which mainly came from net building management fee income, asset management and maintenance services income, property management services, leasing administration services and property administration services income, advisory and consultancy services income and rental services income, decreased to HK\$102.9 million (2015: HK\$134.9 million), representing a decrease of 23.7% as compared with last year.

During the Year, administrative expenses decreased by 3.9% to HK\$331.5 million (2015: HK\$344.8 million). Finance costs decreased by 44.3% to HK\$176.5 million (2015: HK\$316.9 million) during the Year, including exchange gain of HK\$61.2 million (2015: HK\$9.3 million) on foreign currency loans hedged for foreign currency securities investments. The decrease in finance costs was mainly due to decrease in interest rates and the disposals of subsidiaries during the Year and the year 2015.

Other gains and losses recorded a net gain of HK\$2,176.4 million mainly comprised gains on the Pioneer Time Disposal, the Evergo Shanghai Disposal and the Windsor Disposal of HK\$1,276.9 million, HK\$721.3 million and HK\$312.9 million respectively and write-down of stock of properties of HK\$128.5 million (2015: HK\$940.9 million mainly comprised (i) gains on the One Disposal, the Chengdu Project Disposal and the Chongqing Project Disposal of HK\$212.3 million, HK\$707.5 million and HK\$118.4 million respectively and (ii) loss on the Silvercord Disposal of HK\$97.2 million).

Disposals of Subsidiaries to Connected Persons

On 23rd December, 2015 (i) CELIC, a direct wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of CELIC; (iii) Magic Square, a company wholly-owned by Mr. Joseph Lau, the then substantial shareholder and controlling shareholder of the Company; and (iv) Mr. Joseph Lau, being the guarantor of Magic Square, entered into a sale and purchase agreement, pursuant to which CELIC agreed to sell and Magic Square agreed to acquire the entire issued share capital of Keep Speed.

On the same date, (i) Good Top, an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Good Top; (iii) Best Range, a company wholly-owned by Mr. Joseph Lau; and (iv) Mr. Joseph Lau, being the guarantor of Best Range, entered into the Windsor SP Agreement, pursuant to which Good Top agreed to sell and Best Range agreed to acquire the entire issued share capital of Jumbo Grace.

The Windsor Disposal was completed on 1st September, 2016 at a total consideration of HK\$6,187.4 million. Upon completion, the Windsor Group ceased to be subsidiaries of the Company and its consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

Upon completion of the Windsor Disposal, the Group recorded gain on disposals of subsidiaries of HK\$312.9 million. The gain was mainly derived from (i) the decrease in fair value of the investment properties of HK\$343.8 million due to revaluation of the investment properties as at 30th June, 2016 as compared with the property valuation under the Windsor SP Agreement; (ii) additions of investment properties during the Year of HK\$26.8 million; and (iii) increase in fair value of the club debenture of HK\$2.2 million due to the revaluation of the financial assets measured at FVTPL as at 30th June, 2016 as compared with the valuation under the Windsor SP Agreement.

Details of the Windsor Disposal were set out in the announcements of the Company dated 23rd December, 2015, 2nd February, 2016, 1st September, 2016 and 5th October, 2016 and the circular of the Company dated 15th January, 2016.

Disposals of Subsidiaries

- (a) On 12th November, 2015, Great System, an indirect wholly-owned subsidiary of the Company, and Shengyu entered into an equity and debt transfer agreement, pursuant to which Great System agreed to sell and Shengyu agreed to acquire the entire issued share capital of Pioneer Time. The Pioneer Time Disposal was completed on 15th January, 2016 at a consideration of HK\$12,448.3 million (after adjustment). Upon completion, Pioneer Time ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group. The Group recorded a gain on the Pioneer Time Disposal of HK\$1,276.9 million.

Details of the Pioneer Time Disposal were set out in the announcements of the Company dated 12th November, 2015 and 15th January, 2016 and the circular of the Company dated 3rd December, 2015.

- (b) On 19th May, 2016, Digi-Star, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party to dispose of the entire issued share capital of Evergo Shanghai. The Evergo Shanghai Disposal was completed on 22nd June, 2016 at a consideration equivalent to HK\$1,355.8 million. Upon completion, Evergo Shanghai ceased to be a subsidiary of the Company and its results, assets and liabilities were ceased to be consolidated with those of the Group. The Group recorded a gain on the Evergo Shanghai Disposal of HK\$721.3 million.

Associates

The share of results of associates for the Year was a profit of HK\$161.2 million as compared to HK\$649.7 million for last year. In the year 2015, an associate (50% interest) disposed of a company that ultimately held the office building namely Platinum located at Shanghai, the PRC and the Group recorded a share of the associate's gain on disposal of subsidiaries (net of tax) of HK\$514.1 million. However, no such profit was generated in the Year.

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 31st December, 2016 by B.I. Appraisals Limited ("B.I. Appraisals") whereas the investment properties in the United Kingdom were revalued by Peak Vision Appraisals Limited ("Peak Vision Appraisals"). B.I. Appraisals and Peak Vision Appraisals are independent property valuers. An increase in fair value of investment properties of HK\$139.2 million (2015: HK\$4,689.2 million) was recorded during the Year. The unrealised fair value changes will not affect the cash flow of the Group.

Profit, Core Profit, Dividends, Repurchase and Cash Payment Ratio

Profit

Profit attributable to owners of the Company for the Year was HK\$6,360.3 million as compared to HK\$7,727.2 million for last year. The decrease in profit for the Year was mainly arising from (i) decrease in attributable net rental income; (ii) decrease in fair value gain on investment properties; (iii) decrease in share of results of associates; despite (iv) increase in attributable property sales profit; (v) gains on the Pioneer Time Disposal, the Evergo Shanghai Disposal and the Windsor Disposal; (vi) increase in net profit from the segment of the listed investments held-for-trading and treasury products and dividend income from listed equity investment at FVTOCI; and (vii) imputed interest income from deferred consideration receivables which were included in investment income, net. Earnings per share for the Year was HK\$3.33 (2015: HK\$4.05).

Core Profit

The Group disposed of certain investment properties through disposals of subsidiaries during the Year, the costs of which are stated at fair value. In addition, the Group disposed of stock of properties which were classified as investment properties and land and building in prior years. Before disposal, such gain/loss on fair value change is unrealised and recognised at the end of each reporting period, but excluded from core profit as non-cash items. In the year of disposal, such unrealised gain/loss has become realised; and in computing core profit, accumulated fair value gain/loss from prior years and current year are included as cash items.

If the net gain on the major non-cash items of HK\$577.5 million (2015: HK\$4,785.1 million) are excluded, but the net realised fair value loss on disposals of investment properties from the Group and its associates in current year recognised for the Year of HK\$372.7 million (2015: together with their respective deferred tax totaling HK\$154.6 million) is retained and the accumulated realised fair value gain together with their respective deferred tax on disposals of investment properties and stock of properties from the Group and its associates recognised in prior years of HK\$17,248.7 million (including those recognised in properties revaluation reserve) (2015: disposals of investment properties of HK\$13,843.7 million) is included, the Group will have a core profit attributable to owners of the Company for the Year of HK\$23,031.5 million (2015: HK\$16,785.8 million) and a core earnings per share of HK\$12.07 (2015: HK\$8.80), which were both increased by 37.2% to those in the year 2015.

The major non-cash items represented the attributable unrealised fair value gain on investment properties together with their respective deferred tax from the Group and its associates of HK\$577.5 million (2015: HK\$4,785.1 million).

Dividends

Final dividend of HK1 cent (year ended 31st December, 2014: HK1 cent) per share in total amount of HK\$19.1 million for the year ended 31st December, 2015 was paid in cash on 6th June, 2016.

Interim dividend of HK1 cent (half year ended 30th June, 2015: HK30 cents) per share in total amount of HK\$19.1 million for the half year ended 30th June, 2016 was paid in cash on 23rd September, 2016.

Conditional special interim dividend of HK\$2 per share, which was conditional upon completion of the Pioneer Time Disposal in total amount of HK\$3,815.2 million was paid in cash on 20th January, 2016, special interim dividends of HK\$2.1 per share in total amount of HK\$4,006.0 million and HK\$3.23 per share in total amount of HK\$6,161.6 million were paid in cash on 11th August, 2016 and 1st September, 2016 respectively (2015: special interim dividends of HK\$4 per share, HK\$2.6 per share and HK\$1.2 per share were paid in cash on 13th January, 2015, 15th July, 2015 and 14th September, 2015 respectively).

Total dividends of HK\$14,021.0 million were paid in cash during the Year.

On 16th January, 2017, the Board has declared special interim dividends of HK\$2 in aggregate per share, which consist of (i) HK\$1.36 per share for the year ended 31st December, 2016; and (ii) HK\$0.46 per share and HK\$0.18 per share in connection with the completion of the respective disposal transaction occurred in February 2017, which were paid in cash on 10th February, 2017.

Repurchase

During the Year, the Company had not repurchased any of the Company's share.

Cash Payment Ratio

Based on (a) the core profit for the Year of HK\$23,031.5 million (2015: HK\$16,785.8 million) or HK\$12.07 (2015: HK\$8.80) per share; (b) cash final dividend for the Year of HK1 cent (2015: HK1 cent) per share proposed; (c) cash interim dividend for 2016 of HK1 cent (2015: HK30 cents) per share; (d) cash special interim dividends of HK\$2, HK\$2.1 and HK\$3.23 (2015: HK\$4, HK\$2.6 and HK\$1.2) per share were paid during the Year; and (e) cash special interim dividend of HK\$1.36 per share declared, the ratio of such cash payment to the core profit is 72.2% (2015: 92.2%).

Net Asset Value

As at 31st December, 2016, the Group's net asset attributable to owners of the Company amounted to HK\$29,804.2 million (2015: HK\$40,247.6 million), a decrease of HK\$10,443.4 million or 25.9% when compared with 31st December, 2015. With the total number of ordinary shares in issue of 1,907,619,079 as at 31st December, 2016 and 2015, the net asset value per share attributable to owners of the Company was HK\$15.62 (2015: HK\$21.10). The movement in net asset value was mainly due to (a) total comprehensive income for the Year attributable to owners of the Company of HK\$3,418.7 million; (b) increase in net asset upon early adoption of HKFRS 9 (2014) of HK\$158.9 million (net of tax); and (c) final, interim and special interim dividends recognised as distribution during the Year totaling HK\$14,021.0 million.

During the Year, the Group acquired a listed equity investment categorised as financial assets measured at FVTOCI and an unrealised loss on fair value changes of HK\$2,366.5 million was recorded as an other comprehensive expense. The carrying amount of the loss on fair value change of listed equity investment included in financial assets measured at FVTOCI reserve was HK\$2,366.5 million as at 31st December, 2016 (2015: in securities investments reserve of nil).

Other than disposals of subsidiaries holding the property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong and certain shops of Lowu Commercial Plaza situated in Shenzhen, the PRC (as disclosed in section headed “Other Information and Events After the Reporting Period” below), the existing projects and those disclosed in the final results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

Securities Investments

Listed Equity Investment at Fair Value Through Other Comprehensive Income

During the Year, the Group acquired 577,180,500 H shares of Shengjing Bank at a consideration of HK\$6,926.2 million, after deducting the fair value loss of HK\$2,366.5 million for the Year, the carrying amount of listed equity investment categorised as financial assets measured at FVTOCI as at 31st December, 2016 was HK\$4,559.7 million.

Listed Investments Held-for-trading and Treasury Products

As at 31st December, 2015, the carrying amount of the listed investments held-for-trading and treasury products was HK\$11,433.5 million. During the Year, the portfolio was increased by a net purchase of HK\$3,645.6 million. After deducting the fair value loss of HK\$126.2 million for the Year, the listed investments held-for-trading and treasury products portfolio of the Group became HK\$14,952.9 million as at 31st December, 2016, which formed part of the Group’s cash management activities. As at 31st December, 2016, entire portfolio comprised bonds (of which issued by financial institutions of 41.0%, PRC-based real estate companies of 29.6% and other industries of 29.4%). They are denominated in different currencies with 95.9% in US\$, 1.9% in EUR, 1.5% in SGD and 0.7% in GBP.

As at 31st December, 2016, the portfolio of listed securities investments and treasury products of HK\$19,512.6 million (2015: HK\$11,433.5 million) comprised (a) bonds (financial assets measured at FVTPL) of HK\$14,952.9 million (2015: listed equity securities (investments held-for-trading) of HK\$364.2 million and bonds (financial assets designated as at fair value through profit or loss) of HK\$11,069.3 million); and (b) listed equity investment (financial assets measured at FVTOCI) of HK\$4,559.7 million (2015: nil), representing 42.6% of total assets.

Unlisted Securities Investments

The Group had committed to make a capital contribution of US\$100.0 million (equivalent to approximately HK\$775.5 million) in the Cayman Islands Partnership. As at 31st December, 2016, the Group has contributed US\$83.8 million (equivalent to approximately HK\$649.8 million) (net of callable distribution) less received distribution of US\$1.0 million (equivalent to approximately HK\$8.1 million), which was included in financial assets measured at FVTOCI, after adjustment for remeasurement upon early adopted HKFRS 9 (2014) and fair value gain for the Year totaling net loss of HK\$57.2 million was recognised in financial assets measured at FVTOCI reserve, the carrying amount was HK\$584.5 million, representing 1.3% of total assets.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 31st December, 2016 and 2015 were 1,907,619,079.

Debt and Gearing

As at 31st December, 2016, the Group's bank and other borrowings amounted to HK\$14,591.4 million (2015: HK\$14,531.8 million (excluding bank borrowing presented as liabilities directly associated with assets classified as held for sale)). Cash and deposits at banks amounted to HK\$1,070.5 million (2015: HK\$2,849.8 million (excluding cash and deposits at banks presented as assets classified as held for sale)), pledged deposits amounted to HK\$943.7 million (2015: HK\$202.8 million (excluding pledged deposits presented as assets classified as held for sale)) and net borrowings amounted to HK\$12,577.2 million (2015: HK\$11,479.2 million).

Total debt to equity ratio was 48.8% (2015: 36.0%) and net debt to equity ratio was 42.1% (2015: 28.5%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK\$29,899.9 million (2015: HK\$40,325.4 million). The increase in the total debt to equity ratio and the net debt to equity ratio were mainly due to a decrease in equity as a result of payments of dividends and fair value loss on listed equity investment included in financial assets measured at FVTOCI reserve.

If the listed securities investments and treasury products of HK\$19,512.6 million (2015: HK\$11,433.5 million) are included, there would be a net cash position of HK\$6,935.4 million (2015: net debt of HK\$45.7 million and net debt to equity ratio of 0.1%).

As at 31st December, 2016, the Group's bank and other borrowings of HK\$14,591.4 million, 74.0%, 8.8%, 8.6% and 8.6% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. Of which the Group's bank and other borrowings were denominated in HK\$ (21.1%), US\$ (53.7%), GBP (22.7%), SGD (1.4%) and EUR (1.1%). HK\$, US\$, SGD and EUR securities investments were hedged by HK\$, US\$, SGD and EUR borrowings. The Group's bank borrowings in HK\$ and other borrowings were carried at interest rates calculated mainly with reference to Hong Kong Interbank Offered Rate and cost of funds; bank borrowings in GBP were carried at interest rates calculated with reference to London Interbank Offered Rate. As at 31st December, 2016, all the Group's borrowings were on floating rate basis. No hedging for interest rate is subsisted at the end of the reporting period.

Pledge of Assets

As at 31st December, 2016, the Group had pledged the following assets with their respective carrying amounts:

- (a) The Group's investment properties of HK\$10,231.4 million, stock of properties of HK\$858.4 million and bank deposits of HK\$77.3 million (2015: investment properties of HK\$26,527.8 million (including investment properties presented as assets classified as held for sale), properties of HK\$505.5 million (presented as assets classified as held for sale), stock of properties of HK\$958.0 million and bank deposits of HK\$253.4 million (including bank deposits presented as assets classified as held for sale)) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.
- (b) The Group's bonds and listed equity investment at FVTOCI with carrying amounts of HK\$18,713.3 million (2015: investments held-for-trading and bonds of HK\$11,433.5 million) and cash deposits of HK\$866.4 million (2015: HK\$8.6 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which HK\$9,893.3 million (2015: HK\$5,389.8 million) was utilised as at 31st December, 2016 as borrowings due within one year.
- (c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

Financial and Interest Income/Expenses

Interest income was included in revenue, other income and investment income. Interest income for the Year was HK\$2,766.6 million, representing an increase of 260.9% over last year of HK\$766.5 million.

Finance costs included interest expenses on bank loans and other loans; exchange difference on translation of foreign currency loans; and arrangement fee and facility and commitment fee expenses. Interest expenses for the Year amounted to HK\$227.5 million, representing a decrease of 21.6% over last year of HK\$290.0 million. Interest capitalised for the Year was HK\$2.5 million as compared to HK\$68.3 million for last year. The decrease in interest expenses and interest capitalised were mainly due to decrease in interest rates and decrease in bank loans following certain disposals of subsidiaries during the Year and the year 2015. The average interest rate over the year under review was 1.52% (2015: 2.39%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 31st December, 2016, the Group employed a total of 552 staff (2015: 582 staff) in Hong Kong including about 257 staff (2015: 269 staff) employed under the estate management company in Hong Kong and 4 staff (2015: 4 staff) in the offices in Mainland China.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The executive directors of the Company continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted during the Year.

The Company had adopted a share award scheme ("Share Award Scheme") in 2009. The Share Award Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Share Award Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the Share Award Scheme during the Year.

Mainland China and United Kingdom

Profit contribution from the Group's investment in Mainland China (mainly included in gross profit, fair value changes on investment properties, gain on disposal of a subsidiary, share of results of associates and taxation) for the Year amounted to HK\$566.4 million (2015: HK\$1,340.6 million also included gain on disposals of subsidiaries and share of associate's gain on disposal of subsidiaries (net of tax)). Renminbi exchange loss of foreign operations included in other comprehensive expenses for the Year amounted to HK\$28.1 million (2015: HK\$121.6 million (included exchange loss related to subsidiaries and associates disposed of HK\$70.1 million)). The Group's net investment in Mainland China as at 31st December, 2016 amounted to HK\$749.5 million (2015: HK\$1,772.9 million) representing 2.5% of the Group's total equity.

The Group acquired two more investment properties in the United Kingdom in April and May 2016. As at 31st December, 2016, the Group's investment properties in the United Kingdom with carrying amount of GBP690.7 million (equivalent to approximately HK\$6,586.0 million) (2015: GBP351.5 million (equivalent to approximately HK\$4,037.1 million)) contributed a net profit of HK\$507.6 million (2015: net loss of HK\$392.7 million) to the Group for the Year, the profit mainly included in gross profit and fair value changes on investment properties. GBP exchange loss of foreign operations included in other comprehensive expenses for the Year amounted to HK\$554.0 million (2015: HK\$72.8 million). As at 31st December, 2016, the Group's net investment in the United Kingdom amounted to HK\$3,609.2 million (2015: HK\$1,613.1 million) representing 12.1% of the Group's total equity.

Listed Subsidiary

The Group did not own any listed subsidiary at the end of the reporting period.

Property Valuation

Property valuations in respect of the Group's investment properties in Hong Kong and Mainland China have been carried out by B.I. Appraisals as at 31st December, 2016 (2015: B.I. Appraisals and Vigers Appraisal and Consulting Limited), independent qualified professional valuer. For the investment properties in the United Kingdom, the valuations as at 31st December, 2016 and 2015 were carried out by Peak Vision Appraisals, another independent qualified professional valuer. Their valuations were based on investment method and/or direct comparison method as the valuation methodologies and were used in preparing 2016 final results.

The Group's investment properties were valued at HK\$12,887.3 million (2015: HK\$30,598.9 million (including those presented as assets classified as held for sale)), a 6.3% increase over 2015 after adjusted for the additions, disposals and exchange adjustments of investment properties during the Year. The increase in fair value of HK\$139.2 million was recognised in the consolidated statement of comprehensive income for the Year. The Group also shared an increase in fair value of investment properties of associates of HK\$96.5 million (adjusted deferred tax credit of HK\$0.9 million) for the Year.

The increase in fair value of HK\$139.2 million was mainly derived from Harcourt House, while in 2015 it was mainly derived from MassMutual Tower (now known as China Evergrande Centre) and Harcourt House. The fair value change is a non-cash item and will not affect the cash flow of the Group.

FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's consolidated financial statements for the Year, but represents an extract from those consolidated financial statements. The final results of the Group for the Year have been reviewed by the Audit Committee of the Company.

Scope of work of HLB Hodgson Impey Cheng Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 94.84% during the Year. The high occupancy rate was attributable to the prime locations of the Group's retail properties.

The average occupancy rate of Windsor House shopping mall from January to August 2016 (i.e. before disposal) was approximately 95.34%.

During the Year, the average occupancy rate of the shops of Causeway Place was approximately 81.36%.

Olympian City 3 (25% interest), the retail mall in The Hermitage residences in West Kowloon, all the shops were fully let out as at 31st December, 2016.

Coronation Circle (15% interest), the retail mall in The Coronation residences in West Kowloon, the average occupancy rate was approximately 63.02% during the Year.

The occupancy rate for the Group's office properties maintained at a high level throughout the Year. During the Year, the average occupancy rates of Harcourt House and Windsor House (for eight-month period before disposal) were approximately 97.03% and 98.02% respectively, bring the approximate occupancy rate of the overall office portfolio to 97.64%.

In January 2016, the Group has disposed the company holding MassMutual Tower (now known as China Evergrande Centre). In September 2016, the Group has also disposed the companies holding Windsor House.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and sales of trading properties has recorded a pleasing results.

One South Lane is located in the Western District and enjoys close proximity to the HKU MTR Station. It is a luxury residential/retail tower with a total gross floor area of around 41,353 square feet which provides 92 residential units. The occupation permit was issued in July 2016. As at 31st December, 2016, 92 residential units were contracted for sales, representing 100% of total units, of which 90 individual purchasers had completed their transactions.

55 Conduit Road (70% interest) is a luxury residential development in Mid-Levels West with total residential gross floor area of around 87,800 square feet which provides 35 residential units. As at 31st December, 2016, 33 units were contracted for sales, representing 94.29% of total units, of which 29 individual purchasers had completed their transactions.

The Hermitage (25% interest) is one of the Group's joint venture development project in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. As at 31st December, 2016, 99.79% of total units were sold.

The Coronation (15% interest) is another joint venture development project of the Group in West Kowloon. It comprises 6 residential tower blocks and provides in aggregate 740 residential units and retail properties with a total gross floor area of around 650,600 square feet. As at 31st December, 2016, 99.86% of total units were sold.

Kwun Tong Town Centre Project (Development Areas 2 and 3) (10% interest) is a joint venture development project of the Group awarded by the Urban Renewal Authority. Its total site area is approximately 234,160 square feet. Total gross floor area of around 1,853,561 square feet will be developed. Foundation work was completed. Excavation and lateral support works and pile cap works are in progress and the whole project is expected to be completed in the first quarter of 2021.

In February 2017, the Group has disposed the companies holding the property development situated at No. 12 Shiu Fai Terrace.

Mainland China Property Investment

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 75.88% for the Year.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 91.82% for the Year.

During the Year, the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen were fully let out. The Group has disposed the companies holding such retail outlets in February 2017.

In June 2016, the Group has disposed the company holding Evergo Tower, an office and shopping complex in Shanghai.

Overseas Property Investment

River Court is a Grade A freehold office building situated at 116-129 Fleet Street, London, United Kingdom. It provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces. It was fully let out as at 31st December, 2016.

In April 2016, the Group acquired 14 St George Street, a Grade A freehold office building located in London, United Kingdom. The building comprises approximately 51,861 square feet of office accommodation arranged over lower ground, ground and four upper floors. It was fully let out as at 31st December, 2016.

In May 2016, the Group acquired a mixed use freehold building located in 61-67 (odd) Oxford Street and 11-14 Soho Street, London, United Kingdom, comprising approximately 55,162 square feet in aggregate. The building provides retails, office and residential accommodation, occupying approximately 33,850 square feet, 13,735 square feet and 7,577 square feet respectively, over lower ground, ground and six upper floors. It was fully let out as at 31st December, 2016.

Securities Investments

The Group's strategy is to maintain securities investment portfolio for treasury management.

The gain recognised on securities investments for the Year was HK\$1,075.4 million. Details of the performance of securities investments are disclosed under "Financial Operation Review" of this announcement. The Group will continue to closely monitor its portfolio of securities investments to achieve satisfactory returns.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

Disposal of a Subsidiary holding MassMutual Tower – Major Transaction

The Group has on 12th November, 2015 entered into an equity and debt transfer agreement in relation to, inter alia, disposal of a wholly-owned subsidiary of the Company that ultimately held the commercial property known as MassMutual Tower (now known as China Evergrande Centre) located in Wanchai, Hong Kong to a subsidiary wholly-owned by Evergrande Real Estate Group Limited (now known as China Evergrande Group), an independent third party (the “Pioneer Time Disposal”). Pioneer Time Disposal constituted a major transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Pioneer Time Disposal was completed on 15th January, 2016 at the final consideration of approximately HK\$12,448.3 million. Details of Pioneer Time Disposal were set out in the Company’s announcement dated 12th November, 2015 and circular dated 3rd December, 2015.

Disposal of a Residential Unit of 55 Conduit Road – Connected Transaction

As announced on 21st December, 2015, the Group accepted a tender submitted by Ms. Amy Lau, Yuk-wai, a non-executive director (“NED”) of the Company, to purchase a residential unit together with a car parking space of the Group’s luxury residential development located in Mid-Levels West, Hong Kong, namely 55 Conduit Road at the purchase price of HK\$124,118,000 (before cash rebate). The transaction constituted a connected transaction of the Company under the Listing Rules. Completion took place on 5th April, 2016.

Disposal of Subsidiaries holding Windsor House – Major and Connected Transactions

As announced on 23rd December, 2015, the Group has on 23rd December, 2015 entered into sale and purchase agreements, in relation to, inter alia, disposal of the wholly-owned subsidiaries of the Company that ultimately held the property known as Windsor House located in Causeway Bay, Hong Kong to the companies wholly-owned by Mr. Joseph Lau, Luen-hung (“Mr. Joseph Lau”), the then substantial shareholder and controlling shareholder of the Company (“Windsor Disposal”). Windsor Disposal constituted major and connected transactions of the Company under the Listing Rules and was approved by the independent shareholders of the Company at the special general meeting of the Company held on 2nd February, 2016. Windsor Disposal was completed on 1st September, 2016 and the final considerations had been disclosed in the announcement of the Company dated 5th October, 2016. Details of Windsor Disposal were set out in the announcement of the Company dated 23rd December, 2015 and the circular of the Company dated 15th January, 2016.

Acquisition of a Property in the United Kingdom

In March 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire a freehold property situated at 14 St George Street, London, United Kingdom at a consideration of GBP121.7 million. Completion of the acquisition took place on 15th April, 2016.

Acquisition of a Property in the United Kingdom – Discloseable Transaction

As announced on 21st March, 2016, the Group has on 21st March, 2016 entered into a sale and purchase agreement with an independent third party to acquire a freehold property situated at 61-67 (odd) Oxford Street and 11-14 Soho Street, London, United Kingdom at a consideration of GBP182.8 million (before rent top up and allowance for stamp duty land tax of the United Kingdom). The acquisition constituted a discloseable transaction of the Company under the Listing Rules. Completion of the acquisition took place on 20th May, 2016.

Acquisition of Equity Interest in Shengjing Bank Co., Ltd.

The Group has entered into a sale and purchase agreement with an independent third party on 6th May, 2016, in relation to the acquisition of 577,180,500 H shares in Shengjing Bank Co., Ltd. (Stock Code: 2066), at a consideration of approximately HK\$6,926.2 million.

Disposal of a Subsidiary holding Evergo Tower, Shanghai

The Group has on 19th May, 2016 entered into an equity transfer agreement in relation to, inter alia, disposal of a wholly-owned subsidiary of the Company that held the office and shopping complex known as Evergo Tower located in Shanghai, the People’s Republic of China (the “PRC”) to an independent third party, at the final consideration of equivalent to approximately HK\$1,355.8 million. Completion of the disposal took place in June 2016.

Change of Building Name of Principal Office

As announced on 30th November, 2016, the name of the building where the Group's head office and principal place of business in Hong Kong are located has been changed from "MassMutual Tower" to "China Evergrande Centre" with effect from 1st December, 2016.

Disposal of Subsidiaries holding the Property Development situated at No. 12 Shiu Fai Terrace and 79 Shops of Lowu Commercial Plaza, Shenzhen – Major and Connected Transactions

The Group has on 5th December, 2016 entered into sale and purchase agreements, in relation to, inter alia, disposal of the wholly-owned subsidiaries of the Company that ultimately held (i) the property development situated at No. 12 Shiu Fai Terrace, Mid-Levels East, Hong Kong; and (ii) 79 shops of Lowu Commercial Plaza located in Shenzhen, the PRC to the companies wholly-owned by (i) Ms. Chan, Hoi-wan, an associate of Mr. Joseph Lau and an associate of Directors of the Company at the time of entering into relevant sale and purchase agreement (the "HK Property Transaction"); and (ii) Mr. Lau, Ming-wai, the Chairman of the Board and a NED of the Company (the "PRC Properties Transaction") respectively. HK Property Transaction and PRC Properties Transaction constituted major and connected transactions of the Company under the Listing Rules and each of them was approved by the independent shareholders of the Company at the special general meeting of the Company held on 13th January, 2017. HK Property Transaction and PRC Properties Transaction were completed on 10th February, 2017 at the final consideration of approximately HK\$889.6 million and HK\$352.2 million respectively. Details of HK Property Transaction and PRC Properties Transaction were set out in the announcement of the Company dated 5th December, 2016 and the circular of the Company dated 28th December, 2016.

PROSPECTS

With the generally unexpected outcome of the presidential election of the United States of America in early November 2016 as well as the potential rise of economic or trade protectionism, the uncertainties surrounding global markets have been intensified; whilst the Federal Reserve in the United States of America decided to raise the target range for the federal funds rate by a quarter percentage point to 0.5% to 0.75% in mid of December 2016 and a further increase in 2017 is also anticipated. As a result of such changes in the macro-environment, adverse impact seems to be inevitable.

The residential property market in Hong Kong had been moving upwards for over the past ten years. The Hong Kong government has introduced new measures in November 2016 to curb and control the seemingly overheated residential property market, whereby a new flat rate of 15% for the ad valorem stamp duty is being imposed on second-home buyers. Unless there is a substantial change on the housing policy by the Hong Kong government upon election of the new Chief Executive, downturn of the property market in Hong Kong is quite likely under the shadow of increasing mortgage interest rate.

Subsequent to the disposal of the companies holding property development situated at No. 12 Shiu Fai Terrace in February 2017, total assets and total liabilities of the Group are expected decreasing in the year 2017. In addition, subsequent to the disposal of the companies holding shops of Lowu Commercial Plaza in Shenzhen in February 2017, contribution of rental income from this property to the Group in the year 2017 will be significantly lowered.

Notwithstanding the said changes, the foundation of the Group's investment properties is strong and the Group's financial condition is sound and stable. Our past performance proves that the Group's broad vision is conducive to carrying out businesses and its successful development.

Looking ahead, the Group will continue to monitor local and overseas market conditions, endeavour to participate in land auctions and tenders as well as to capture opportunities for acquiring local and overseas premier investment properties with optimistic return in order to strengthen its investment property portfolio. The Group will grasp every good investment chance continuously in future.

CORPORATE GOVERNANCE

Throughout the Year, the Company had applied the principles and complied with the code provisions and certain recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except the following deviations:-

Code Provision A.6.7

– Independent Non-executive Director and Non-executive Directors Attending General Meetings

Mr. Lau, Ming-wai, a NED, was unable to attend the special general meeting of the Company held on 2nd February, 2016 (“SGM”) and the annual general meeting of the Company held on 19th May, 2016 (“AGM”) as he had business engagement. Ms. Amy Lau, Yuk-wai, another NED, was also unable to attend the SGM and AGM as she was not in Hong Kong on the dates of SGM and AGM. Ms. Phillis Loh, Lai-ping, an Independent Non-executive Director, was unable to attend the SGM as she had business engagement.

Code Provision E.1.2

– Chairman Attending Annual General Meeting

Mr. Lau, Ming-wai, the Chairman of the Board, was unable to attend the AGM as he had business engagement. Mr. Chan, Kwok-wai, the chairman of the Audit Committee and the Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. The chairman of the Nomination Committee, Ms. Phillis Loh, Lai-ping had attended the AGM.

BOARD OF DIRECTORS

As at 31st December, 2016, the Board comprised eight Directors, including three Executive Directors, two NEDs and three Independent Non-executive Directors (the “INEDs”).

On 13th February, 2017, the Board appointed Ms. Chan, Hoi-wan as an Executive Director, resulting a total of nine Directors constitutes the Board, with INEDs representing one-third of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code and the said code of conduct during the Year.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (the “Relevant Employees”) who, because of office or employment, are likely to be in possession of unpublished inside information in relation to the Group’s securities had been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the said code during the Year.

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

RESTRUCTURING OF SHAREHOLDING IN THE COMPANY

On 1st March, 2017, after the distribution of all the shares in the Company indirectly held under a discretionary trust (the “Share Trust”) founded by Mr. Joseph Lau to certain eligible beneficiaries of the Share Trust, Mr. Lau, Ming-wai and Ms. Chan, Hoi-wan (as trustee for her minor children) indirectly hold shares representing approximately 24.97% and 50.02% of the total issued share capital of the Company as at 1st March, 2017 respectively. Details of the restructuring of shareholding were set out in the announcement of the Company dated 1st March, 2017.

APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders for their continuing support. We would also like to express our sincere thanks to all staff members for their dedication and hard work.

On behalf of the Board
Lau, Ming-wai
Chairman

Hong Kong, 9th March, 2017

As at the date of this announcement, the Board comprised Ms. Chan, Sze-wan, Ms. Chan, Hoi-wan, Ms. Chan, Lok-wan and Mr. Lam, Kwong-wai as Executive Directors, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors, and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: <http://www.chineseestates.com>

This results announcement is published on the website of the Company (<http://www.chineseestates.com>) and the HKExnews website (<http://www.hkexnews.hk>).

Results Highlights will also be posted on the Company’s website on 9th March, 2017.