四海國際集團有限公司
Cosmopolitan International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 120)

ANNOUNCEMENT OF 2016 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2016	Year 2015	% Change
	HK$'000	HK$'000	
Revenue	**23,678**	9,152	**+158.7%**
Gross profit	**16,081**	9,152	**+75.7%**
Operating loss before depreciation and amortisation, finance costs and tax	**(13,158)**	(275,500)	**-95.2%**
Loss for the year attributable to equity holders of the parent	**(115,253)**	(344,938)	**-66.6%**
Basic loss per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK(1.7) cents**	HK(5.2) cents	**-67.3%**

	As at 31st December, 2016	2015	
	(Unaudited)	(Unaudited)	
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.17**	HK$0.16	**+6.3%**

- **The loss incurred for the year was mainly attributable to the interest expenses on the consideration payable related to the Group's acquisition of the development project in Chengdu and the loan facilities that have been drawn to repay such consideration payable as well as the interest expenses on the outstanding convertible bonds issued by the Group.**

- **For the year under review, the Group recorded a fair value gain of HK$49.0 million attributable to the change in the fair value of the subscription options to subscribe for the optional convertible bonds, while for the preceding financial year, a fair value loss of HK$146.4 million was incurred in respect of such fair value change.**

- **The various transactions involving, among others, the granting of loan facilities by Regal Hotels International Holdings Limited group, the undertaking by P&R Holdings Limited group to exercise the options to subscribe in full for the optional convertible bonds, the extension of the maturity date of the convertible bonds and the optional convertible bonds and the repayment of the consideration payables owing to the Regal group and the P&R Holdings group had been implemented.**

- **The primary objective of those transactions was to restructure the financial position of the Group, effectively to align the repayment dates of the Group's indebtedness with the expected completion schedules of the two major development projects in Tianjin and Chengdu.**

- **The Group has further launched the unit presales of the remaining residential tower, certain part of the commercial areas and car parking spaces in the Tianjin development project. Up to date, the Tianjin development project has secured total contracted sales of approximately RMB1,381 million (equivalent to approximately HK$1,562 million).**

- **As regarding the composite development project in Chengdu, the Group has also launched in tranches since September 2016 the presale of the units in four other residential towers within the second stage of the development and response was favourable. Up to date, a total of 850 residential units have been contracted to be sold, securing aggregate sales proceeds of approximately RMB528 million (equivalent to approximately HK$597 million).**

- **Barring any delays that may be caused by factors beyond the Group's control, the units in the two development projects that have been presold are scheduled to be completed before the end of this year. It is anticipated that, based on the present construction programmes, a major portion of the profits to be derived from the units presales already secured will be accounted for in the financial year ending 31st December, 2017.**
- **The real estate market in Mainland China is expected to further consolidate in the short term but as the overall economy further stabilises, the market should continue to thrive.**
- **The Group's two development projects in Tianjin and Chengdu are making good progress and will contribute substantial cash flow and revenue to the Group on a gradual basis when they are completed in stages over the next few years.**

FINANCIAL RESULTS

For the year ended 31st December, 2016, the Company recorded a consolidated loss attributable to shareholders of HK$115.3 million, as compared to a loss of HK$344.9 million for the year 2015. The loss incurred for the year was mainly attributable to the interest expenses on the consideration payable related to the Group's acquisition of the development project in Chengdu and the loan facilities that have been drawn to repay such consideration payable (as detailed below) as well as the interest expenses on the outstanding convertible bonds issued by the Group.

For the year under review, the Group recorded a fair value gain of HK$49.0 million attributable to the change in the fair value of the subscription options to subscribe for the optional convertible bonds, which were granted in August 2014 in conjunction with the issue of the convertible bonds originally due 2017, between the last balance sheet date of 31st December, 2015 and the dates when the subscription options were ultimately exercised in 2016, while for the preceding financial year, a fair value loss of HK$146.4 million was incurred in respect of such fair value change.

As reported in the Interim Report 2016, the Group entered into conditional agreements with certain subsidiaries of Regal Hotels International Holdings Limited, a fellow listed subsidiary of the Company, and P&R Holdings Limited, an intermediate holding company of the Company, respectively, in August 2016. Pursuant to those conditional agreements, a series of transactions were proposed, which involved, among others, the granting of term and revolving loan facilities by the Regal group, the undertaking by the P&R Holdings group to exercise the options to subscribe in full for the optional convertible bonds, the extension of the maturity date of the convertible bonds and the optional convertible bonds and the repayment of the consideration payables owing to the Regal group and the P&R Holdings group. The primary objective of those proposed transactions was to restructure the financial position of the Group, effectively to align the repayment dates of the Group’s indebtedness with the expected completion schedules of the two major development projects in Tianjin and Chengdu. More details about the various transactions involved were contained in the circular of the Company dated 23rd September, 2016 sent to shareholders.

Following the relevant approvals obtained from the independent shareholders of the Company at an extraordinary general meeting held on 11th October, 2016, all the conditions precedent under the various conditional agreements have been fulfilled. Consequently, on 12th October, 2016, the entire amount of the loan facilities granted by the Regal group in the total sum of HK$1,850 million was drawn down and, on the same date, the P&R Holdings group exercised the option to subscribe for the optional convertible bonds with a principal amount of HK$330 million, and the proceeds thereof have been utilised to fully settle the outstanding consideration payables owing to the Regal group and the P&R Holdings group, respectively. In accordance with the terms of its undertaking, P&R Holdings group has further exercised the remaining outstanding option to subscribe for the optional convertible bonds in a principal amount of HK$170 million before the year end date in 2016.

BUSINESS OVERVIEW

The core businesses of the Group principally comprise the two composite property development projects being undertaken in Tianjin and in Chengdu, Sichuan Province.

For the year under review, the gross domestic product of Mainland China moderated to 6.7% but remained the highest among major economies. Under a market environment with affluent liquidity and relatively accommodative fiscal policies, the property market in Mainland China in the first half of 2016 as a whole was buoyant. Property prices and transaction volume in the first line cities reached new highs, with the market momentum spreading gradually to the peripheral second and third line cities. In around October 2016, in an aim to restrain speculative investment activities, the municipal governments in various primary cities consecutively introduced a new set of policies to manage the overly heated market expectations by restricting purchases, increasing the level of down payments on the purchase of non-first residential units and enhancing the supply of development lands. As a result, the trend of rising property prices generally slowed down and the transaction volume gradually declined.

Since the last report in August in the 2016 Interim Report, the Group has launched the unit presales of the remaining residential tower, certain part of the commercial areas and car parking spaces in the Tianjin development project. Up to date, the Tianjin development project has secured total contracted sales of approximately RMB1,381 million (equivalent to approximately HK$1,562 million).

As regarding the composite development project in Chengdu, the Group has also launched in tranches since September 2016 the presale of the units in four other residential towers within the second stage of the development and response was favourable. Up to date, a total of 850 residential units have been contracted to be sold, securing aggregate sales proceeds of approximately RMB528 million (equivalent to approximately HK$597 million).

In accordance with the current accounting standards, profits from the presale of development properties in China will only be recognised after completion of the construction works and the handover of the properties to the purchasers. Barring any delays that may be caused by factors beyond the Group's control, the units in the two development projects that have been presold are scheduled to be completed before the end of this year. Accordingly, it is anticipated that, based on the present construction programmes, a major portion of the profits to be derived from the units presales already secured will be accounted for in the financial year ending 31st December, 2017.

Further detailed information on the two development projects in Tianjin and Chengdu, the re-forestation and land grant project in Urumqi, Xinjiang as well as the licensed logistics business in Shanghai which is 60% owned by the Group is contained in the section headed "Management Discussion and Analysis" in this announcement.

OUTLOOK

The real estate market in Mainland China is expected to further consolidate in the short term but as the overall economy further stabilises, the market should continue to thrive. The Group's two development projects in Tianjin and Chengdu are making good progress and will contribute substantial cash flow and revenue to the Group on a gradual basis when they are completed in stages over the next few years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in property development and investment, investment in financial assets, logistics operations and other investments.

The performance of the Group's property and other investment businesses during the year under review, their operating performance and future prospects are contained in the sections headed "Business Overview" and "Outlook" above as well as in this sub-section.

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

A brief review on the property projects and logistics business currently undertaken by the Group in the PRC is set out below.

Property Development

Chengdu Project – Regal Cosmopolitan City

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

Tianjin Project – Regal Renaissance

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

Xinjiang Project

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

The Group has completed the re-organisation of the local management team and will soon initiate measures to settle the land disputes with the surrounding villagers, with an aim to resume the possession of certain parcels of land within the project site being illegally occupied. Based on the legal advice obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective. The Group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

Logistics Business

Shanghai Logistics Project

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

One of the companies within the Logistics Group is a licensed courier services provider in the PRC. It has leased certain industrial premises with an aggregate lettable area of about 40,000 square metres (431,000 square feet) in Pudong, Shanghai, the PRC (the "Leased Property") from an affiliated company of the ultimate shareholder holding the remaining 40% interest in the Logistics Group to operate the logistics and related businesses. The ultimate 40% shareholder of the Logistics Group has also through his wholly owned subsidiary entered into a consultancy agreement with the Logistics Group to procure the development and expansion of the logistics businesses with an additional business operating area of 120,000 square metres (1,292,000 square feet). The shareholders of the company owning the Leased Property (being the ultimate 40% shareholder of the Logistics Group and his family member) have granted a purchase option to the Logistics Group to acquire the aforesaid property holding company owning the Leased Property and its wholly owned subsidiary which has a contractual right to acquire the land parcel adjacent to the Leased Property. Further details of the above-mentioned acquisition, consultancy agreement, purchase option and other related transactions were disclosed in the related announcements.

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

FINANCIAL REVIEW

ASSETS VALUE

As at 31st December, 2016, the Group's net assets attributable to equity holders of the parent amounted to HK$1,107.5 million, representing approximately HK$0.17 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

The acquisition of the two ongoing development projects in the PRC in 2013 had been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. In August 2016, the Group entered into conditional agreements with the vendors primarily to (i) refinance the consideration payables owing to one of the vendors by way of new 5-year loan facilities, and (ii) to repay the consideration payable owing to the other vendor through its subscription of the optional convertible bonds to be issued by the Group, with an objective to align their due dates with the latest progress and completion schedules of the two development projects. In October 2016, all the conditions precedent under the various conditional agreements have been fulfilled and the transactions contemplated were duly implemented.

Construction and related costs for the property projects for the time being are principally financed by internal resources and proceeds from the presale of the units. Project financing may be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK$343.6 million (2015 – net cash flows used in operating activities of HK$181.5 million). Net interest payment for the year amounted to HK$160.6 million (2015 – HK$153.1 million).

Borrowings and Gearing

As at 31st December, 2016, the Group had cash and bank balances and deposits of HK$897.8 million (2015 – HK$397.4 million) and no bank borrowings (2015 – Nil).

In addition, as at 31st December, 2016, the Group also had other borrowings of HK$1,850.0 million from a fellow subsidiary which were used, together with the proceeds from the issue of optional convertible bonds, in repayment of the consideration payables for the acquisition of certain property development projects in 2013.

As at 31st December, 2016, the gearing ratio of the Group was 30.5% (2015 – 53.6%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits of HK$1,848.2 million (2015 – borrowings including convertible bonds and consideration payables for the acquisition of certain property development projects, net of cash and bank balances and deposits of HK$2,951.7 million), as compared to the total assets of the Group of HK$6,053.8 million (2015 – HK$5,510.0 million).

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

Pledge of Assets

The Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the other borrowings and the related interest payable in respect of a loan facility from a fellow subsidiary.

Capital Commitments

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

Contingent Liabilities

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

DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend for the year ended 31st December, 2016 (2015 – Nil). No interim dividend was paid for the year ended 31st December, 2016 (2015 – Nil).

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Friday, 2nd June, 2017 to Wednesday, 7th June, 2017, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2017 Annual General Meeting, all transfers of ordinary shares and/or conversions of the convertible securities, duly accompanied by the relevant share certificates and/or the certificates of the convertible securities, together with, where appropriate, the relevant conversion notices, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 1st June, 2017.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2016	**Year ended 31st December, 2015**
	HK$'000	**HK$'000**
REVENUE (Notes 2 & 3)	**23,678**	9,152
Cost of sales	**(7,597)**	–
Gross profit	**16,081**	9,152
Other income (Note 3)	**18,297**	2,842
Fair value gain/(loss) on derivative financial instruments in relation to convertible bonds, net	**48,953**	(146,415)
Fair value losses on other financial assets at fair value through profit or loss, net	**(4,083)**	(8,996)
Loss arising from the modification of the terms of convertible bonds	**(12,479)**	–
Impairment loss on property under development	**–**	(57,000)
Gain on bargain purchase (Note 12)	**3,073**	–
Property selling and marketing expenses	**(18,616)**	(12,637)
Administrative expenses	**(64,384)**	(62,446)
OPERATING LOSS BEFORE DEPRECIATION AND AMORTISATION	**(13,158)**	(275,500)
Depreciation and amortisation	**(21,782)**	(4,474)
OPERATING LOSS (Note 2)	**(34,940)**	(279,974)
Finance costs (Note 5)	**(104,709)**	(108,984)
Share of profit of a joint venture	**23,006**	29,770
LOSS BEFORE TAX	**(116,643)**	(359,188)
Income tax (Note 6)	**224**	14,250
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(116,419)**	(344,938)

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2016	Year ended 31st December, 2015
	HK$'000	**HK$'000**
Attributable to:		
Equity holders of the parent	**(115,253)**	(344,938)
Non-controlling interests	**(1,166)**	–
	(116,419)	(344,938)
LOSS PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic	**HK(1.7) cents**	HK(5.2) cents
Diluted	**HK(2.2) cents**	HK(5.2) cents

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2016	Year ended 31st December, 2015
	HK$'000	**HK$'000**
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(116,419)**	(344,938)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(118,907)**	(125,438)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(235,326)**	(470,376)
Attributable to:		
Equity holders of the parent	**(232,737)**	(470,376)
Non-controlling interests	**(2,589)**	–
	(235,326)	(470,376)

Consolidated Statement of Financial Position

	31st December, 2016	31st December, 2015
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**25,513**	37,153
Properties under development	**1,292,964**	1,297,349
Investment in a joint venture	**2,434**	575,639
Contingent consideration receivable	**10,268**	–
Deposits and prepayments (Note 9)	**66,943**	71,607
Other asset	**5,051**	–
Goodwill	**235,090**	235,090
Intangible assets	**97,076**	–
Total non-current assets	**1,735,339**	2,216,838
CURRENT ASSETS		
Properties under development	**3,082,705**	2,664,931
Debtors, deposits and prepayments (Note 9)	**162,798**	36,322
Financial assets at fair value through profit or loss	**175,146**	194,569
Restricted cash	**368,604**	131,330
Time deposits	**56,885**	12,790
Cash and bank balances	**472,295**	253,248
Total current assets	**4,318,433**	3,293,190
CURRENT LIABILITIES		
Creditors and accruals (Note 10)	**(185,950)**	(277,497)
Other payables and borrowings (Note 11)	**(500,000)**	(2,881,901)
Deposits received	**(1,572,064)**	(313,555)
Derivative financial instruments	**–**	(2,824)
Tax payable	**(2,811)**	(1,005)
Total current liabilities	**(2,260,825)**	(3,476,782)
NET CURRENT ASSETS/(LIABILITIES)	**2,057,608**	(183,592)
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,792,947**	2,033,246

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2016 HK$'000	31st December, 2015 HK$'000
NON-CURRENT LIABILITIES		
Creditors and accruals	**(32,782)**	–
Other borrowings (Note 11)	**(1,350,000)**	–
Convertible bonds	**(895,965)**	(467,191)
Derivative financial instruments	**–**	(177,361)
Deferred tax liabilities	**(374,543)**	(348,286)
Total non-current liabilities	**(2,653,290)**	(992,838)
Net assets	**1,139,657**	1,040,408
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**13,193**	13,193
Reserves	**1,094,329**	1,027,189
	1,107,522	1,040,382
Non-controlling interests	**32,135**	26
Total equity	**1,139,657**	1,040,408

Notes:

1.1 Basis of Preparation and Accounting Policies

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, derivative financial instruments and a contingent consideration receivable, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

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

In addition, during the current year, the Group acquired 60% effective interest in a group of companies operating logistics and related businesses in the PRC and accordingly certain additional accounting policies are adopted by the Group and are further described in the Company's annual report for the year ended 31st December, 2016.

1.2 Corporate Update

As at 31st December, 2015, the Group had net current liabilities of HK$183,592,000. The net current liabilities position was mainly attributable to the outstanding balance of the consideration payables aggregating HK$2,881,901,000 (the "Consideration Payables") due to Regal International (BVI) Holdings Limited, a fellow subsidiary of the Group, P&R Holdings Limited ("P&R Holdings"), an intermediate holding company of the Group, and Faith Crown Holdings Limited, a joint venture of the Group, (collectively, the "Vendors") in relation to the Group's acquisitions of certain property development projects in 2013. The Consideration Payables were classified as other payables under current liabilities and were repayable on or before 13th September, 2016.

After discussions with the Vendors (who are effectively P&R Holdings and a subsidiary of Regal Hotels International Holdings Limited ("Regal")), with a view to rescheduling the repayment date for the Consideration Payables to align with the latest development and sale schedules for the two development projects, on 4th August, 2016, the Group entered into a series of conditional agreements with the Regal group and the P&R Holdings group. Pursuant to the agreements, among others, the Regal group agreed to grant to the Group loan facilities (comprising term loan of HK$1,350 million and revolving loan of HK$500 million) for a term of 5 years, which would be used to settle all the outstanding balances of the Consideration Payables expected to be owing to the Regal group on completion of the agreements. Moreover, P&R Holdings group had also conditionally undertaken to subscribe the optional convertible bonds due 2017 in an amount of no less than HK$330 million on completion of the agreements (which would be used to settle the outstanding balance of the Consideration Payables owing to the P&R

Holdings group) and to subscribe for the remaining optional convertible bonds due 2017 by the end of 2016, in conjunction with which the maturity dates for the existing issued convertible bonds and the optional convertible bonds due 2017 would be extended to 18th August, 2021. Further details of the above transactions were contained in the circular of the Company dated 23rd September, 2016.

In October 2016, all the conditions precedent under the various conditional agreements have been fulfilled and the entire amount of the loan facilities granted by the Regal group in the total sum of HK$1,850 million was drawn down and, on the same date, the P&R Holdings group exercised the option to subscribe for the optional convertible bonds with a principal amount of HK$330 million, and the proceeds have been utilised to fully settle the outstanding Consideration Payables owing to the Regal group and the P&R Holdings group, respectively.

After the above refinancing arrangements, the Directors of the Company are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future.

2. Operating Segment Information

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

(a) the property development and investment segment comprises the development and sale of properties and the leasing of properties;

(b) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments; and

(c) the logistics operations segment engages in the provision of logistics and related services.

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

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

Segment liabilities exclude convertible bonds, derivative financial instruments in relation to convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

	Property development and investment		Financial assets investments		Logistics operations		Consolidated	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Segment revenue:								
Sales to external customers	-	-	9,748	9,152	13,930	-	23,678	9,152
Segment results before depreciation and amortisation	(35,716)	(102,603)	4,514	(6)	7,750	-	(23,452)	(102,609)
Depreciation and amortisation	(11,929)	(4,069)	-	-	(9,395)	-	(21,324)	(4,069)
Segment results	(47,645)	(106,672)	4,514	(6)	(1,645)	-	(44,776)	(106,678)
Unallocated interest income and unallocated non-operating and corporate gains							52,843	2,094
Unallocated non-operating and corporate expenses							(43,007)	(175,390)
Operating loss							(34,940)	(279,974)
Finance costs	(65,088)	(75,460)	-	-	-	-	(65,088)	(75,460)
Unallocated finance costs							(39,621)	(33,524)
Share of profit of a joint venture	23,006	29,770	-	-	-	-	23,006	29,770
Loss before tax							(116,643)	(359,188)
Income tax							224	14,250
Loss for the year before allocation between equity holders of the parent and non-controlling interests							(116,419)	(344,938)
Attributable to:								
Equity holders of the parent							(115,253)	(344,938)
Non-controlling interests							(1,166)	-
							(116,419)	(344,938)

	Property development and investment		Financial assets investments		Logistics operations		Consolidated	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment assets	4,831,386	4,322,280	196,226	211,867	123,686	-	5,151,298	4,534,147
Investment in a joint venture	2,434	575,639	-	-	-	-	2,434	575,639
Cash and unallocated assets							900,040	400,242
Total assets							6,053,772	5,510,028
Segment liabilities	(3,630,522)	(3,466,706)	-	(4,272)	(5,420)	-	(3,635,942)	(3,470,978)
Unallocated liabilities							(1,278,173)	(998,642)
Total liabilities							(4,914,115)	(4,469,620)
Other segment information:								
Capital expenditure*	568,533	490,664	-	-	113,505	-		
Fair value losses/(gains) on other financial assets at fair value through profit or loss, net	-	-	5,201	8,996	(1,118)	-		
Interest income	-	-	(979)	(1,226)	-	-		
Impairment loss on property under development	-	57,000	-	-	-	-		
Gain on bargain purchase	-	-	-	-	(3,073)	-		

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

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	**HK$'000**
Hong Kong	**9,748**	9,152
Mainland China	**13,930**	–
	23,678	9,152

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2016	2015
	HK$'000	**HK$'000**
Hong Kong	**1,442**	1,841
Mainland China	**1,723,513**	2,214,997
	1,724,955	2,216,838

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

Information about a major customer

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

3. Revenue and other income are analysed as follows:

	2016	2015
	HK$'000	HK$'000
Revenue		
Logistics and related services income	**13,930**	–
Net gain from sale/settlement of financial assets at fair value through profit or loss	**3,279**	2,855
Dividend income from listed investments	**5,490**	5,071
Interest income from corporate bonds	**979**	1,226
	23,678	9,152
Other income		
Bank interest income	**3,863**	2,091
Others	**14,434**	751
	18,297	2,842

4. An analysis of profit on sale of investments of the Group is as follows:

	2016	2015
	HK$'000	HK$'000
Profit from sale/settlement of financial assets at fair value through profit or loss	**3,279**	2,855

5. Finance costs of the Group are as follows:

	2016	2015
	HK$'000	HK$'000
Interest expenses on convertible bonds	**39,621**	33,468
Interest on bank loans	**–**	56
Interest on other borrowings	**20,527**	–
Interest on other payables	**109,894**	144,095
	170,042	177,619
Less: Finance costs capitalised	**(65,333)**	(68,635)
	104,709	108,984

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

	2016	2015
	HK$'000	HK$'000
Current – Overseas		
Charge for the year	**2,071**	–
Deferred	**(2,295)**	(14,250)
Tax credit for the year	**(224)**	(14,250)

No provision for Hong Kong profits tax have been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2015 – Nil).

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

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

7. Dividend

No dividend was paid or proposed during the year ended 31st December, 2016, nor has any dividend been proposed since the end of the reporting period (2015 – Nil).

8. (a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the parent of HK$115,253,000 (2015 – HK$344,938,000) and on the weighted average of 6,596,414,000 (2015 – 6,596,414,000) shares of the Company in issue during the year ended 31st December, 2016 (including ordinary shares and convertible preference shares).

(b) Diluted loss per share

The calculation of the diluted loss per share is based on the loss for the year attributable to equity holders of the parent, adjusted to reflect the fair value gain on derivative financial instruments in relation to convertible bonds of HK$51,735,000. The weighted average number of shares used in the calculation is the aggregate of the number of ordinary shares and convertible preference shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of 973,361,000 shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment had been made to the loss per share amount presented for the year ended 31st December, 2015 in respect of a dilution, as the impact of the convertible bonds outstanding during that year had an anti-dilutive effect on the loss per share amount presented.

9. Debtors, deposits and prepayments are analysed as follows:

	2016 HK$'000	2015 HK$'000
Non-current		
Prepayments (Note (a))	**66,827**	71,607
Deposits	**116**	–
	66,943	71,607
Current		
Trade debtors (Note (b))	**6,459**	–
Prepayments	**130,378**	17,098
Deposits	**1,169**	1,141
Other receivables	**24,792**	18,083
	162,798	36,322

Notes:

(a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, the PRC. In accordance with the prevailing relevant policies and regulations, upon the agreed completion (and had been certified by the relevant government authorities) of re-forestation works in respect of that land, as well as the completion of the land listing and tender procedures in accordance with the relevant rules and regulations, the Group shall be either entitled to the land use right of 30% of the overall project area of such land for development purposes or reimbursed for the costs incurred in the re-forestation project.

In the prior years, the Group completed the milestones required by the relevant PRC government authorities and obtained affirmations to confirm the fulfillments of the conditions agreed with the relevant policies and regulations. Despite the delay in the progress of the re-forestation works, based on the latest legal opinion obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective and the Directors of the Company are of the opinion that costs incurred for the re-forestation works are fully recoverable in future in accordance with the applicable policies and regulations.

(b) The aged analysis of the trade debtors of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 3 months	**5,229**	–
Between 4 to 6 months	**901**	–
Between 7 to 12 months	**329**	–
	6,459	–

Credit terms

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

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances.

10. Included in creditors and accruals is an amount of HK$855,000 (2015 – Nil) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	HK$'000	HK$'000
Outstanding balances with ages:		
Within 3 months	**514**	–
Between 4 to 6 months	**229**	–
Between 7 to 12 months	**112**	–
	855	–

11. Other payables and borrowings are analysed as follows:

	2016	2015
	HK$'000	HK$'000
Non-current		
Other borrowings	**1,350,000**	–
Current		
Due to an intermediate holding company	**–**	318,318
Due to a fellow subsidiary	**–**	1,372,711
Due to a joint venture	**–**	1,190,872
Other borrowings	**500,000**	–
	500,000	2,881,901

Other payables were secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bore interest at 5% per annum. The amounts were due on 13th September, 2016 and were fully settled during the year.

Other borrowings, comprising term loan of HK$1,350 million and revolving loan of HK$500 million from a fellow subsidiary to settle part of the other payables, are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bear interest at 5% per annum. The loans are repayable on 12th October, 2021 but the revolving loan of HK$500 million is classified as a short term borrowing.

12. Business combination

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

The major assets acquired include, amongst others, property, plant and equipment, financial assets and intangible assets. Accordingly, the Group has initially recognised identifiable net assets of HK$56,226,000 and gain on bargain purchase of HK$3,073,000 in accordance with HKFRS 3 (Revised) "Business Combinations".

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

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

REVIEW OF RESULTS

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

CORPORATE GOVERNANCE

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

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

BOARD OF DIRECTORS

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

Executive Directors:

Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Mr. Jimmy LO Chun To
(Vice Chairman and Managing Director)
Miss LO Po Man
(Vice Chairman)
Mr. Kenneth WONG Po Man
(Chief Operating Officer)
Mr. Kelvin LEUNG So Po
(Chief Financial Officer)
Mr. Kenneth NG Kwai Kai

Non-Executive Director:

Mr. Francis BONG Shu Ying

Independent Non-Executive Directors:

Ms. Alice KAN Lai Kuen
Mr. LEE Choy Sang
Mr. David LI Ka Fai
Hon Abraham SHEK Lai Him, GBS, JP

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 27th March, 2017