Hopefluent Group Holdings Limited

合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 733

2016

Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. FU Wai Chung *(Chairman)*
Ms. NG Wan
Ms. FU Man
Mr. LO Yat Fung

Non-Executive Director

Mr. MO Tianquan

Independent Non-Executive Directors

Mr. LAM King Pui
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF AUDIT COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF REMUNERATION COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF THE NOMINATION COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen
Mr. FU Wai Chung
Mr. LO Yat Fung

COMPANY SECRETARY

Mr. LO Hang Fong, solicitor, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. FU Wai Chung
Mr. LO Yat Fung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

9–10/F, One Bravo
1 Jinsui Road
Zhujiang New Town
Tianhe District, Guangzhou
People's Republic of China ("PRC")

PLACE OF BUSINESS IN HONG KONG

Room 3611, 36th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

Stevenson, Wong & Co.
4/F, 5/F & 1602, Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
1/F, Citic Plaza
233 Tian Ho Bei Road
Guangzhou, PRC

Agricultural Bank of China
1/F Guangzhou International Trade Centre
1 Linhe Xi Lu
Guangzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

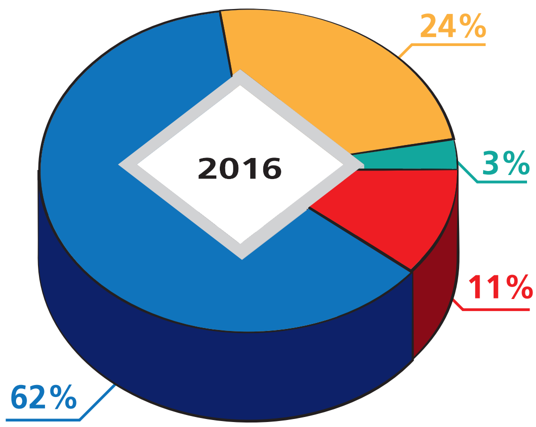
733

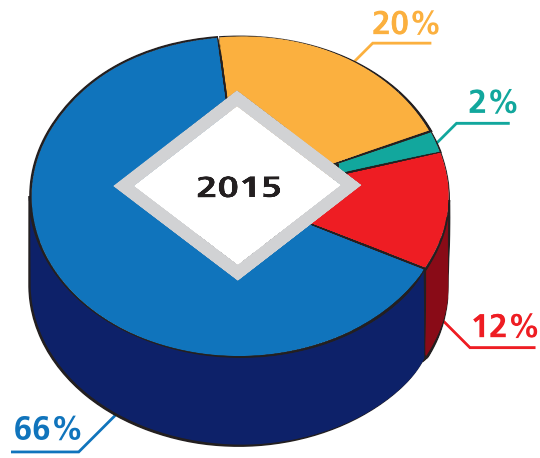
WEBSITE

www.hopefluent.com

Financial Highlights

Turnover by Business *For the year ended 31st December*

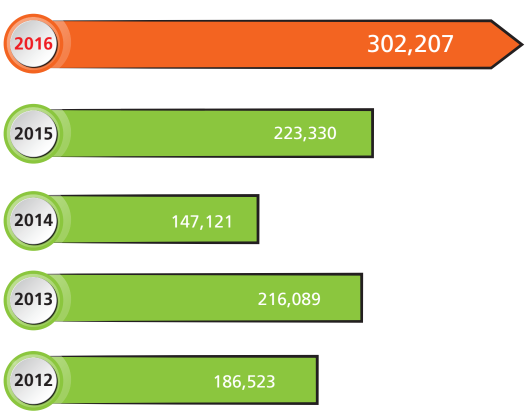




- Income for primary property transactions
- Income for secondary property transactions
- Financial services
- Property management

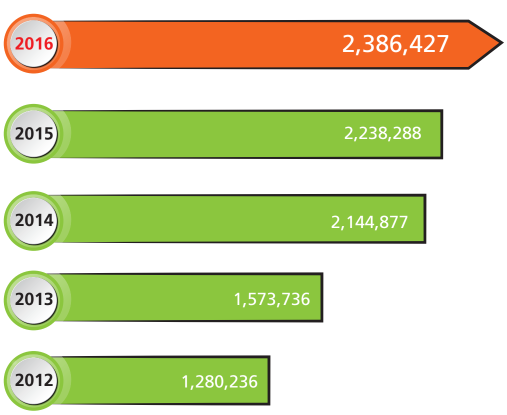
Profit Attributable to Shareholders

(HK$'000)



Shareholders's Funds

(HK$'000)



Year in Review

The group serves more than **150** cities. Currently, the Group has become the close partner of renowned developers such as Sun Hung Kai Properties, Vanke, Evergrande, Poly, China Resources Land, Citic, Kingold, China Merchants Property Development, R&F Properties, Agile Property, KWG Property, Star River, Gemdale, New World China Land and Country Garden. The Group is continuing its efforts to expand its customer base and services and secure more agency projects in different regions, reinforcing its leading position in China's property service market.

In 2016, the property agency services will continue to be the core business of the Group. Given the prevalence of internet technology, the Group has integrated mobile network and online financial services with its traditional service so as to improve the operational mode of the industry and create room for sustainable development, thus ultimately providing more comprehensive services to customers.

Chairman's Statement

The property market in China was thriving in 2016 and vivacious too particularly in the first three quarters. Came the last quarter, despite that new austerity measures were launched by the government, the market did not recede but continued on the growth path. Overall, both the area sold and value transacted of commodity housing reached historical heights during the year. Growth of investment in property development and new areas being built, however, continued to be slow, and there was a big gap between the market performance of first-tier and second-tier cities, and that of third-tier and fourth-tier cities. Cities in different regions also performed very differently. However, the control policies of the government have clear targets. The critical tasks of the control measures included keeping property price from rising too fast in key cities and averting financial risks. With that in mind, the property sector has a defined path to walk.

Regardless of how policies are adjusted, as people's income increases, fertility policy changes, new employment rate climbs, the capital market gradually optimizes, social benefits are released and the population mobility policy opens, housing demand inevitably rockets. Thus, at the same time as we objectively deal with the different austerity measures, we also make sure we are ready to seize development opportunities in the market. Hopefluent will capitalize on its industry leadership and strong market competitiveness in coping with the changing market environment, upholding in its strive for continuous development as well as the principle of operating with a proper approach and in abide by law, yet without forgetting about innovation.

In 2016, Hopefluent recorded turnover of HK$3,966 million, up by 44% as compared to HK$2,760 million in 2015. Profit attributable to shareholders amounted to HK$302 million, up by 35% as compared to HK$223 million in 2015.

Fu Wai Chung
Chairman

Rise in income of primary property real estate agency services

Seizing precisely the opportunity of the government introducing policies to encourage reduction of inventory, and applying its resources advantage and making full use of its marketing channels, the business achieved excellent performance yet again. In 2016, the primary property real estate agency services segment recorded turnover of HK$2,478 million, up by 37% year-on-year. In addition to the outstanding results achieved in major cities in Pearl River Delta region including Guangzhou, Foshan and

Dongguan, the credit of the outstanding results of the business for the year also goes to the over 1,000 property projects in more than 150 cities in over 20 provinces including Anhui, Jiangsu in Eastern China district and Shandong, Guangxi, Tianjin, Henan and Hubei.

Rapid growth in secondary property real estate agency business

Complementary to its primary property real estate agency business, the Group's secondary property real estate agency business is also well-deployed and boasts strong competitiveness and brand exposure, especially in the Pearl River Delta region. In 2016, turnover from the business was HK$943 million, an increase of 73% year-on-year. The number of the Group's secondary branches increased from 310 to about 400 providing agency services in relation to lease and sale of residential properties, shops and offices. In addition to the secondary business, the branches also supported the Group's primary property real estate agency business as commanded by market demand.

Outstanding performance in financial services business

The Group launched its online financial services platform in September 2015 and has since integrated services with offline microcredit business, and as such is presenting a very valuable service to various enterprise customers. Building on Hopefluent's strong reputation, we have launched a host of financial products which are well-recognized by the market. In 2016, the loans originated of the financial services business exceeded HK$3 billion and achieved commendable results with revenue amounting to approximately HK$113 million, an increase of 126% year-on-year.

Continuous optimization of quality property management business

During the year, property management business developed in line with the Group's expectation and contributed stable and satisfactory income. Turnover from the business increased by 23% to approximately HK$432 million. In 2016, the Group provided property management services to approximately 300 residential, office and commercial properties in Guangzhou, Shanghai, Tianjin and Wuhan, with total gross floor area under management of approximately 30 million sq.m.

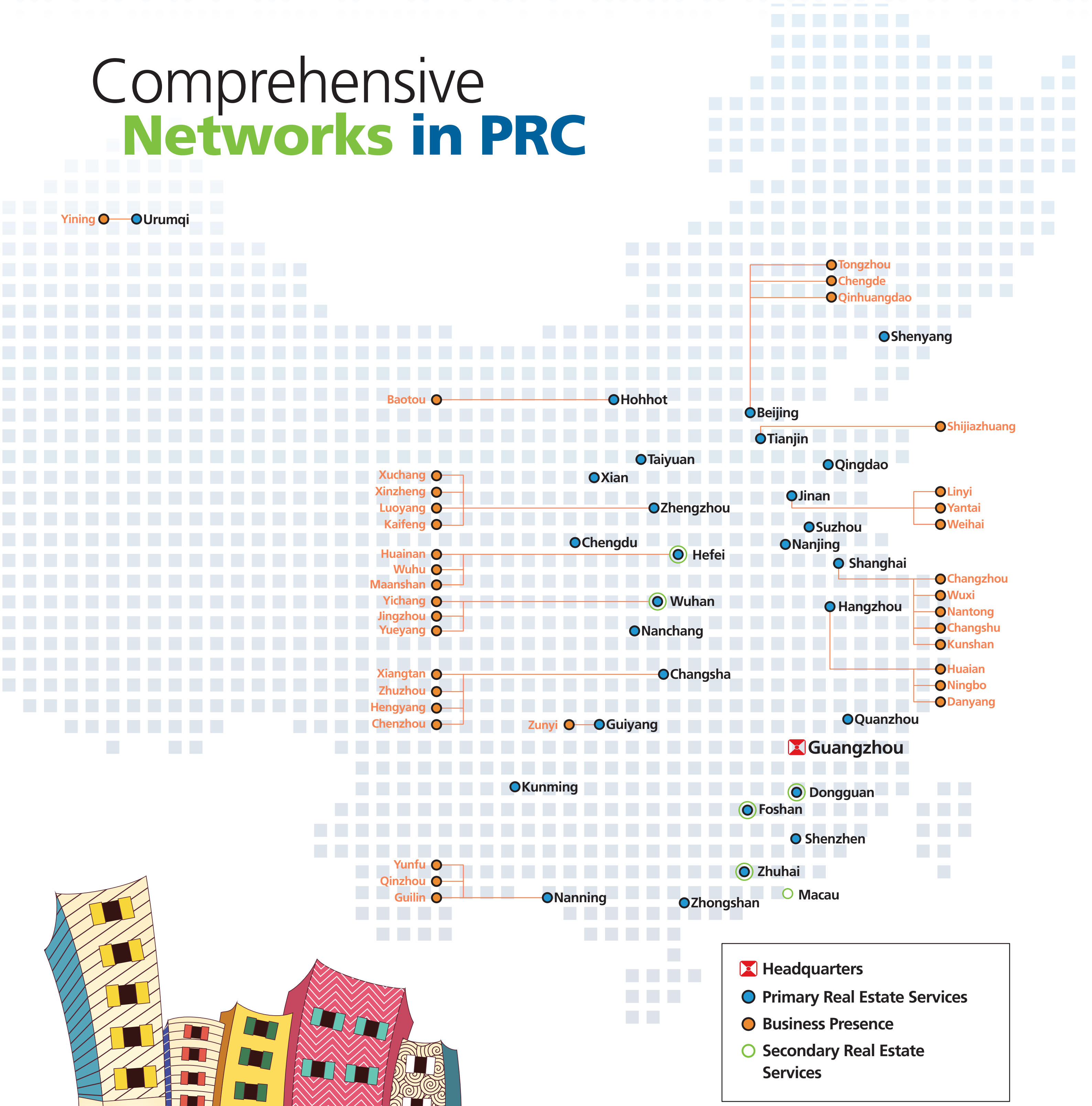
We position Hopefluent as an integrated property service operator in China and the above four business segments are currently its four pillar businesses. Since early 2016, we have been defining and managing the four segments heeding different market perspectives, the aim of which is to unleash synergies among them and assure their balanced and fast growth. Moreover, the Group's mobile apps including iHouseKing (www.ihk.cn), Fang Zhuan Jia (房專家), He Ji Mai Lou (合記買樓) and HFmoney (合富金融) (www.hfmoney.com) for access to its online service platforms, and also its WeChat public accounts including Hopefluent, iHouseKing and HFmoney, which cover its entire business chain are widely welcomed by the market. Using the Internet platform is a reflection of the Group's effort to keep pace with time and match the development of the "Internet+" commercial ecosystem and that it further optimized the Group's diverse services and integrated competitive strength.

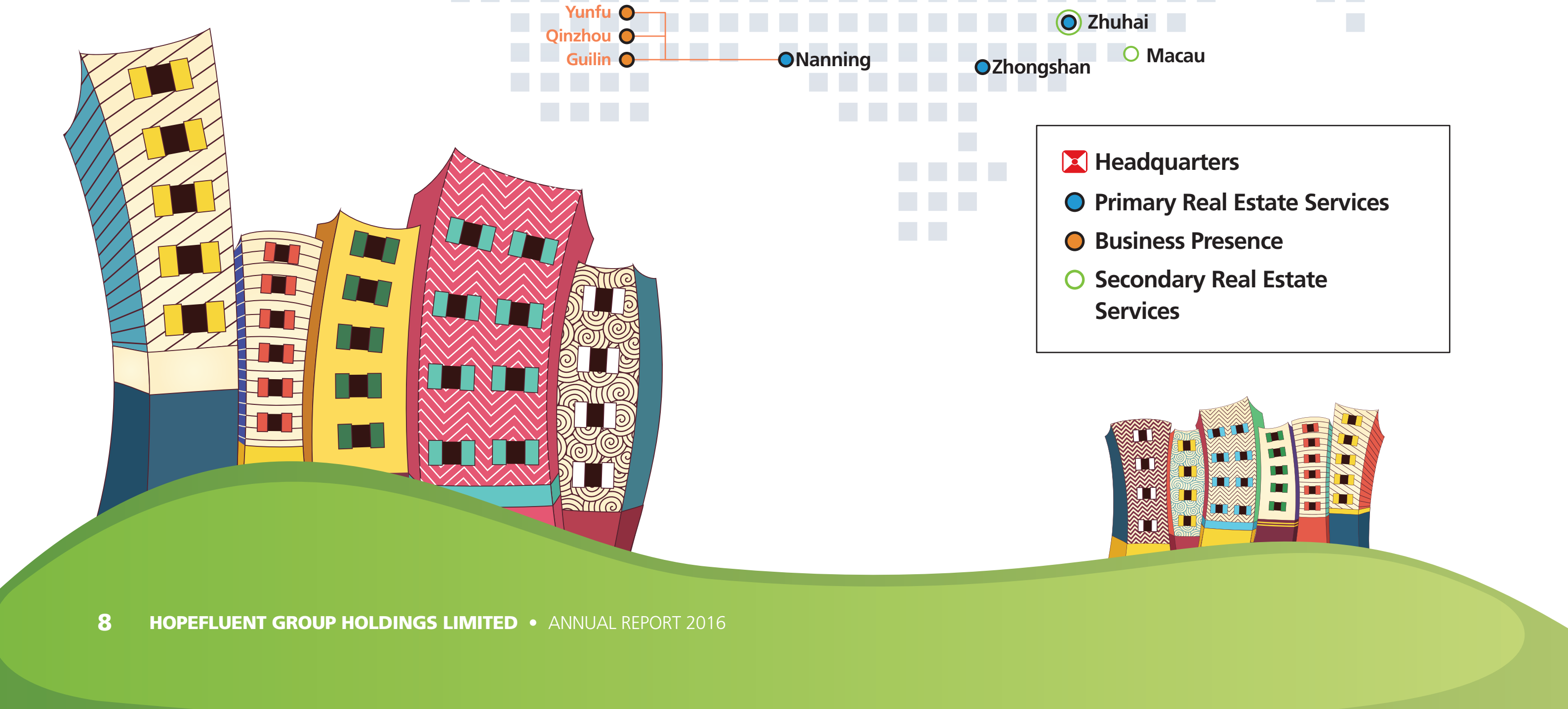
With the Group's businesses boasting strong advantages, the management of Hopefluent and I are very confident about the Group's development prospects. The Group will continue to apply its professional and innovative service system and with determination embrace market changes, solidify its business presence in first- and second-tier cities, speed up in enlarging market share and steadfastly implement its diversified and flexible business strategies. Its goals are to enhance its brand image and profitability, and ultimately create greater value for customers and bring higher returns to shareholders.

On behalf of the Board, I would like to thank all shareholders, our business partners, and our staff, customers and investors for their support and trust over the years. I also wish to express my gratitude to each and every employee for their dedication and contribution and for growing together with the Group.

By Order of the Board
Fu Wai Chung
Chairman
Hong Kong, 28th March, 2017

Comprehensive **Networks in PRC**





Biographical Details of Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Fu Wai Chung (Chairman), aged 67, the co-founder and chairman of the Group, is responsible for the strategic planning and overall management of the Group. Mr. Fu is a graduate of 華南工學院 (Wahnan Industrial College, the PRC) and holds a certificate in mechanical engineering. Mr. Fu has over 25 years of experience in real estate agency business management and administration in the PRC.

Ms. Ng Wan, aged 61, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Ng is a graduate of 廣州業餘大學 (Guangzhou Part-time University, the PRC) and holds a certificate in arts. Ms. Ng has over 25 years of experience in the real estate agency business. She is the wife of Mr. Fu.

Ms. Fu Man, aged 56, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Fu attended 廣州大學科技幹部學院 (Technology College, Guangzhou University, the PRC) and holds a certificate in industrial foreign trade. Ms. Fu has over 25 years of experience in the real estate agency business. She is the sister of Mr. Fu.

Mr. Lo Yat Fung, aged 52, is a certified public accountant in Hong Kong and has over 25 years of experience in accounting and financial management. Mr. Lo holds a Master of Science degree in Sustainable Urban Development from the University of Oxford. He is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. In addition, Mr. Lo is a fellow member of The Hong Kong Institute of Directors and the Taxation Institute of Hong Kong.

Non-Executive Director

Mr. Mo Tianquan, aged 52, founded Fang Holdings Limited (previously known as SouFun Holdings Limited) (NYSE: SFUN) ("Fang") in 1999 and currently serves as the Executive Chairman of its board of directors. Since 1996, Mr. Mo has served as the Managing Director of China Index Academy, now a wholly-owned subsidiary of Fang. Prior to founding Fang, Mr. Mo served as the General Manager for Asia at Teleres, a venture of Dow Jones & Co. and AEGON US that provided on-line commercial real estate information services (1994–1996) and the Executive Vice President at Asia Development and Finance Corporation (1996–1998). Mr. Mo holds a Bachelor's degree in Engineering from South China University of Technology, a Master of Science degree in Business Administration from Tsinghua University and a Master degree in Economics from Indiana University.

Independent Non-Executive Directors

Mr. Lam King Pui, aged 51, is the chief financial officer of a jewellery company in Hong Kong. He holds a Bachelor of Arts degree in accountancy from the Hong Kong Polytechnic University and has over 25 years of experience in accounting. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant, an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Mr. Ng Keung, aged 66, is the managing director of a private information technology company since 2000. Prior to the current appointment, Mr. Ng was the vice chairman and the general manager of a private investment company in Hong Kong. Mr. Ng graduated from 廣州市廣播電視大學 (Guangzhou City Radio and Television University, the PRC) with a diploma in industrial enterprises management.

Mrs. Wong Law Kwai Wah, Karen, aged 68, holds a bachelor of arts degree from the University of Hong Kong and has over 35 years working experience in the real estate field. Mrs. Wong is a fellow member of the Hong Kong Institute of Housing. She is also a licensed real estate agent. Currently she is the Honorary Secretary of the Hong Kong Real Estate Agents Ltd.

AUDIT COMMITTEE

The Company established an audit committee on 24th June, 2004. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group. The committee has reviewed the audited financial statements for the year ended 31st December, 2016.

The audit committee of the Group consists of three independent non-executive Directors, namely Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen. Mr. Lam King Pui was appointed as the chairman of the audit committee.

SENIOR MANAGEMENT

Ms. Li Jie Nu, aged 63, is the manager of the administration department and is responsible for the administration and human resources of the Group. She has over 20 years of experience in management and business administration. Ms. Li holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院).

Mr. Liang Guo Hong, aged 51, is the financial controller and is responsible for the financial management of the Group. He holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院) and a bachelor's degree in construction engineering from the Military Engineering College, the PRC (中國工程兵工程學院).

Mr. Xu Jing Hong, aged 45, is the deputy general manager and is responsible for formulation of development strategies and overall business management for primary property agency business of the Group. He holds a diploma in business administration from the South China Normal University, the PRC (華南師範大學).

Mr. Xie Yu Han, aged 52, is the deputy general manager and is responsible for market research and analysis, property projects development planning and management of related information services. He holds a professional diploma in corporate management from the Jinan University, the PRC (中國暨南大學).

Mr. Li Wei, aged 45, is the deputy general manager and is responsible for the formulation of development strategies and overall business management for the secondary property agency business of the Group. He holds a bachelor's degree in material science and engineering from the Guangdong Industrial University, the PRC (廣東工業大學).

Mr. Zheng Song Jie, aged 39, is the general business manager of the South China region and is responsible for promotion strategies and management of sales agency business for primary properties in South China region. He holds a bachelor's degree in business administration from the Guangdong Commercial College, the PRC (廣東商學院).

Mr. Liu Lian, aged 45, is the general manager of business in Eastern China region and is responsible for the promotion strategies and management of sales agency business for primary properties in the Eastern China region. He holds a professional diploma in financial management from the Shanghai Railway Institute, the PRC (中國上海鐵道學院) and a professional diploma in corporate management from the International Business Faculty of the Nanjing University, the PRC (中國南京大學國際商學院).

Mr. Ouyang Da Hui, aged 49, is the general manager of business in Northern China region and is responsible for promotion strategies and management of sales agency business for primary properties in Northern China region. Mr Ouyang holds a bachelor's degree in engineering from the Shenzhen University, the PRC.

Mr. Zheng Wen Wei, aged 46, is the general manager of Western China region and is responsible for the promotion strategies and management of sales agency business for primary properties in Western China region. He holds a bachelor's degree in economics from the Commercial Institute of Heilongjiang, the PRC (中國黑龍江商學院).

SENIOR MANAGEMENT (Continued)

Mr. Yu Zhao Yi, aged 48, is the deputy general business manager of the Guangzhou district and is responsible for promotion strategies and management of sales agency business for primary properties in Guangzhou and the Pearl River Delta region. He holds a bachelor's degree in civil engineering from the Harbin Vessel Engineering College (哈爾濱船舶工程學院).

Ms. Hu Yun, aged 44, is the manager of the architectural design advisory department and is responsible for construction, planning and research for real estates and management of related consultancy business. She holds a bachelor's degree in architecture from the South China University of Technology, the PRC (中國華南理工大學).

Ms. Peng Xi Ming, aged 38, is the general manager of financial services of the Group and is responsible for financial service businesses including mortgage and loans for primary and secondary properties. Ms. Peng holds double degrees in Business English and International Commerce from the Jinan University, the PRC (中國暨南大學).

Mr. Su Qi Gang, aged 43, is the general manager of the information technology department and is responsible for research and development of products of Internet application systems and management of related department. He has over 20 years of experience in information technology and Internet. Mr. Su holds a bachelor's degree in computational science from the Sun Yat-sen University (中山大學).

Mr. Lu Jiang Bin, aged 55, is the general manager of the property management business and is responsible for the overall management of the property management services. He holds a diploma from the City Radio and Television University, the PRC (中國廣播電視大學).

Mr. Lu Jun, aged 47, is the general manager of the property management of the Guangzhou district and is responsible for property management business in Guangzhou region. He has over 15 years of experience in property management. Mr. Lu holds a master's degree in political economics from the Guangdong Academy of Social Sciences (廣東省社會科學院).

Mr. Huang Jian Bang, aged 62, is the general manager of the property management business in Shanghai district and is responsible for the property management business in Shanghai. He holds a professional diploma from the English Department of Shanghai Foreign Institute (上海外國語學院).

COMPANY SECRETARY

Mr. Lo Hang Fong, aged 53, is a solicitor practising in Hong Kong and the company secretary of the Company. He holds a bachelor's degree in laws from the University of Bristol in England and a diploma in Chinese laws from the China Law Society. He has acquired over 15 years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

BUSINESS REVIEW

1. Market Review for Full Year of 2016

In 2016, China's economic performance was at large stable with some progress made. The property market, being an integral part of the economy, remained critical and highly active. As before, the government launched macro austerity measures rather frequently, but more precise this round than in the past. With "Reduction of Inventory" as the major objective of property policies, and local governments implementing their own according to their specific conditions such as providing subsidies for home purchase, lowering mortgage down payment for first time buyers, increasing or reducing land supply, adjusting tax incentives, etc., a new property market landscape surfaced.

Overall, the property market had apparent success in reducing inventory in 2016. The overall inventory volume of the country kept decreasing for 9 consecutive months and growth of investment in residential properties went downward. The growth of property prices in some first-tier cities slowed down with construction of the long-term mechanism of the property market in steady progress.

The Chinese economy has entered a new normal amid adjustment, removing concerns over it having a "hard landing". The importance of the property sector in bracing the national economy is obvious, giving those who wish to understand the essence of the property market in China a very good indicator.

2. Overall Business Review

The Group has stayed at the forefront of the PRC property market over the past years, having a shrewd grasp of government policies and the market trends, as well as customer resources and product data. It has also kept adjusting its business strategies and operational procedures and possess adequate and all-round human resources to support itself in competing in the market. It has grown from a company running traditional businesses into an all-round, online-to-offline, integrated property service operator. In 2016 particularly, we fortified our market share in Guangdong Province and at the same time stepped up development of our business in a number of other provinces and cities, achieving disciplined growth of the scale of our operation.

As at 31st December, 2016, the Group recorded turnover of HK$3,966 million, approximately 44% higher than in the previous year (2015: HK$2,760 million). Profit attributable to shareholders was HK$302 million, an increase of approximately 35% as compared with the previous year's (2015: HK$223 million). Basic earnings per share were HK45.2 cents (2015: HK33.7 cents).

The primary and secondary property real estate agency service businesses of the Group registered a turnover of HK$2,478 million and HK$943 million respectively, accounting for 62% and 24% of the Group's total turnover. The turnover from financial services business was HK$113 million, accounting for 3% of the Group total. The remaining 11% or HK$432 million was derived from property management business. By geographical location, Guangzhou business accounted for about 51% of the Group's total turnover, and around 49% came from businesses outside Guangzhou.

Total new home sales for the year amounted to approximately HK$330 billion, from handling around 268,000 transactions, and the total gross floor area sold was about 28 million square meters.

1. *Primary property real estate agency service business performed well and grew steadily*

Benefiting from the industry consolidation and the Group's leading position and competitive edges, the transaction volume of primary property real estate agency service business kept reaching new record. As at 31st December, 2016, turnover of the segment amounted to HK$2,478 million, representing a year-on-year increase of 37%. The Group's nationwide primary property real estate agency service business is supported by the Group's regional management network that spans 20 cities and covers more than 150 cities, handling over 1,000 property projects. The business performed especially well in cities including Guangzhou, Hefei, Foshan, Dongguan, Jinan, Nanning and Wuhan.

2. *Secondary property real estate agency service business scaled up and kept growing*

The secondary property real estate agency service business performed outstandingly during the year with turnover up by approximately 73% to approximately HK$943 million when compared with last year (2015: HK$545 million), completing around 64,000 secondary property transactions (2015: 43,000), providing strong momentum to the Group's healthy growth. With new regulatory policies implemented, the property market has become more disciplined and buyers could expect their rights to be better protected. This is helpful to encouraging buying interest and as a result the Group's business has grown. To capture such business opportunities, the Group opened timely about 100 more branches during the year, which brought the current number of branches of the Group to around 400.

3. *Property financial services grew rapidly and generated remarkable revenue*

Since it was launched in September 2015, the Internet financial service platform has been operating smoothly. With the offline micro financing business integrated with the online platform, the Group affords an innovative offer. With financial services as the theme, our financial products target to serve offline points-of-sale, secondary branches, property management community and developers via online and offline channels, and features financial products in small amounts, for diverse targets and controllable risk. Such products not only can bolster the development of the Group's core businesses, but also bring in additional revenue to the Group. As at 31st December, 2016, the loan originated from financial services exceeded HK$3 billion and turnover was approximately HK$113 million.

4. *Property management services achieved stable growth and sound development*

Property management services business made commendable development during the year, bringing in more revenue and at the same time maintaining good interaction with clients, helping to enhance the Group's brand image. In 2016, the segment's revenue increased from HK$351 million in 2015 to approximately HK$432 million. The Group has provided property management services to about 300 residential, office and commercial properties in Guangzhou, Shanghai, Tianjin and Wuhan with total gross floor area of approximately 30 million square meters.

5. *Innovation and solid growth continued for Internet segment*

To cope with the fast-changing market and constantly boost its ability to innovate and competitiveness, the Group has set up a full-time Internet technology R&D department, championed by a technical team with many professionals. The department designs and promotes various Internet products that match the business needs of the Group. The computer and mobile apps including iHouseKing (www.ihk.cn), Fang Wang Jia (房王加), Fang Zhuan Jia (房專家), He Ji Mai Lou (合記買樓) and HFmoney (合富金融) (www.hfmoney.com) have proven to be effective means in supporting market development of the Group's agency services and financial services businesses, enabling the Group to rapidly consolidate the online-to-offline operations of all its business segments, helping to raise the Group's brand influence and reinforce its first-mover position in the industry.

3. 2017 Prospects

The property market landscape has started to change rather markedly since 2016. Large property developers have hastened consolidation and acquisition, and the trend of the weak being ousted is taking shape. Nevertheless, Hopefluent's proven business scale, abundant human resources, flexible business strategies and an innovative business model, which all together become the crucial competitive advantages that can support the Group's advance into the future. We have a even clearer picture of the market in 2017. The government's basic political objectives will be to implement different policies according to different cities' needs aiming to reduce inventory and control risk and the related policies would be taken further and deeper. As such, both the price and volume of properties in major markets will come down, whereas those of third-tier and fourth-tier cities are likely to continue on stable trend. Thus, we expect to see a broader market on more solid ground.

Looking forward, Hopefluent will continue to adhere to the business direction of "operating with a proper approach and in abide by law, yet without forgetting about innovation". It will seek strength in its roots in traditional real estate services business and at the same time keep introducing new value-added businesses. On top of optimizing its service platform, it will also explore and strive to establish new and more competitive business models, continuously expand market shares and also unearth greater value from the market. With over two decades of experience, the Group will continue to maintain its leading advantages and create greater value and higher returns for shareholders and investors!

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2016, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK$1,677.3 million (31st December, 2015: HK$1,049.7 million) and 2.92 (31st December, 2015: 4.64) respectively. Total borrowings amounted to approximately HK$251 million which are collateralised borrowings on loan receivables (31st December, 2015: approximately HK$39 million which are secured bank borrowings). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 7.13% (31st December, 2015: 1.36%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 31st December, 2016.

PLEDGE OF ASSETS

As at 31st December, 2016, no investment properties and leasehold land and buildings have been pledged to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions were denominated in either Hong Kong dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

EMPLOYEES

As at 31st December, 2016, the Group had approximately 20,000 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Employees are regarded as the greatest and valuable assets of the Group. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

CAPITAL STRUCTURE

As at 31st December, 2016, the total number of shares (the "Shares") of HK$0.01 each in the capital of the Company in issue was 667,998,808.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and the management of the Company and its subsidiaries (the "Group") are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices have always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's risk management and internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31st December, 2016, except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by directors. Having made specific enquiry with all directors, the directors confirmed that they all had complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors	:	Mr. FU Wai Chung *(Chairman)* Ms. NG Wan Ms. FU Man Mr. LO Yat Fung
Non-executive Director	:	Mr. MO Tianquan
Independent Non-executive Directors	:	Mr. LAM King Pui Mr. NG Keung Mrs. WONG LAW Kwai Wah, Karen

Each independent non-executive director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

BOARD OF DIRECTORS (Continued)

During the financial year ended 31st December, 2016, four Board meetings and one annual general meeting ("2016 AGM") were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended in the year ended 31st December, 2016	
	Board meetings	2016 AGM
Mr. FU Wai Chung	4/4	1/1
Ms. NG Wan	4/4	1/1
Ms. FU Man	4/4	1/1
Mr. LO Yat Fung	4/4	1/1
Mr. LAM King Pui	4/4	1/1
Mr. NG Keung	4/4	1/1
Mrs. WONG LAW Kwai Wah, Karen	4/4	1/1
Mr. MO Tianquan	0/4	0/1

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's long-term objectives and overall strategies, authorising the development plan and budget; determining and approving financing options; monitoring financial and operating performance; reviewing the effectiveness of the risk management and internal control systems; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, ensuring the Company's policies and practices are in compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments. Minutes are open for inspection at any reasonable time on reasonable notice by any director. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Fu Wai Chung ("Mr. Fu") is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that though there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meetings between the directors and the management are held from time to time to discuss issues relating to operation of the Company.

The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Ms. Ng Wan is the wife of Mr. Fu and Ms. Fu Man is the sister of Mr. Fu.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are currently appointed for a specific term up to 31st December, 2017 which may be extended as each director and the Company may agree in writing. The term of appointment of the non-executive director is 3 years commencing from 1st April, 2015 and thereafter may be extended for such period as the Company and he agrees in writing. However, their appointments are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Articles of Association of the Company (the "Articles of Association").

The Articles of Association of the Company provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the Company.

The individual training record of each director received for the year ended 31st December, 2016 is summarized below:

	Attending seminar(s)/ forum(s)/programme(s)/ conference(s) relevant to the business or directors' duties
Mr. FU Wai Chung	✓
Ms. NG Wan	✓
Ms. FU Man	✓
Mr. LO Yat Fung	✓
Mr. LAM King Pui	✓
Mr. NG Keung	✓
Mrs. WONG LAW Kwai Wah, Karen	✓
Mr. MO Tianquan	✓

PROFESSIONAL DEVELOPMENT (Continued)

Mr. Fu Wai Chung, Ms. Ng Wan, Ms. Fu Man and Mr. Lo Yat Fung, being executive Directors, and Mr. Mo Tianquan, being non-executive Director, have attended various seminars and meetings to develop and refresh their knowledge so as to ensure that their contribution to the Board remains informed and relevant. Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen, being independent non-executive Directors, have participated in continuous professional development programs provided by, among others, the Estate Agents Authority and the Hong Kong Institute of Certified Public Accountants. All the directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises the three existing independent non-executive directors, who have reviewed the financial statements for the year ended 31st December, 2016. Mr. Lam King Pui, the chairman of the Audit Committee, has professional qualifications and in-depth experience in accounting and related financial management expertise. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors; to review the half-year and annual financial statements before submission to the Board; to monitor the quality of risk management and internal control and to consider major findings of internal investigations and management's response.

Four meetings were held for the year ended 31st December, 2016. The attendance of each member is set out as follows:

Name of members of Audit Committee	Number of meetings attended in the financial year ended 31st December, 2016
Mr. LAM King Pui	4/4
Mr. NG Keung	4/4
Mrs. WONG LAW Kwai Wah, Karen	4/4

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

(a) review and supervise the financial reporting process and risk management and internal control systems of the Company and its subsidiaries;

(b) make recommendation to the Board, for the approval by shareholders, of the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external Auditor and approval of their remuneration;

(c) review the financial statements for the relevant periods; and

(d) discuss business development of the Group.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises the three existing independent non-executive directors and Mr. Lam King Pui is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The Group's human resources department assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Committee's consideration. The remuneration of executive directors and senior management is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions.

One meeting was held during the year ended 31st December, 2016. During the meeting, remuneration policies of the directors have been discussed and remuneration increment to all executive directors and independent non-executive directors has been approved. No director or any of his associates was involved in deciding his own remuneration.

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 31st December, 2016
Mr. LAM King Pui	1/1
Mr. NG Keung	1/1
Mrs. WONG LAW Kwai Wah, Karen	1/1

A share option scheme has been adopted in the annual general meeting held on 6th June, 2014. Details of this share option scheme are set out in a circular dated 29th April, 2014.

The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 22nd March, 2012 comprising Mr. Fu Wai Chung, Mr. Lo Yat Fung and the existing three independent non-executive directors. Mr. Lam King Pui is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

According to the terms of reference of the Nomination Committee, its major roles and functions are as follows:

— to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships of the Company;

— to assess the independence of independent non-executive directors of the Company; and

— to make recommendations to the Board on the appointment or re-appointment of directors of the Company and succession planning for directors, in particular the chairman and the chief executive of the Company.

In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the property real estate agency and consultancy services and/or other professional areas.

One meeting was held during the year ended 31st December, 2016. No change has been proposed to the structure, size and composition of the Board during the meeting and the Committee had also confirmed the independence of independent non-executive director who would be retired and offer herself for re-election at 2016 AGM and the diversity of the Board.

The attendance of each member is set out as follows:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 31st December, 2016
Mr. FU Wai Chung	1/1
Mr. LO Yat Fung	1/1
Mr. LAM King Pui	1/1
Mr. NG Keung	1/1
Mrs. WONG LAW Kwai Wah, Karen	1/1

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 1st September, 2014 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

BOARD DIVERSITY POLICY (Continued)

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 8 directors. Three of them are women. Three of the directors are independent non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, professional background and skills.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risks have been disclosed in the report of the directors of this annual report. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Each department of the Company would choose certain material risk events in its field every year and assess and grade the possibility of occurrence and influence of risk events to determine the scope of material risk of the year together with the management of the Company. Each functional department prepares counteractions to deal with material risks in its field and report the execution situation regularly.

The Company has maintained an internal control department ("ICD") established in 2006 which performs an internal audit function and reported directly to the Board. The function of the ICD audit team is to ensure the branches operation and practices are complied with the Group's policies and procedures. The team has reviewed and checked the sales performance reports and cash flow of each branch rotationally. The management of the Company has established a set of structure, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board reviews the risk management and internal controls annually. The Board has conducted a review of, and is satisfied with the effectiveness of the risk management and internal control systems and the internal audit function for the year ended 31st December, 2016.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Control Systems (Continued)

With respect to the monitoring and disclosure of inside information, the Company has formulated its guidelines, with an aim to ensure that the insiders abide by the confidentiality requirement and fulfill the disclosure obligation of the inside information.

Auditors' Remuneration

During the financial year ended 31st December, 2016, the fees paid to the Company's auditors is set out as follows:

Services rendered	Fees paid/payable HK$
Audit services	3,550,000
Non-audit services	210,000
	3,760,000

The non-audit services are review of documents related to the Company's annual results.

COMPANY SECRETARY

The Company has engaged Mr. Lo Hang Fong, a solicitor practising in Hong Kong, as its company secretary and Mr. Lo Yat Fung, an executive director of the Company, is the person whom the company secretary can contact. The biographical details of Mr. Lo Hang Fong are set out under the section headed "Biographical Details of Directors & Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Lo Hang Fong has taken no less than 15 hours of relevant professional training during the financial year ended 31st December, 2016.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

— **Right to convene extraordinary general meeting**

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's business office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's place of business in Hong Kong at Room 3611, 36th Floor, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

SHAREHOLDERS' RIGHTS (Continued)

— Right to convene extraordinary general meeting (Continued)

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

- At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

- At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the place of business of the Company in Hong Kong or by e-mail to info@hopefluent.com.hk for the attention of the Board or company secretary.

— Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hopefluent.com.

During the year ended 31st December, 2016, there had been no significant change in the Company's constitutional documents.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 42.

An interim dividend of HK3 cents (2015: HK2.5 cents) per share amounting to HK$20,040,000 (2015: HK$16,700,000) in aggregate was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK9 cents (2015: HK5.5 cents) per share (the "Proposed Final Dividend") to the shareholders on the register of members on 22nd June, 2017 (Thursday).

The Proposed Final Dividend will be subject to shareholders' approval at the Company's forthcoming annual general meeting (the "2017 AGM"). The Proposed Final Dividend will be distributed on or about 11st July, 2017 (Tuesday) to the shareholders whose names appear on the register of members of the Company on 22nd June, 2017 (Thursday) ("the Record Date for Dividend").

BUSINESS REVIEW

The business review of the Group for the year ended 31st December, 2016 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 6 and 12 respectively of this Annual Report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace and competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide property information that satisify needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the property so that the Group can respond proactively.

The Group is also dedicated to develop good relationship with developers as long-term business partners to ensure stability of the Group's business.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

The results of operations and prospects of the Group are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on the current or future business, results of operation or financial condition of the Group.

Financial Risk

The financial risk management of the Group are set out in note 37 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from 12th June, 2017 (Monday) to 15th June, 2017 (Thursday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 Annual General Meeting. In order to be eligible to attend and vote at the 2017 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 9th June, 2017 (Friday); and

(ii) from 21st June, 2017 (Wednesday) to 22nd June, 2017 (Thursday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend. In order to establish entitlements to the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 20th June, 2017 (Tuesday).

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties as at 31st December, 2016. The surplus arising on the revaluation amounted to HK$1,419,000 and has been recognised in the consolidated statement of profit or loss and other comprehensive income. Details of the movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of HK$67,609,000 on additions of property, plant and equipment, mostly for the expansion of property agency services throughout the PRC.

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes of the Group are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2016 comprised the share premium, contributed surplus reserve and accumulated losses of approximately HK$781 million.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

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

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2016.

BOARD OF DIRECTORS

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

Executive directors

Mr. Fu Wai Chung *(Chairman)*
Ms. Ng Wan
Ms. Fu Man
Mr. Lo Yat Fung

Non-executive director

Mr. Mo Tianquan

Independent non-executive directors

Mr. Lam King Pui
Mr. Ng Keung
Mrs. Wong Law Kwai Wah, Karen

In accordance with the provisions of the Company's Articles of Association, Messrs. Fu Wai Chung, Lam King Pui and Ng Keung retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his/her retirement by rotation as required by the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a duration of three years commencing from 1st April, 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2016, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions:

(i) *Ordinary share of HK$0.01 each and underlying shares under equity derivatives of the Company*

	Number of shares				
Name of Director	Ordinary shares interest held under personal name	Ordinary shares interests held by controlled corporations	Underlying shares (under equity derivatives of the Company) (note 2)	Aggregate interest	Approximate percentage of the issued share capital
Mr. Fu Wai Chung ("Mr Fu")	20,204,334	221,902,799 (note 1)	–	242,107,133	36.24%
Ms. Ng Wan	832,334	–	–	832,334	0.12%
Mr. Mo Tianquan	–	111,935,037 (note 3)	–	111,935,037	16.76%

Notes:

1. 174,184,799 shares and 47,718,000 shares are registered in the name of Fu's Family Limited and China-net Holding Ltd. respectively. Fu's Family Limited is held 70% by Mr. Fu, 15% by Ms. Ng Wan and the remaining 15% by Ms. Fu Man. China-net Holding Ltd. is wholly-owned by Mr. Fu.

2. Details of share options movements are shown in the section of "Share Options".

3. These shares are held by Fang Holdings Limited (formerly known as SouFun Holdings Limited) as registered holder of shares. Caldstone Enterprises Limited, Seletar Limited and Serangoon Limited are trustees. Next Decade Investments Limited and Media Partner Technology Limited are controlling shareholders of Fang Holdings Limited (formerly known as SouFun Holdings Limited). Mr. Mo Tianquan is the founder of the trust who is deemed to be interested in these shares.

(ii) *Ordinary shares of US$1.00 each in Fu's Family Limited*

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu Wai Chung	70	70%
Ms. Ng Wan	15	15%
Ms. Fu Man	15	15%

DIRECTORS' INTERESTS IN SHARES (Continued)

Long positions: (Continued)

(iii) Ordinary shares of US$1.00 each in China-net Holding Ltd.

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu Wai Chung	100	100%

Other than as disclosed above, none of the directors nor their associates had any interest or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st December, 2016.

SHARE OPTIONS

Particulars of the Company's share options scheme (the "Scheme") were set out in note 33 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of share options								
	As at 1st January, 2016	Granted during the year	Lapsed/ Cancelled during the year	Exercised during the year	As at 31st December, 2016	Date of grant	Exercise period	Exercise price per share HK$	Closing price of share immediate before date of grant HK$
Directors									
Ms. Fu Man	3,984,000	–	(3,984,000)	–	–	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Mr. Lo Yat Fung	3,920,000	–	(3,920,000)	–	–	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Mr. Lam King Pui	296,000	–	(296,000)	–	–	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Others									
Employees	2,856,000	–	(2,856,000)	–	–	2nd July, 2013	15th July, 2013 to 31st December, 2016	2.55	2.48
Total	11,056,000	–	(11,056,000)	–	–				

The total number of shares of the Company issuable upon exercise of all options may be granted under the Scheme is 52,370,190, representing 7.84% of the issued shares of the Company as at the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Company's share option scheme as disclosed above, at no time during the year was the Company, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance, to which the Company, its subsidiaries or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

There is no transactions, arrangements and contract of significance to the business of the Group between the Company, or any of its subsidiaries, or a controlling shareholder or any of its subsidiaries during the year. During the year, no transactions, arrangements and contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made.

MANAGEMENT CONTRACT

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

PERMITTED INDEMNITY PROVISION

During the financial year and up to the date of this report, a permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise).

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Name of shareholder	Capacity	Number of issued ordinary shares or underlying shares under derivatives	Approximate percentage of the issued share capital of the Company
Mr. Fu	Beneficial owner/Held by controlled corporation/Spouse interests (note 1)	242,939,467	36.37%
Fu's Family Limited	Beneficial owner (note 1)	174,184,799	26.08%
China-net Holding Ltd.	Beneficial owner (note 1)	47,718,000	7.14%
SouFun Holdings Limited	Beneficial owner (note 2)	111,935,037	16.76%
Media Partner Technology Limited	Held by controlled corporation (note 2)	111,935,037	16.76%
Next Decade Investments Limited	Held by controlled corporation (note 2)	111,935,037	16.76%
Mo Tianquan	Founder of the trust (note 2)	111,935,037	16.76%
Caldstone Enterprises Limited	Trustee (note 2)	111,935,037	16.76%
Seletar Limited	Trustee (note 2)	111,935,037	16.76%
Serangoon Limited	Trustee (note 2)	111,935,037	16.76%

Notes:

1. Mr. Fu's interests include 174,184,799 shares held through Fu's Family Limited, 20,204,334 shares held by himself and 832,334 shares held by his spouse, Ms. Ng Wan, who is also a director of the Company. The remaining 47,718,000 shares are registered in the name of China-net Holding Ltd. which is wholly-owned by Mr. Fu.

2. These shares are held by Fang Holdings Limited (formerly known as SouFun Holdings Limited) as registered holder of shares. Caldstone Enterprises Limited, Seletar Limited and Serangoon Limited are trustees. Next Decade Investments Limited and Media Partner Technology Limited are controlling shareholders of Fang Holdings Limited (formerly known as SouFun Holdings Limited). Mr. Mo Tianquan is the founder of the trust who is deemed to be interested in these shares.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2016.

SUBSCRIPTION OF SHARES IN 2014

On 12th November, 2014, 42,000,000 ordinary shares (with an aggregate nominal value of HK$420,000) and 91,000,000 ordinary shares (with an aggregate nominal value of HK$910,000) of the Company (the "Share(s)") were issued to China-net Holding Ltd. ("China-net") and SouFun Holdings Limited ("SouFun") respectively at a subscription price of HK$3.00 per Share in accordance with the respective subscription agreements dated 12th September, 2014 (the "Subscription Agreements"). The subscription price of HK$3.00 per Share represented: (i) a premium of approximately 14.07% to the closing price of HK$2.63 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12th September, 2014, being the date on which the terms of the subscription were fixed and the Subscription Agreements were signed; (ii) a premium of approximately 15.83% to the average closing price of approximately HK$2.59 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 12th September, 2014; and (iii) a premium of approximately 16.73% to the average closing price of approximately HK$2.57 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 12th September, 2014. The net subscription price for the subscription was approximately HK$2.97 per Share.

The net proceeds of the above subscription was approximately HK$395,000,000. As at 31st December, 2016, approximately HK$240,000,000 of the net proceeds had been utilised to conduct real estate financial and Internet financial services business and remaining proceeds of approximately HK$155,000,000 had been utilised as general working capital of the Group.

The reason for entering into the subscription agreement with SouFun was that the Company considered SouFun an ideal partner for cooperation in order to reinforce its real estate property Internet business through linking up with a top real estate website to enable it to ride on the e-commerce competitive edge, broaden the customer base and improve its various value added services. The reason for entering into the subscription agreement with China-net, which was one of the conditions precedent to the completion of SouFun's subscription agreement, was to enable the condition that the existing controlling shareholder of the Company would continue to hold not less than 30% of the issued share capital of the Company on a fully diluted basis be met. Details of the above can be found in the announcements of the Company dated 10th July, 2014, 12th August, 2014, 12th September, 2014 and 31st October, 2014 and the circular dated 7th October, 2014.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors as independent.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers were less than 30% of total turnover.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers of the Group.

ENVIRONMENTAL POLICY

The Group is committed to building an environmental friendly working environment that conserves natural resources. The Group strives to minimize the environmental impact by saving electricity and water and encouraging recycle of office supplies.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2016. Based on information that is publicly available to the Company and within the knowledge of the directors, the percentage of the ordinary shares in public hands exceeds 25% as at 28th March, 2017.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Fu Wai Chung
Chairman

Hong Kong
28th March, 2017

Environmental, Social and Governance Report

The Board of Directors (the "Board") of the Company are pleased to present this report in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This report covers the financial year ended 31st December, 2016 and describes how the Company fulfills the "comply or explain" provisions of the ESG Guide. This report covers the Company and all of its subsidiaries and branches in the People's Republic of China ("PRC") and Hong Kong (the "Group").

MANAGEMENT APPROACH, STRATEGY, PRIORITIES AND OBJECTIVES

The Board is responsible for the environmental and social governance strategy to ensure that the relevant environmental and social policies are in place. The Board also believes that the success of the Group is not only based on the performance of its operations and activities, but is also based upon its responsibility and commitment towards the environment, employees, suppliers, customers, and the community. The Group has adopted various policies in the environmental and social aspects in order to support the Group's sustainability growth.

The Group manages its operations and businesses in an environmentally and socially responsible manner and this report sets out the summary how the Group implements its environmental and social policies during the year ended 31st December, 2016. The management of the Company has confirmed to the Board about the effectiveness of the environmental and social policies, and this report has been reviewed and approved by the Board.

ENVIRONMENTAL

Emissions

The Group is engaged in the businesses of provision of real estate agency services, property management services, mortgage referral services, advertising and marketing services and investment holding.

The Group's direct environmental impact is immaterial as we are in the service industry and primarily an office based company with low energy, power and water consumption. Therefore, the operations of the Group do not have significant impact to the environment and do not generate significant air and greenhouse gas emissions, discharges into water and land, and hazardous and non-hazardous waste.

The Group's workplace effluents and wastes are limited which are attributed to the operation of the Company's offices and property real estate agency service branches. Workplace wastes are treated by the property management companies maintaining the Group's offices and branches. Our greenhouse gases emissions are indirect, principally resulting from electricity consumed at the Company's offices and branches as well as from business travel by some employees.

Nevertheless, the Group is committed to the principles of waste management for the proper handling and disposal of all wastes from our business activities. The Group also takes steps to closely monitor and manage the environmental effect of the operations.

It is the Group's objective to reduce energy consumption and carbon emissions. The Group adopts green practices into its operation. For example, at the Group's offices and branches, the indoor temperature and the running time of air-conditioning system are controlled to reduce energy consumption and carbon emissions.

Use of Resources

Since the Company's operation is office based, the energy, power and water utilisation of the Group is relatively low. Resources such as electricity and water are mainly consumed by its offices and branches. The Group is committed to building an environmental friendly working environment that conserves natural resources. The Group strives to minimise the environmental impact by saving electricity and water, encouraging recycle of office supplies, and using environmental friendly equipments and tools in the marketing events of the property promotion project.

The water consumption of the Group is minimal, and much of the water consumption is for basic cleaning, sanitation and daily domestic uses in the office and branches. We also promote water conservation awareness to the employees, and inspect water supply facilities to reduce water wastage.

ENVIRONMENTAL (Continued)

Use of Resources (Continued)

Concerning the use of energy and office electricity control, the Group requires employees to make sure that all lights, computers, office equipment, and other electronic appliances are switched off after office hour or when they are not utilized. Furthermore, when we purchase office equipment and electronic appliances, we take into great consideration about the energy consumption efficiency of the office equipment and electronic appliances.

For office consumables consumption management, the Group encourages its employees to handle documents electronically. Concerning the reduction of use of papers, we require the employee to assess the necessity of printing, and adopt the practice of double-sided printing and reusing single-sided printed papers. In addition, internet-meeting practices through video conference or telephone conference, instead of face-to-face meetings, are encouraged to avoid unnecessary travel. We also encourage recycle of office supplies.

The Environment and Natural Resources

Although the Group's environment impact and the use of natural resources are minimal, the Group still aims to work towards environmental best practice during the activities and operations of the Group in order to minimise any environmental impact.

We also promote environmental awareness among the employees to achieve environmental sustainability. We also assess the environmental risks of our operations and activities from time to time.

SOCIAL

Employment and Labour Practices

Employment

The Group always regards the employees as its most important asset. The Group from time to time reviews its policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare of the employees.

The Company recruits and promotes employees on an open and fair basis without regard to age, nationality, race, religion, sexual orientation, marital status, pregnancy, disability and political beliefs. The Company enters employment contracts with all employees of the Company in the PRC and Hong Kong. The Company also has employee handbook to set out employment policies of the Company.

Competitive remuneration packages are structured to commensurate with individual's job duties, qualification, performance and years of experience. The level of compensation of the employees is reviewed regularly based on the employees' performance and market standard. The Group rewards and recognises the good performance of the employees by providing a competitive remuneration package, performance bonus and share option scheme.

The Group also provides various employee benefits to the employees, such as insurance, medical cover, and subsidised training programme.

We also encourage employees at all levels to express their views and make suggestions to the Company in order to achieve a good and fair working environment.

The Group's practices and policies strictly comply with relevant laws, regulations, and other administrative rules and measures applicable in the PRC and Hong Kong relating to recruitment, labour relations, remuneration, welfare, rights and entitlement of employees.

We also comply with the social security laws and regulations in the PRC and the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The Group paid social insurances, and mandatory provident fund contribution for all the staff in accordance with the legal requirements.

SOCIAL (Continued)

Employment and Labour Practices (Continued)

Health and Safety

The Group concerns employees' health and occupational safety. We work hard to provide a safe, healthy and hygienic working environment for employees. We comply with the laws and regulations on occupational health and safety in the PRC and Hong Kong. During the year ended 31st December, 2016, the Group did not encounter any major accidents during the operation.

Development and Training

In order to better serve and realize the needs of the customers, the Company provides training to the employees to improve the work quality and performance of the employees.

The Group has a comprehensive employee training management system. To encourage employee development, the Company provides human resource trainings, including new graduates training, customized training seminars, to help the employees to be equipped with the knowledge and relevant skills, particularly in the areas of real estate industry, and marketing skills.

A training scheme known as "Star Youth" (星青年) has been launched for 5 years which recruits graduates and provides thorough training including headquarters' training, on-site sale and marketing training, one-to-one mentor and trainee training.

The senior employees will act as mentors to the new or junior employees. This arrangement not only can provide guidance and on-the-job training to the new and junior employees, but also enhance the communication and team spirit among all levels of the Company.

Apart from providing trainings, workshops, seminars and conferences according to the needs of the employees, the Company also from time to time provides updated information about the real estate industry and the relevant laws and regulations to the employees which would affect their responsibilities and duties. We believe that providing training to the employees is beneficial to both the personal growth and development of the employees and the sustainability of the Company's business.

Labour Standards

The Company tolerates neither recruitment of child nor forced labor and has complied with the Labor Contract law of the PRC and the employment law in Hong Kong.

During the recruitment process, the Company checks and verifies the documentation proofs of the job applicant's identity, academic qualifications and working experience. The Group is committed to labor protection, and provides the employees with reasonable remuneration and various welfare. The Group enters employment contract with each of its employees in accordance with relevant laws and regulations in the PRC and Hong Kong in order to protect the rights of the employees.

Operating Practices

Supply Chain Management

The Group values the good relationship and effective communication with the suppliers.

While selecting the suppliers, the Company considers and assesses the background, qualification, expertise, past experience, financial status, professionalism, business ethics, integrity, and environment and social responsibility of the suppliers. The Group manages the supply chain in a socially and environmentally responsible manner. The Group also chooses suppliers that meet the Group's corporate, environmental and social responsibility requirements.

During the cooperation with the suppliers, the Company has built up continuous communication with suppliers. The Group discusses with the suppliers about the routine operation, strategic cooperation and how to make improvement.

The Group is always improving the supplier management system through continuous quality control, supervision, and assessment. The Company will review the performance of the existing suppliers and may source alterative suppliers if necessary.

SOCIAL (Continued)

Operating Practices (Continued)

Product Responsibility

The Group aims to provide services to its customers by the highest possible standard. The Group has established relevant policies which cover service quality, intellectual property, advertising and privacy.

Regarding service quality, the Company confirms the property information and details with customers to make sure that the property meets the customers' requirements. The Company also actively provides valued-added services to the customers such as mortgage referral and loan financing services. If there is any complaint from customers, the Company immediately assesses the complaint, conducts an internal investigation, and finds the solution to settle the problem. The Group has close connection with customers and provides sufficient channels of communication between the customers and the Company.

The Company encourages all employees to protect the "HOPEFLUENT" brand. Employees and developers are encouraged to report any suspected intellectual property rights infringement. The Company will take corresponding anti-infringement actions.

The Company strictly complies with the advertising law of the PRC and Hong Kong. The Group requires that employees of sales department must provide customers with accurate and true information on property being promoted.

Regarding privacy and confidentiality protection, the Company employees are obligated to retain in confidence all information obtained in connection with their employment, including, but not limited to, trade secrets, know-how, client's information and personal data, supplier information and other proprietary and confidential information. We also maintain security systems to prevent the unauthorized access of confidential information.

Anti-corruption

We do not tolerate bribery, extortion, fraud and money laundering. The Group complies with the Prevention of Bribery Ordinance in Hong Kong and relevant legislation on anti-corruption and anti-bribery in the PRC. The Group has code of conduct and strongly prohibits corruption, and bribery behaviour of the employees. In cases of conflict of interest or suspected bribery, the employees must declare the conflict of interest and report the matters to the Group's management. Employees are strictly prohibited to use business opportunities, power or personal position for personal interest or benefit.

Community

Community Investment

The Group always makes contribution to the communities and society in order to create a harmonious, beautiful and peaceful community.

The Group also actively encourages employees to take part in volunteering activities to contribute to our society and environment. The Group is the president unit of Guangzhou Service Association for the Handicapped. Besides, the Group's Hopefluent Volunteer Team has been established by the staff members from various functions and departments of the Group (including those from its subsidiaries) on a voluntary basis. Now, there are about 120 members in the team. They are committed to care for the elderly, women, children and other vulnerable groups by organising different activities, such as "staff mutual funds", "caring veterans", "clothing donation" and "love to Qingyuan".

In addition, the Group also concerns about its staff. It advocates green and healthy lifestyle as well as organizes different staff activities regularly, such as yoga, badminton, basketball, football, running and other sports club, the annual spring athletic meet, run for fun and so on. General managers of different branches participate in marathon competitions in Guangzhou, Shenzhen, Hefei, Nanjing, Chengdu and other places, to spread the idea of healthy life and work cultures.

Deloitte. 德勤

TO THE SHAREHOLDERS OF HOPEFLUENT GROUP HOLDINGS LIMITED
合富輝煌集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hopefluent Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 99, which comprise the consolidated statement of financial position as at 31st December, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of accounts receivables	
We identified the recoverability of accounts receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgements made by the management in assessing the impairment of accounts receivables and determining the allowance for doubtful debts. As at 31st December, 2016, the carrying amounts of accounts receivables was HK$992 million, net of allowance for doubtful debts of HK$45 million as disclosed in note 19 to the consolidated financial statements, representing 33% of the current assets of the Group. As disclosed in note 4 to the consolidated financial statements, the amount of allowance for doubtful debts was measured as the difference between the carrying amounts of accounts receivables and the estimated future cash flows by considering the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the accounts receivables.	Our procedures in relation to the recoverability of accounts receivables included: • Obtaining an understanding on how the allowance for doubtful debts is estimated by the management and assessing the management's process in determining the estimated future cash flows of accounts receivables; • Discussing with the management and obtaining a list of accounts receivables with relevant small amount of settlement, during the year or subsequent to the end of the reporting period identified by the management and their assessment on the recoverability of accounts receivables; • Checking the aging analysis and subsequent settlement of the accounts receivables, on a sample basis, to the source documents including invoices and bank statements; • Assessing the reasonableness of allowance for doubtful debts for accounts receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the accounts receivables on a sample basis; and • Evaluating the historical accuracy of the management's assessment of impairment for accounts receivables on a sample basis by examining the actual write-offs, the reversal of previous recorded allowance and new allowances recorded in the current year in respect of accounts receivables at the end of the previous financial year.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of loan receivables	
We identified the recoverability of loan receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgements made by the management in assessing the impairment of loan receivables and determining the allowance on loan receivables. As at 31st December, 2016, the carrying amounts of loan receivables was HK$387 million, net of allowance on loan receivables of HK$3 million as disclosed in note 20 to the consolidated financial statements, representing 11% of the total assets of the Group. As at 31st December, 2016, the carrying amounts of loan receivables of HK$143 million were receivable in more than one year. The loans were unsecured and bear fixed interests ranging from 4% to 24% per annum. The Group might expose to a risk of recoverability problem from individuals with lower creditability. As disclosed in note 4 to the consolidated financial statements, the amount of allowance on loan receivables was measured as the difference between their carrying amount and the estimated future cash flows by considering the credit history including each individual's personal credit rating reports, delay in payments, interest settlement records, subsequent settlements and aging analysis of the loan receivables.	Our procedures in relation to the recoverability of loan receivables included: • Obtaining an understanding on how the allowance on loan receivables is estimated by the management and assessing the management's process in determining the estimated future cash flows of loan receivables; • Checking the aging analysis, on a sample basis, against repayment terms set out on loan agreements and subsequent settlement of the loan receivables, on a sample basis, to the source documents, including bank statements; • Identifying any loan receivables with delay in payments during the year from the register of loan receivables and evaluating the management's assessment of the recoverability of each of these loan receivables with reference to the status of each of these individual borrowers and the Group's debt collection actions; • Assessing the reasonableness of allowance on loan receivables with reference to the credit history including individual's personal credit rating reports, delay in payments, interest settlement records, subsequent settlements and aging analysis of the loan receivables; and • Evaluating the historical accuracy of the management's assessment of impairment for loan receivables, on a sample basis, by examining the actual write-offs, the reversal of previous recorded allowance and new allowances recorded in the current year in respect of loan receivables at the end of the previous financial year.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Li Man Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th March, 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2016

	NOTES	2016 HK$'000	2015 HK$'000
Turnover	5	**3,965,770**	2,760,202
Other income	7	**17,103**	14,291
Gain on disposal of subsidiaries	30(b)	**–**	61,112
Change in fair value of investment properties		**1,419**	2,047
Selling expenses		**(2,798,454)**	(2,033,966)
Administrative expenses		**(698,242)**	(435,634)
Other gains and losses		**(7,084)**	(14,709)
Share of loss of an associate		**–**	(4,634)
Share of loss of a joint venture		**(426)**	–
Finance costs	8	**(15,169)**	(30,334)
Profit before tax		**464,917**	318,375
Income tax expense	9	**(146,233)**	(91,282)
Profit for the year	10	**318,684**	227,093
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation		**(117,954)**	(127,924)
Total comprehensive income for the year		**200,730**	99,169
Profit for the year attributable to:			
Owners of the Company		**302,207**	223,330
Non-controlling interests		**16,477**	3,763
		318,684	227,093
Total comprehensive income attributable to:			
Owners of the Company		**185,447**	96,724
Non-controlling interests		**15,283**	2,445
		200,730	99,169
Earnings per share	14		
— Basic		**HK45.2 cents**	HK33.7 cents
— Diluted		**HK45.2 cents**	HK33.7 cents

Consolidated Statement of Financial Position

At 31st December, 2016

	NOTES	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Investment properties	15	**67,307**	69,787
Property, plant and equipment	16	**187,799**	184,289
Deposits for acquisition of investment properties		**47,804**	–
Goodwill	17	**14,370**	15,220
Interest in a joint venture	18	**22,435**	–
Loan receivables	20	**142,700**	–
		482,415	269,296
CURRENT ASSETS			
Accounts receivables	19	**992,423**	997,808
Loan receivables	20	**244,024**	253,619
Other receivables and prepayments	22	**123,879**	267,916
Held for trading investments	23	**6,247**	29,705
Bank balances and cash	24	**1,677,281**	1,049,732
		3,043,854	2,598,780
CURRENT LIABILITIES			
Payables and accruals	25	**659,359**	405,400
Tax liabilities		**130,822**	116,036
Bank and other borrowings	26	**251,469**	39,053
		1,041,650	560,489
NET CURRENT ASSETS		**2,002,204**	2,038,291
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,484,619**	2,307,587
CAPITAL AND RESERVES			
Share capital	28	**6,680**	6,680
Share premium and reserves		**2,379,747**	2,231,608
Equity attributable to owners of the Company		**2,386,427**	2,238,288
Non-controlling interests		**42,434**	18,148
TOTAL EQUITY		**2,428,861**	2,256,436
NON-CURRENT LIABILITY			
Deferred tax liabilities	29	**55,758**	51,151
		2,484,619	2,307,587

The consolidated financial statements on pages 42 to 99 were approved and authorised for issue by the Board of Directors on 28th March, 2017 and are signed on its behalf by:

Fu Wai Chung
DIRECTOR

Lo Yat Fung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2016

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Special reserve HK$'000 (note i)	Statutory surplus reserve HK$'000 (note ii)	Translation reserve HK$'000	Share options reserve HK$'000	Property revaluation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2015	6,567	809,226	30,960	5,760	76,508	143,171	7,690	5,527	1,059,468	2,144,877	20,372	2,165,249
Other comprehensive expense for the year	–	–	–	–	–	(126,606)	–	–	–	(126,606)	(1,318)	(127,924)
Profit for the year	–	–	–	–	–	–	–	–	223,330	223,330	3,763	227,093
Total comprehensive (expense) income for the year	–	–	–	–	–	(126,606)	–	–	223,330	96,724	2,445	99,169
Exercise of share options	4	1,335	–	–	–	–	(279)	–	–	1,060	–	1,060
Dividends recognised as distribution (note 13)	–	(36,740)	–	–	–	–	–	–	–	(36,740)	–	(36,740)
Shares issued due to conversion of convertible notes by a noteholder	109	34,161	(4,351)	–	–	–	–	–	–	29,919	–	29,919
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	260	260
Redemption of convertible notes (note 27)	–	–	(26,609)	–	–	–	–	–	26,609	–	–	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	2,448	2,448	(4,929)	(2,481)
Transfer	–	–	–	–	14,204	–	–	–	(14,204)	–	–	–
At 31st December, 2015	6,680	807,982	–	5,760	90,712	16,565	7,411	5,527	1,297,651	2,238,288	18,148	2,256,436
Other comprehensive expense for the year	–	–	–	–	–	(109,090)	–	–	–	(109,090)	(1,194)	(110,284)
Profit for the year	–	–	–	–	–	–	–	–	302,207	302,207	16,477	318,684
Total comprehensive (expense) income for the year	–	–	–	–	–	(109,090)	–	–	302,207	193,117	15,283	208,400
Dividends recognised as distribution (note 13)	–	(56,780)	–	–	–	–	–	–	–	(56,780)	–	(56,780)
Lapse of share options (note 33)	–	–	–	–	–	–	(7,411)	–	7,411	–	–	–
Recognition of equity settled share-based payments (note 30(a))	–	–	–	13,135	–	–	–	–	–	13,135	–	13,135
Deemed disposal of partial interests in subsidiaries (note 30(a))	–	–	–	7,670	–	–	–	–	(9,003)	(1,333)	9,003	7,670
Transfer	–	–	–	–	14,160	–	–	–	(14,160)	–	–	–
At 31st December, 2016	**6,680**	**751,202**	**–**	**26,565**	**104,872**	**(92,525)**	**–**	**5,527**	**1,584,106**	**2,386,427**	**42,434**	**2,428,861**

Notes:

(i) Special reserve

The special reserve of the Group includes (i) an amount of HK$5,760,000 (2015: HK$5,760,000) representing the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2004; (ii) an amount of HK$13,135,000 (2015: Nil) representing the equity-settled share-based payment expenses and (iii) an amount of HK$7,670,000 (2015: Nil) representing the consideration received from the deemed disposal of equity interests in Asia Asset Property Services (Guangzhou) Co., Ltd. ("Asia Asset (Guangzhou)") without loss of control during the year ended 31st December, 2016.

(ii) Statutory surplus reserve

As stipulated by the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's subsidiaries in the PRC shall set aside 10% of their profit after taxation for the statutory surplus reserve until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can only be used, upon approval by the board of directors of the PRC subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2016

	NOTES	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**464,917**	318,375
Adjustments for:			
Depreciation of property, plant and equipment		**51,415**	42,637
Allowances on accounts receivables		**10,838**	7,209
Reversal of allowances on loan receivables		**(71)**	(22)
Finance costs		**15,169**	30,334
Share of loss of an associate		**–**	4,634
Share of loss of a joint venture		**426**	–
Change in fair value of investment properties		**(1,419)**	(2,047)
Gain on disposal of subsidiaries		**–**	(61,112)
Loss on disposal and write-off of property, plant and equipment		**271**	533
(Gain) loss on fair value changes of held for trading investments		**(8,564)**	4,699
Interest income		**(7,766)**	(6,121)
Dividend income		**(321)**	(709)
Share-based payments expenses		**13,135**	–
Operating cash flows before movements in working capital		**538,030**	338,410
Increase in accounts receivables		**(62,644)**	(71,000)
Increase in loan receivables		**(151,435)**	(39,290)
Increase in other receivables and prepayments		**(11,221)**	(53,930)
Decrease (increase) in held for trading investments		**30,926**	(30,456)
Increase in payables and accruals		**284,557**	178,478
Cash from operations		**628,213**	322,212
PRC income tax paid		**(116,674)**	(86,608)
NET CASH FROM OPERATING ACTIVITIES		**511,539**	235,604
INVESTING ACTIVITIES			
Interest received		**7,766**	6,121
Dividend received		**321**	709
Disposal of subsidiaries	30(b)	**144,000**	35,230
Proceeds from disposal of property, plant and equipment		**1,801**	2,925
Acquisition of investment in a joint venture		**(24,201)**	–
Deposits paid for acquisition of investment properties		**(47,804)**	–
Purchase of property, plant and equipment		**(67,609)**	(26,643)
NET CASH FROM INVESTING ACTIVITIES		**14,274**	18,342
FINANCING ACTIVITIES			
Proceeds from issue of shares due to exercise of share options		**–**	1,060
New bank and other borrowings raised		**557,285**	40,244
Capital contribution from non-controlling interests		**–**	260
Acquisition of additional interests in subsidiaries		**–**	(2,481)
Proceeds from deemed disposal of partial interests in subsidiaries without losing control	30(a)	**7,670**	–
Interest paid		**(15,169)**	(12,467)
Dividends paid		**(56,780)**	(36,740)
Repayment of bank and other borrowings		**(336,521)**	(50,000)
Redemption of convertible notes		**–**	(190,320)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**156,485**	(250,444)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**682,298**	3,502
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,049,732**	1,100,401
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(54,749)**	(54,171)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**1,677,281**	1,049,732

1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 39.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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 HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be the most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to capital risk management was reordered to note 36 while information to financial instruments was reordered to note 37. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRS	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1st January, 2018
2 Effective for annual periods beginning on or after 1st January, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st January, 2017
5 Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets and liabilities. The expected credit loss model may result in early provision losses which are not yet incurred in relation to Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company consider that it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases 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, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modification, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st December, 2016, the Group as lessee has non-cancellable operating lease commitments of HK$473,690,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Other than that, the directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and held for trading investments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Investment in a joint venture

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

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture equals or exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in a joint venture (Continued)

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of a joint venture at the date equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of business tax and other taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Agency commission and conveyancing services income is recognised when a buyer and seller execute a legally binding sale agreement and when the relevant agreement becomes unconditional and irrevocable.

Marketing, development and planning consultancy and property management services income is recognised when the services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options/shares granted at the grant date is recognised as an expense in full at the grant date when the share options/shares granted vest immediately, with a corresponding increase in equity (share options reserve).

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply of services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group’s property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as expenses on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are comprising of loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivables, loan receivables, other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item. Fair value is determined in the manner described in note 37c.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of accounts receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 to 120 days and observable changes in national or local economic conditions that correlate with default on receivables. Objective evidence of impairment for a portfolio of loan receivables could include adverse changes in the payment status of borrowers that affect the borrowers of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable or loan receivable, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities (including payables, bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Convertible notes contain debt and equity component

Convertible notes issued by a group entity convertible to the Company's shares that contain both the debt and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset in the functional currency of the group entity who issued the notes for a fixed number of the Company's equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the debt component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the debt component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the debt component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the debt and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible notes using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in unit. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of accounts receivables and loan receivables

The management of the Group determined the carrying amount of accounts receivables by considering the credit history including default or delay in payments, settlement records, subsequent settlement and aging analysis of the accounts receivables. The amount of the allowance for doubtful debts is measured as the difference between the asset's carrying amount and the estimated future cash flows based on the above consideration. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2016, the carrying amounts of accounts receivables are HK$992,423,000 (net of allowance for doubtful debts of HK$45,014,000) (2015: carrying amount of HK$997,808,000 (net of allowance for doubtful debts of HK$34,176,000)).

The management of the Group determined the carrying amount of loan receivables by considering the credit history including each individual's personal credit rating reports, delay in payments, interest settlement records, subsequent settlements and aging analysis of the loan receivables. The amount of the allowance for loan receivables is measured as the difference between the asset's carrying amount and the estimated future cash flows based on the above consideration. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2016, the carrying amounts of loan receivables of HK$386,724,000 (net of allowances for doubtful debts of HK$3,395,000) (2015: HK$253,619,000 (net of allowances for doubtful debts of HK$3,466,000)).

Estimated useful lives of property, plant and equipment

Management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31st December, 2016, the carrying amount of property, plant and equipment of the Group amounted to HK$187,799,000 (2015: HK$184,289,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated which is higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise. As at 31st December, 2016, the carrying amount of goodwill is HK$14,370,000 (2015: HK$15,220,000). Details of the recoverable amount calculation are disclosed in note 17.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties and certain types of financial instruments. Notes 15 and 37c provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of investment properties as the Group is subject to land appreciation tax ("LAT") on disposal of its investment properties.

5. TURNOVER

Turnover represents agency commission in respect of real estate agency services and financial agency services, property management services income and interest income from loan receivables net of business tax and other taxes. An analysis of the Group's revenue for the year is as follows:

	2016 HK$'000	2015 HK$'000
Agency commission	**3,536,099**	2,522,465
Property management services income	**441,491**	371,702
Interest income from loan receivables	**55,460**	31,510
	4,033,050	2,925,677
Less: Business tax and other taxes	**(67,280)**	(165,475)
	3,965,770	2,760,202

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group is organised into four business divisions including primary property real estate agency services, secondary property real estate agency services, financial services and property management services which form the Group's four operating segments. The executive directors of the Company consider that the financial services segment is expanding and consider the operating results of financial services segment are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated, the segment is then separately reported on the consolidated financial statements during the year ended 31st December, 2016.

Primary property real estate agency is the provision of first hand real estate services to property developers. Secondary property real estate agency is the provision of secondary real estate services. Financial services is the provision of mortgage referral and loan financing services to individuals or companies. Property management is the provision of building management services to property owners and residents.

6. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31st December, 2016

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Financial services HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	**2,477,740**	**943,224**	**112,816**	**431,990**	**3,965,770**
Segment profit	**332,019**	**61,298**	**62,592**	**56,173**	**512,082**
Other income					**17,103**
Central administrative costs					**(50,092)**
Share of loss of a joint venture					**(426)**
Increase in fair value of investment properties					**1,419**
Finance costs					**(15,169)**
Profit before tax					**464,917**

For the year ended 31st December, 2015

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Financial services HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	1,814,670	545,103	49,911	350,518	2,760,202
Segment profit	255,626	10,094	22,622	51,022	339,364
Other income					14,291
Gain on disposal of subsidiaries					61,112
Central administrative costs					(63,471)
Share of loss of an associate					(4,634)
Increase in fair value of investment properties					2,047
Finance costs					(30,334)
Profit before tax					318,375

6. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Total segment revenue represents the Group's consolidated turnover as set out in the consolidated statement of profit or loss and other comprehensive income. Segment profit represents the profit earned by each segment without allocation of other income, gain on disposal of subsidiaries, central administrative costs including directors' emoluments, share of losses of a joint venture/an associate, change in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly reviewed by the chief operating decision maker, the measure of total assets and liabilities for each operating segment is therefore not presented.

Other segment information

2016

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Financial services HK$'000	Property management HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	17,138	49,104	714	653	–	67,609
Depreciation of property, plant and equipment	19,528	29,532	349	1,199	807	51,415
Allowances on accounts receivables	–	10,838	–	–	–	10,838
Reversal of allowances on loan receivables	–	–	(71)	–	–	(71)
(Gain) loss on disposal and write-off of property, plant and equipment	(106)	43	30	414	(110)	271

2015

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Financial services HK$'000	Property management HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets	9,812	12,632	2,704	796	699	26,643
Depreciation of property, plant and equipment	22,873	17,253	701	1,540	270	42,637
Allowances on accounts receivables	–	7,209	–	–	–	7,209
Reversal of allowances on loan receivables	–	–	(22)	–	–	(22)
Loss on disposal and write-off of property, plant and equipment	291	198	1	43	–	533

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's businesses are located in Hong Kong and other parts of the PRC. Majority of the Group's primary property real estate agency, secondary property real estate agency, financial services and property management businesses are located in the PRC. The Group's revenue is all derived from customers located in the PRC.

At the end of each reporting period, substantially all of the non-current assets are located in the PRC.

Information about major customers

There was no revenue from any customer that contributes over 10% of total revenue of the Group for both years.

7. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Rental income, net of negligible outgoings	**3,852**	3,776
Other services income	**5,164**	3,685
Bank interest income	**7,766**	6,121
Dividend income	**321**	709
	17,103	14,291

8. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on:		
Bank and other borrowings	**15,169**	3,691
Effective interest on convertible notes (note 27)	**–**	26,643
	15,169	30,334

9. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
PRC Enterprises Income Tax ("EIT")	**138,554**	93,158
Deferred tax (note 29)	**7,679**	(1,876)
	146,233	91,282

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

Certain of the Group's subsidiaries operating in the PRC are required to pay the PRC income tax on a deemed profit basis at a predetermined tax rate of 2.5% (2015: 3.25%) on turnover during the current year. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective tax bureau of local government and is subject to annual review and renewal.

9. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made in current year in the consolidated financial statements as the Group has no assessable profits in Hong Kong. No tax was payable on the profit for the year arising in Hong Kong since the assessable profit was wholly absorbed by tax losses brought forward for prior year.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Profit before tax	464,917	318,375
Tax at the applicable rate of 25%	116,229	79,594
Tax effect of share of loss of a joint venture	107	–
Tax effect of share of loss of an associate	–	1,159
Tax effect of expenses not deductible for tax purpose	12,581	14,683
Tax effect of income not taxable for tax purpose	(254)	(15,866)
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	(3)	407
Tax effect of tax loss not recognised	15,190	11,822
Utilisation of tax loss previously not recognised	(1,342)	(1,557)
Effect of LAT	3,725	1,040
Income tax expense for the year	146,233	91,282

Details of deferred tax are set out in note 29.

10. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration, including retirement benefits scheme contributions (note 11)	9,763	8,752
Other staff costs	2,219,121	1,653,734
Share-based payments expenses (note 30(a))	13,135	–
Other retirement benefits scheme contributions	143,479	122,964
Total staff costs	2,385,498	1,785,450
Auditor's remuneration	4,544	3,659
Depreciation of property, plant and equipment	51,415	42,637
Allowances on accounts receivables (included in other gains and losses)	10,838	7,209
Reversal of allowances on loan receivables (included in other gains and losses)	(71)	(22)
Loss on disposal and write-off of property, plant and equipment (included in other gains and losses)	271	533
(Gain) loss on fair value changes of held for trading investments (included in other gains and losses)	(8,564)	4,699

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors for both years, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance is as follows:

For the year ended 31st December, 2016

	Executive Directors				Independent Non-executive Directors			Non-executive Director	
	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Mr. Mo Tianquan HK$'000	Total HK$'000
Fees	–	–	–	–	96	188	260	–	544
Salaries and other benefits	2,512	2,331	1,912	2,410	–	–	–	–	9,165
Retirement benefits scheme contributions	–	18	18	18	–	–	–	–	54
Total emoluments	2,512	2,349	1,930	2,428	96	188	260	–	9,763

For the year ended 31st December, 2015

	Executive Directors				Independent Non-executive Directors			Non-executive Director	
	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Mr. Mo Tianquan HK$'000	Total HK$'000
Fees	–	–	–	–	84	168	240	–	492
Salaries and other benefits	2,385	1,785	1,786	2,250	–	–	–	–	8,206
Retirement benefits scheme contributions	–	18	18	18	–	–	–	–	54
Total emoluments	2,385	1,803	1,804	2,268	84	168	240	–	8,752

11. DIRECTORS' EMOLUMENTS (Continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group, the non-executive director's emolument shown above was for his service as director of the Company or its subsidiaries and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The Group also provided rent-free accommodation to Mr. Fu Wai Chung for the years ended 31st December, 2016 and 2015. The estimated monetary value of the properties involved, which are owned by the Group, amounted to HK$840,000 (2015: HK$840,000).

For both 2016 and 2015, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both 2016 and 2015.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2015: four) were directors of the Company, whose emoluments are included in note 11 above. The emoluments of the remaining individual was as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**729**	684

13. DIVIDENDS

	2016 **HK$'000**	2015 HK$'000
Dividends recognised as distribution and paid during the year:		
2016 Interim — HK3 cents per share (2015: 2015 Interim — HK2.5 cents per share)	**20,040**	16,700
2015 Final — HK5.5 cents per share (2015: 2014 Final — HK3 cents per share)	**36,740**	20,040
	56,780	36,740

Subsequent to the end of reporting period, the final dividend of HK9 cents per share in respect of the year ended 31st December, 2016 (2015: final dividend of HK5.5 cents per share in respect of the year ended 31st December, 2015), in an aggregate amount of HK$60,120,000 (2015: HK$36,740,000), has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The final dividend proposed after the end of the reporting period has not been recognised as liabilities in these consolidated financial statements.

14. EARNINGS PER SHARE

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

Earnings

	2016 HK$'000	2015 HK$'000
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	302,207	223,330

Number of shares

	2016 '000	2015 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	667,999	663,562

The computation of diluted earnings per share does not assume the exercise of share options outstanding for both years since the exercise price of those share options was higher than average market price of the shares during both years. In addition, the computation of diluted earnings per share for the year ended 31st December, 2015 did not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share for the year ended 31st December, 2015.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2015	72,000
Exchange adjustments	(4,260)
Net increase in fair value recognised in profit or loss	2,047
At 31st December, 2015	69,787
Exchange adjustments	(3,899)
Net increase in fair value recognised in profit or loss	1,419
At 31st December, 2016	**67,307**

	2016 **HK$'000**	2015 HK$'000
Unrealised gain on property revaluation included in profit or loss (included in change in fair value of investment properties)	**1,419**	2,047

The investment properties of the Group are held under medium term land use rights in the PRC.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 31st December, 2016 and 2015 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, an independent qualified valuer not connected to the Group. BMI Appraisals Limited is a member of the Institute of Valuers. The fair value was determined based on the direct comparison approach, where assuming sales in their existing states with the benefit of vacant possession and by making reference to market evidence of transaction prices for similar properties in the same locations and conditions. There has been no change from the valuation technique used in prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties was the market price per square meter using direct market comparables and taking into account of the differences between the investment properties and the comparables in terms of age, time, location, floor level and other relevant factors, ranging from RMB9,382 to RMB64,921 (2015: ranging from RMB10,017 to RMB69,055) per square meter. An increase in the market price per square meter will result in increase in fair value of the investment properties, and vice versa.

The Group's investment properties are the commercial property units located in PRC and are at Level 3 of the fair value hierarchy as at 31st December, 2016 and 2015.

There were no transfers into or out of Level 3 during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furnitures and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st January, 2015	57,373	409,986	136,697	61,876	665,932
Exchange adjustments	(3,395)	(24,538)	(8,191)	(3,467)	(39,591)
Additions	1,713	11,580	8,355	4,995	26,643
Disposals	(1,713)	(49)	(4,359)	(2,592)	(8,713)
At 31st December, 2015	53,978	396,979	132,502	60,812	644,271
Exchange adjustments	(3,016)	(23,125)	(7,966)	(3,024)	(37,131)
Additions	–	36,662	26,552	4,395	67,609
Disposals	–	(628)	(5,853)	(8,705)	(15,186)
At 31st December, 2016	**50,962**	**409,888**	**145,235**	**53,478**	**659,563**
DEPRECIATION					
At 1st January, 2015	15,152	317,741	74,019	43,180	450,092
Exchange adjustments	(934)	(19,603)	(4,504)	(2,451)	(27,492)
Provided for the year	1,252	29,207	8,527	3,651	42,637
Disposals	–	–	(3,807)	(1,448)	(5,255)
At 31st December, 2015	15,470	327,345	74,235	42,932	459,982
Exchange adjustments	(897)	(19,257)	(4,271)	(2,094)	(26,519)
Provided for the year	1,179	36,970	9,662	3,604	51,415
Disposals	–	(135)	(4,689)	(8,290)	(13,114)
At 31st December, 2016	**15,752**	**344,923**	**74,937**	**36,152**	**471,764**
CARRYING VALUES					
At 31st December, 2016	**35,210**	**64,965**	**70,298**	**17,326**	**187,799**
At 31st December, 2015	38,508	69,634	58,267	17,880	184,289

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the leases or 40 years, whichever is shorter
Leasehold improvements	Over the term of the leases or 5 years, whichever is shorter
Office equipment, furnitures and fixtures	20%
Motor vehicles	20%

The leasehold land and buildings of the Group are held under medium term land use rights in the PRC.

17. GOODWILL

	HK$'000
COST	
At 1st January, 2015	16,178
Exchange adjustments	(958)
At 31st December, 2015	15,220
Exchange adjustments	(850)
At 31st December, 2016	**14,370**

For the purposes of impairment testing, goodwill as detailed above has been allocated to the subsidiaries as individual cash generating units (CGUs) from which goodwill arose. The carrying amount of goodwill as at 31st December, 2016 allocated to these units are as follows:

	2016 HK$'000	2015 HK$'000
Provision of property management services in the PRC ("Unit A")	**2,728**	2,889
Provision of real estate agency services in the PRC ("Unit B")	**11,642**	12,331
	14,370	15,220

During the year ended 31st December, 2016, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The recoverable amount of the CGUs has been determined based on a value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 11.60% and 16.21% (2015: 14.34% and 15.11%) for Unit A and Unit B, respectively. The set of cash flows beyond five-year period are extrapolated using a decelerating growth rate from 10% to 5% (2015: a decelerating growth rate of 10% to 5%), as determined by management. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted building management fees and commission income of Unit A and Unit B respectively and respective profit margin, such estimation is based on unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount.

18. INTEREST IN A JOINT VENTURE

	HK$'000
Cost of unlisted investment in a joint venture	24,201
Share of post-acquisition losses and other comprehensive expenses	(426)
Exchange adjustments	(1,340)
	22,435

During the year ended 31st December, 2016, the Group acquired 45% of registered share capital of Shanghai Kepler Investment Funds Management Co., Ltd ("Shanghai Kepler"). The interest in Shanghai Kepler was accounted for as a joint venture under HKFRS 11 as pursuant to the shareholders' agreement, all of the strategic financial and operating decisions must be approved by all of the joint venture partners with unanimous consent.

As at 31st December, 2016 and 2015, the Group had interest in the following joint venture:

Name of entity	Form of entity	Place of registration	Place of operation	Class of shares held	Proportion of registered capital held by the Group 2016	Proportion of registered capital held by the Group 2015	Principal activity
Shanghai Kepler	Establishment	The PRC	The PRC	Registered	45%	–	Investment management and consultancy service

Summarised financial information of a joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2016 HK$'000
Non-current assets	1,198
Current assets	31,519
Current liabilities	(1,266)
Loss and total comprehensive expense for the period	(947)

18. INTEREST IN A JOINT VENTURE (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2016 HK$'000
Net assets attributable to the owners of joint venture	**31,451**
Proportion of the Group's ownership interest in attributable to the owners of joint venture	**45%**
	14,153
Goodwill	**8,390**
Effect of fair value adjustments at acquisition	**(108)**
Carrying amount of the Group's interest in attributable to the owners of joint venture	**22,435**

19. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 120 days to its customers. The aged analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
Accounts receivables		
0–30 days	**519,784**	351,937
31–60 days	**157,151**	221,627
61–90 days	**116,958**	191,728
91–120 days	**63,208**	106,569
121–180 days	**135,322**	125,947
	992,423	997,808

Included in the Group's accounts receivables balance are debtors with aggregate carrying amount of HK$135,322,000 (2015: HK$125,947,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated.

Before accepting any new customer, the Group assesses the potential customer's credit quality. The credit quality is reviewed periodically. Majority of the accounts receivables that are neither past due nor impaired have no default payment history. The Group does not hold any collateral over these balances.

19. ACCOUNTS RECEIVABLES (Continued)

Ageing of accounts receivables which are past due but not impaired

	2016 HK$'000	2015 HK$'000
121–150 days	**74,814**	123,603
151–180 days	**60,508**	2,344
	135,322	125,947

Movement in the allowance for doubtful debts

	2016 HK$'000	2015 HK$'000
At 1st January	**34,176**	26,967
Allowances recognised on receivables	**10,838**	7,209
At 31st December	**45,014**	34,176

20. LOAN RECEIVABLES

At 31st December, 2016, loan receivables of HK$386,724,000 (2015: HK$253,619,000) are unsecured, bear fixed interests ranging from 4% to 24% (2015: 6% to 24%) per annum. The carrying amounts of HK$142,700,000 (2015: Nil) are classified as non-current loan receivables and are recoverable by installments within two to three years. During the year, HK$55,460,000 (2015: HK$31,510,000) of interest income was recognised from the loan receivables.

The loan receivables are guaranteed by independent property owners or entities. The details of the assessment of the creditability of the individuals or entities are set out in note 37b.

Movement in the allowance on loan receivables

	2016 HK$'000	2015 HK$'000
At 1st January	**3,466**	3,488
Reversal of allowance recognised on loan receivables	**(71)**	(22)
At 31st December	**3,395**	3,466

21. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31st December, 2016 that were transferred to financial institutions by selling loan receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (note 26). These financial assets are carried at amortised cost in the consolidated statement of financial position.

As at 31st December, 2016

	Loan receivables sold to financial institutions with full recourse HK$'000
Carrying amount of transferred assets	**199,560**
Carrying amount of associated liabilities	**(251,469)**

As at 31st December, 2015, there was no transfer of financial assets arrangement.

22. OTHER RECEIVABLES AND PREPAYMENTS

	2016 HK$'000	2015 HK$'000
Consideration receivable on disposal of subsidiaries (note 30(b))	–	144,000
Prepayments for property marketing projects	**40,702**	36,564
Rental deposits	**27,346**	21,644
Expenses and security deposits paid to property developers	**14,482**	16,514
Advances to staffs	**6,807**	4,981
Other receivables and deposits	**34,542**	44,213
	123,879	267,916

23. HELD FOR TRADING INVESTMENTS

	2016 HK$'000	2015 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	**2,512**	7,191
— Equity securities issued in the PRC	**3,735**	22,514
	6,247	29,705

24. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate ranging from 0.01% to 5.60% (2015: 0.01% to 5.60%) and have original maturity of three months or less.

The Group's significant bank balances and cash that are not denominated in the functional currencies of the respective entities are as follows:

	2016 HK$'000	2015 HK$'000
HK$	**7,979**	8,065

25. PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Receipts in advance	**279,376**	195,431
Accrued other taxation	**47,553**	55,454
Accrued operating expenses	**113,025**	36,969
Deposits received on behalf of property developers	**67,416**	54,581
Temporary receipts from customers	**25,894**	4,211
Accrued staffs costs	**84,657**	30,267
Other payables and accruals	**41,438**	28,487
	659,359	405,400

26. BANK AND OTHER BORROWINGS

	2016 **HK$'000**	2015 HK$'000
Secured bank loan	**–**	39,053
Collateralised borrowings on loan receivables (note 21)	**251,469**	–
	251,469	39,053

The bank borrowing as at 31st December, 2015 is repaid during the year.

As at 31st December, 2015, bank borrowing of the Group was secured by certain of the Group's investment properties and leasehold land and buildings. Details of pledge of assets are set out in note 31.

The Group's bank and other borrowings carry interest at fixed rate and effective interest rates on the Group's borrowings are as follows:

	Year ended **2016**	Year ended 2015
Effective interest rate:		
Fixed-rate bank borrowings	**–**	4.79%
Fixed-rate other borrowings	**6%–10.5%**	–

As at 31st December, 2016 and 2015, the Group's borrowings are all denominated in RMB.

27. CONVERTIBLE NOTES

On 29th August, 2012, a subsidiary of the Company, having Hong Kong dollar as its functional currency, issued Hong Kong dollar denominated convertible notes with an aggregate principal amount of HK$218,400,000 due in 2015 bearing interest at the rate of 2.695% per 6-month period payable in arrear. Each note entitles the holder to convert to one ordinary share of the Company at a conversion price of HK$2.40 per share (subject to anti-dilutive adjustments).

Conversion of principal amount of HK$48,000,000 may occur at any time between 30th August, 2013 and 28th August, 2015 and the conversion of the remaining HK$170,400,000 may occur at any time between 1st January, 2013 and 28th August, 2015. From the date which is the next day after the expiry of a 6-month period after the date of the issue of the convertible notes (i.e. 1st March, 2013), if the market price is higher than the reference price of HK$3.6 per share, the noteholders shall, during the period of 6 months after the market price of a share of the Company first exceeds the reference price, exercise their convertible notes such that an aggregate of HK$48,000,000 in the principal amount of the convertible notes shall have been exchanged for the shares. If the notes have not been converted, they will be redeemed on 28th August, 2015 at its principal amount with a premium of 30% of the principal amount and accrued interest and unpaid interest thereon.

27. CONVERTIBLE NOTES (Continued)

The convertible notes contain two components, including debt and conversion option (details of the terms are set out in the announcement dated 1st August, 2012). The conversion option component, which will be settled by the exchange of a fixed amount of cash in Hong Kong dollar for a fixed number of the Company's shares, is presented in equity heading "convertible notes equity reserve". The effective interest rate of the debt component is 22.38% per annum.

	HK$'000
Proceeds of issue	218,400
Debt component at date of issue	(180,158)
Equity component at date of issue	38,242

Movement of convertible notes is as follows:

	Debt Component HK$'000
At 1st January, 2015	202,372
Interest charge calculated at an effective rate of 22.38%	26,643
Interest paid	(8,776)
Conversion during the year	(29,919)
Redemption upon maturity	(190,320)
At 31st December, 2015 and 2016	–

During the year ended 31st December, 2015, that aggregate principal amount of convertible notes of HK$24,000,000 were converted into ordinary shares at HK$2.2057 per share, resulting in the issue of 10,880,899 ordinary shares (note 28). The principal amount of the remaining convertible notes at the amount of HK$146,400,000 were redeemed by the subsidiary of the Company on the maturity date (i.e., 28th August, 2015).

Movement of equity component is as follows:

	Equity component HK$'000
At 1st January, 2015	30,960
Conversion during the year	(4,351)
Redemption upon maturity	(26,609)
At 31st December, 2015 and 2016	–

28. SHARE CAPITAL

	Number of shares	Nominal amounts HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st January, 2015, 31st December, 2015 and 2016	8,000,000,000	80,000
Issued and fully paid:		
At 1st January, 2015	656,701,909	6,567
Exercise of share options (note)	416,000	4
Shares issued due to conversion of convertible notes by a noteholder (note 27)	10,880,899	109
At 31st December, 2015 and 2016	**667,998,808**	**6,680**

Note: During the year ended 31st December, 2016, no share options of the Company had been exercised (2015: 416,000 share options were exercised at the aggregate consideration of HK$1,060,000). Details of the movement in share options were set out in note 33.

The new shares issued rank pari passu in all aspects with the existing shares in issue.

29. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Revenue recognised for accounting purpose but not for tax purpose HK$'000	Fair value of investment properties HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2015	21,789	11,537	22,977	56,303
Exchange adjustments	(1,325)	(729)	(1,222)	(3,276)
Charge (credit) to profit or loss (note 9)	1,216	1,552	(4,644)	(1,876)
At 31st December, 2015	21,680	12,360	17,111	51,151
Exchange adjustments	(1,312)	(802)	(958)	(3,072)
Charge to profit or loss (note 9)	3,599	4,015	65	7,679
At 31st December, 2016	**23,967**	**15,573**	**16,218**	**55,758**

29. DEFERRED TAX LIABILITIES (Continued)

At 31st December, 2016, the Group's PRC subsidiaries had unused tax losses of HK$79,114,000 (2015: HK$41,088,000) not recognised available for offset against future profits. An analysis of the expiry dates of the tax losses is as follows:

	2016 HK$'000	2015 HK$'000
2016	–	1,120
2017	**2,991**	3,142
2018	**2,693**	3,501
2019	**2,706**	3,047
2020	**26,642**	30,278
2021	**44,082**	–
	79,114	41,088

In addition, the Group (other than its subsidiaries in the PRC) had unused tax losses of HK$88,002,000 (2015: HK$72,252,000) available for offset against future profits. Such unrecognised tax losses may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1,923,588,000 (2015: HK$1,547,714,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. PARTIAL DISPOSAL/DISPOSAL OF SUBSIDIARIES

(a) Deemed disposal of partial interests in subsidiaries without loss of control

For the year ended 31st December, 2016

In January 2016, Asia Asset Property (China) Limited, the controlling shareholder of Asia Asset (Guangzhou), a 90% indirectly-owned subsidiary of the Group, transferred its 14.5% equity interest of Asia Asset (Guangzhou) to 廣州盈隆資訊科技有限公司 ("廣州盈隆"), 廣州盈峰資訊科技有限公司 ("廣州盈峰") and 上海亦留資訊科技有限公司 ("上海亦留") at HK$2,751,000, HK$2,237,000 and HK$2,682,000 respectively. The equity interest of Asia Asset (Guangzhou) held by the Group was then diluted to 76.95%, in which the Group continuously has control over Asia Asset (Guangzhou) and its subsidiaries after dilution. The consideration received from this deemed disposal amounting to HK$7,670,000,000 was credited to special reserve and the non-controlling interests amounting to HK$9,003,000 which is measured by reference to proportionate shares of the 13.05% net assets of Asia Asset (Guangzhou) and its subsidiaries was recognised at the date of deemed disposal.

The shareholders of both 廣州盈隆 and 廣州盈峰 are the employees of the Group while the shareholder of 上海亦留 is the consultant of the Group. There is no vesting condition and those shares being transferred are vested immediately. These equity instruments had been granted at the acquisition date and were measured in accordance with HKFRS 2 *Share-based Payment* with fair value of HK$13,135,000. The fair value of services received is determined at the date of equity transferred which was expensed to profit or loss with a corresponding increase in equity (special reserve).

This fair value has been determined using cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 14.68%. The set of cash flows beyond five-year period are extrapolated using a decelerating growth rate from 10% to 5%, as determined by management. Other key assumptions for the cash flow projections relate to the estimation of cash inflows/outflows which include budgeted building management fees and respective profit margin, such estimation is based on its past performance and management's expectations for the market development. No expected dividends were incorporated into the measurement of fair value.

30. PARTIAL DISPOSAL/DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of subsidiaries

For the year ended 31st December, 2015

On 15th December, 2015, the Group disposed of its 100% equity interest in its wholly-owned subsidiary, Firstnet Group Limited ("Firstnet"), together with its wholly-owned subsidiary, Top Trade International Investment Ltd.("Top Trade"), and its associate, Bao Lai Recycle Technology Company Limited ("Bao Lai Recycle"), to an independent third party for a consideration of HK$180,000,000, with HK$144,000,000 included in other receivables and prepayment. Firstnet and Top Trade were both engaged in investment holding. Bao Lai Recycle holds effectively 13.3% interest in Guangzhou Hong Sheng Estate Company Ltd., which was engaged in property development and investment.

The above transaction is accounted for as disposal of subsidiaries. Details of the net assets disposed of in respect of the above transaction is summarised below:

	2015 HK$'000
Consideration satisfied by:	
Cash	36,000
Consideration receivable due within one year (note 22)	144,000
	180,000
Analysis of assets and liabilities over which control was lost:	
Interest in an associate	116,780
Other receivables and prepayments	2,193
Bank balances and cash	770
Other payables	(855)
Net assets disposed of	118,888
Gain on disposal of subsidiaries:	
Consideration received and receivable	180,000
Net assets disposed of	(118,888)
Gain on disposal	61,112
Net cash inflow arising on disposal:	
Cash received	36,000
Bank balances and cash disposed of	(770)
	35,230

The consideration receivable amounted HK$144,000,000 was received during the year ended 31st December, 2016.

31. PLEDGE OF ASSETS

The Group had pledged the following assets for banking facilities granted to the Group:

	2016 HK$'000	2015 HK$'000
Investment properties	–	47,952
Leasehold land and buildings	–	25,135
	–	73,087

32. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises and shops of HK$174,292,000 (2015: HK$147,994,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**149,904**	113,222
In the second to fifth year inclusive	**298,238**	200,822
Over five years	**25,548**	9,071
	473,690	323,115

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to ten years (2015: one to eight years).

The Group as lessor

Property rental income, net of negligible outgoings, earned during the year was HK$3,852,000 (2015: HK$3,776,000). All of the investment properties held have committed tenants for the next one to nine years (2015: one to eight years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 HK$'000	2015 HK$'000
Within one year	**4,543**	2,408
In the second to fifth year inclusive	**10,967**	9,878
Over five years	**230**	541
	15,740	12,827

33. SHARE OPTIONS SCHEME

The Company's share option scheme (the "Old Scheme"), was adopted pursuant to a resolution passed on 24th June, 2004 for the primary purpose of providing incentives or rewards to directors, eligible employees and advisors and consultants of the Group for their contributions to the Group. The Old Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 15th July, 2004 and expired on 23rd June, 2014. The Company's new share option scheme (the "New Scheme"), was adopted pursuant to a resolution passed in an annual general meeting on 6th June, 2014. Under the New Scheme, the board of directors of the Company (the "Board") may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The New Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 6th June, 2014.

The offer of the grant of share options may be accepted within 28 days from the date of the offer, at a consideration of HK$1, payable by the grantee upon the acceptance of the offer. The options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of acceptance of the grant of the options. Unless otherwise determined by the executive directors, the New Scheme does not require a minimum period for which the options must be held or a performance target which must be achieved before the options can be exercised.

The subscription price of the share options is determinable by the directors, but shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of the Company.

Pursuant to the New Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company as at the date of adoption of the New Scheme i.e. 52,370,190 shares. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) have to abstain from voting and/or comply with other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million within any 12-month period must be approved in advance by the Company's shareholders.

33. SHARE OPTIONS SCHEME (Continued)

The outstanding share options granted under the Old Scheme shall continue to be valid and exercisable.

The following table disclose movements of the Company's share options under the Old Scheme held by directors and employees during the year, all the options have vesting date of 2nd July, 2013, exercisable period from 15th July, 2013 to 31st December, 2016 and exercise price of HK$2.55 per share:

Directors	Outstanding at 1st January, 2016	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31st December, 2016
Ms. FU Man	**3,984,000**	**–**	**(3,984,000)**	**–**	**–**
Mr. LO Yat Fung	**3,920,000**	**–**	**(3,920,000)**	**–**	**–**
Mr. LAM King Pui	**296,000**	**–**	**(296,000)**	**–**	**–**
Directors in aggregate	**8,200,000**	**–**	**(8,200,000)**	**–**	**–**
Employees in aggregate	**2,856,000**	**–**	**(2,856,000)**	**–**	**–**
Total	**11,056,000**	**–**	**(11,056,000)**	**–**	**–**
Exercisable at the end of the year					**–**
Weighted average exercise price	**HK$2.55**	**N/A**	**HK$2.55**	**N/A**	**N/A**

The following table disclose movements of the Company's share options under the Old Scheme held by directors and employees during the prior year, all the options have vesting date of 2nd July, 2013, exercisable period from 15th July, 2013 to 31st December, 2016 and exercise price of HK$2.55 per share:

Directors	Outstanding at 1st January, 2015	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31st December, 2015
Ms. FU Man	4,400,000	–	–	(416,000)	3,984,000
Mr. LO Yat Fung	3,920,000	–	–	–	3,920,000
Mr. LAM King Pui	296,000	–	–	–	296,000
Directors in aggregate	8,616,000	–	–	(416,000)	8,200,000
Employees in aggregate	2,856,000	–	–	–	2,856,000
Total	11,472,000	–	–	(416,000)	11,056,000
Exercisable at the end of the year					11,056,000
Weighted average exercise price	HK$2.55	N/A	N/A	HK$2.55	HK$2.55

In respect of the share options exercised during the year ended 31st December, 2015, the weighted average share price at the dates of exercise is HK$2.78.

No options were granted during the years ended 31st December, 2016 and 2015.

34. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs which limited to HK$18,000 (2015: HK$18,000) per annum of each individual employee to the Scheme, where contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The contributions paid and payable to the schemes by the Group in respect of the year which were charged to profit or loss amounted to HK$143,533,000 (2015: HK$123,018,000).

35. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of key management during the year is as follows:

	2016 **HK$'000**	2015 HK$'000
Fees, salaries and other benefits	**10,438**	9,654
Retirement benefits scheme contributions	**54**	69
	10,492	9,723

The remuneration of key management including directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank and other borrowings as disclosed in note 26, net of cash and cash equivalents disclosed in note 24, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

37. FINANCIAL INSTRUMENTS

37a. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,125,565**	2,504,066
Held for trading investments	**6,247**	29,705
Financial liabilities		
Amortised cost	**313,721**	75,856

37b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivables, loan receivables, other receivables, held for trading investments, bank balances and cash, payables and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency assets, including bank balances and cash, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2016 HK$'000	2015 HK$'000
HK$	**7,979**	8,065

37. FINANCIAL INSTRUMENTS (Continued)

37b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency risk of Hong Kong dollar ("HK$").

The following table details the Group's sensitivity to a 5% (2015: 5%) increase/decrease in HK$ against RMB. 5% (2015: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK$ strengthen 5% (2015: 5%) against RMB. For a 5% (2015: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit and the balance would be negative.

	HK$ Impact	
	2016	2015
	HK$'000	HK$'000
Profit or loss	**299**	302

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan receivables, fixed-rate bank borrowings and fixed-rate other borrowings.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances because these balances carry interest at prevailing rates and they are of short maturity.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arises.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits and variable-rate bank balances. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2015: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2015: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2016 would increase/decrease by HK$2,958,000 (2015: increase/decrease by HK$1,755,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

37. FINANCIAL INSTRUMENTS (Continued)

37b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by closely monitoring the investment. As at 31st December, 2016, the Group's equity price risk is mainly concentrated on the equity instruments operating in different industry sectors listed on the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the equity instrument had been 5% (2015: 5%) higher/lower and all other variables were held constant for the year ended 31st December, 2016, the Group's post-tax profit for the year would increase/decrease by HK$245,000 (2015: HK$1,144,000) as a result of the changes in fair value of held for trading investments.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31st December, 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2015: 100%) of the total accounts receivables as at 31st December, 2016. The Group also has concentration of credit risk as 6.6% (2015: 6.3%) and 2.2% (2015: 2.0%) of the total accounts receivables was due from the Group's five largest customers and largest customer, respectively, whom are within the property development business segment with good reputation and satisfactory repayment history.

Other than concentration of credit risk on accounts receivables, the Group does not have any other significant concentration of credit risk.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. With respect to the microcredit business, the Group has delegated a team responsible for determination of credit limits and credit approvals. The team monitors customers' repayment ability and requests the customers to provide guarantees. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

37. FINANCIAL INSTRUMENTS (Continued)

37b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

In addition to financing by the Group's own capital and earnings, the Group relies on bank and other borrowings as additional source of liquidity. As at 31st December, 2016, the Group has no (2015: HK$39,053,000) bank borrowings and the Group has other borrowings HK$251,469,000 (2015: Nil). Furthermore, as at 31st December, 2016 and 2015, the Group had no unutilised bank facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2016 HK$'000
2016							
Non-derivative financial liabilities							
Payables	–	62,252	–	–	–	62,252	62,252
Other borrowings — fixed rate	8.40	35,488	63,045	165,145	–	263,678	251,469
		97,740	63,045	165,145	–	325,930	313,721

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2015 HK$'000
2015							
Non-derivative financial liabilities							
Payables	–	36,803	–	–	–	36,803	36,803
Bank borrowings — fixed rate	4.79	159	302	40,164	–	40,625	39,053
		36,962	302	40,164	–	77,428	75,856

37. FINANCIAL INSTRUMENTS (Continued)

37c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding held for trading investments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

- the fair values of held for trading investments are determined with reference to quoted market bid prices.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their corresponding fair values.

Held for trading investment is measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial asset	Fair value as at 31st December, 2016 HK$'000	Fair value as at 31st December, 2015 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as held for trading investments	**6,247**	29,705	Level 1	Quoted bid prices in an active market

There is no transfer between level 1 and 2 in both years.

38. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2015, the convertible notes with aggregate principal amount of HK$24,000,000 had been converted into 10,880,899 ordinary shares of the Company. Details of the transaction are set out in note 27.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries at the end of the reporting period are set out as below:

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/ registered capital/ share capital	Attributable equity interest (note a)		Principal activities	Place of operation
				2016 %	2015 %		
Guangdong Hope Real Properties Limited (note b)	The PRC	Registered	RMB10,000,000	100	100	Provision of real estate agency services	The PRC
Guangzhou New Profits Properties Agency Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent (BVI) Limited (note c)	British Virgin Islands ("BVI")	N/A	US$100	100	100	Investment holding	Hong Kong
Sino Estate Holdings Limited (note c)	BVI	N/A	US$100	100	100	Investment holding	Hong Kong
Guangzhou Hope Profits Properties Agency Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent (China) Real Properties Consultancy Limited (note c)	The PRC	Registered	HK$75,000,000	100	100	Provision of real estate agency services	The PRC
Tianjin Hopefluent Real Properties Sales and Marketing Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Hopefluent Properties Limited (note c)	Hong Kong	Ordinary	HK$100	100	100	Provision of real estate agency services	Hong Kong
Hopefluent Promotion Limited (note c)	Hong Kong	Ordinary	HK$100	100	100	Provision of advertising and marketing services	Hong Kong
Hopefluent (Hong Kong) Limited (note c)	Hong Kong	Ordinary	HK$100,000	100	100	Investment holding	Hong Kong
Foshan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/ registered capital/ share capital	Attributable equity interest (note a) 2016 %	2015 %	Principal activities	Place of operation
Dongguan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services	The PRC
Hubei Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services	The PRC
Shanghai Hope Realty Consultancy Limited (note b)	The PRC	Registered	RMB10,000,000	**100**	100	Provision of real estate agency services	The PRC
Shanghai Hopefluent Real Properties Consultancy Limited (note b)	The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services	The PRC
Asia Asset Property (China) Limited (note c)	Hong Kong	Ordinary	HK$5,323,000	**90**	90	Investment holding	Hong Kong
Asia Asset Property Services (Shanghai) Co., Ltd. (note b & note e)	The PRC	Registered	US$630,000	**76.95**	90	Provision of property management services	The PRC
Asia Asset Property Services (Guangzhou) Co., Ltd. (note b & note e)	The PRC	Registered	RMB5,000,000	**76.95**	90	Provision of property management services	The PRC
Asia Asset Property Services (Wuhan) Co., Ltd. (note b & note e)	The PRC	Registered	HK$5,000,000	**76.95**	90	Provision of property management services	The PRC
Beijing Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB2,000,000	**100**	100	Provision of real estate agency services	The PRC
Bola Realty Guarantee (Guangzhou) Limited (note c)	The PRC	Registered	RMB101,000,000	**100**	100	Provision of mortgage referral services	The PRC
Guangdong Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB5,000,000	**100**	100	Provision of real estate agency services	The PRC

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ registration	Class of share held	Issued and paid up/ registered capital/ share capital	Attributable equity interest (note a) 2016 %	Attributable equity interest (note a) 2015 %	Principal activities	Place of operation
Henan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Jinan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB2,010,000	100	100	Provision of real estate agency services	The PRC
Anhui Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Guangzhou Bright Profits Properties Agency Limited (note c)	The PRC	Registered	RMB2,000,000	72.5	72.5	Provision of real estate agency services	The PRC
Qingyuan Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Guangzhou Wanjia Financial Services Limited (note d)	The PRC	Registered	RMB100,000,000	100	100	Provision of financial agency services	The PRC
Guizhou Hopefluent Real Properties Consultancy Limited (note c)	The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services	The PRC
Guangzhou Chun Wui Investment Consultancy Ltd. (note c)	The PRC	Registered	HK$30,000,000	100	100	Investment holding	The PRC
Guangzhou Bao Lai Microcredit Business Limited (note d)	The PRC	Registered	RMB200,000,000	100	100	Provision of microcredit business	The PRC
Hope CBD Realty Consultancy Sdn Bhd	Malaysia	Ordinary	RM50,000	60	60	Provision of real estate agency services	Malaysia

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

(a) The Company directly holds the equity interest in Hopefluent (BVI) Limited. All other interests shown above are indirectly held by the Company.

(b) The companies are sino-foreign equity joint ventures with limited liability.

(c) The companies are limited liability companies.

(d) In the PRC, it does not explicitly permit foreign-invested companies to operate a microcredit business in the PRC. Accordingly, the Group restructured a wholly-owned subsidiary, Guangzhou Wanjia Financial Services Limited ("Guangzhou Wanjia") which was established in the PRC during the year ended 31st December, 2013. After restructuring, the Group held 92% equity interest in Guangzhou Wanjia. The remaining 8% was held by two individuals who are independent to the Group. Besides, the Group also established an entity, Guangzhou Bao Lai Microcredit Business Limited ("Guangzhou Bao Lai Microcredit"), which the Group held 30% equity interest with remaining 70% held by four individuals who are independent to the Group ("Registered Shareholders"). In order to satisfy the relevant PRC laws and regulations relating to the business, Guangzhou Wanjia, Guangzhou Bao Lai Microcredit and the Registered Shareholders have entered into a series of contractual arrangements ("Structural Contracts").

Under these Structural Contracts, the Group is able to effectively control, recognise and receive substantially all the economic benefit of the business and operations of Guangzhou Bao Lai Microcredit. In summary, the Structural Contracts enable the Group to obtain, through Guangzhou Wanjia with, among other things:

- an exclusive right to acquire, directly or through one or more nominees, from each of the owners of Guangzhou Bao Lai Microcredit, at a consideration based on the contribution to the registered capital of Guangzhou Bao Lai Microcredit as permitted under the applicable laws; and

- the right to control the management and financial and operating policies of Guangzhou Bao Lai Microcredit.

As a result, Guangzhou Bao Lai Microcredit is accounted for as a subsidiary and its financial statements have also been consolidated by the Group.

During the year ended 31st December, 2014, 8% of equity interests of Guangzhou Wanjia held by the two individuals were transferred to the Group at an aggregate consideration of RMB16,000,000 (equivalent to HK$20,050,000). This equity transfer did not change the contractual arrangements set out above between Guangzhou Wanjia, Guangzhou Bao Lai Microcredit and the Registered Shareholders. As a result, the Group continues to account for Guangzhou Bao Lai Microcredit as a subsidiary and the effective equity interests in Guangzhou Bao Lai Microcredit change from 92% to 100%.

(e) During the year ended 31st December, 2016, the Group has deemed disposal of 14.5% equity interests in Asia Asset (Guangzhou). Asia Asset (Guangzhou) is previously a 100% owned subsidiary of Asia Asset Property (China) Limited, 90% owned by the Group, which makes Asia Asset (Guangzhou) a 90% indirectly-owned subsidiary of the Group. In January 2016, three independent third parties have acquired 14.5% of Asia Asset (Guangzhou) by additional capital injection, resulting in a dilution of the shareholding of the Group from 90% to 76.95% without losing any control.

The above table lists the subsidiaries of the Group as at 31st December, 2016 and 2015 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

40. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current Asset		
Unlisted investments in subsidiaries	**137,897**	146,056
Current Assets		
Other receivables	**195**	193
Amounts due from subsidiaries	**583,661**	642,134
Bank balances and cash	**677**	417
	584,533	642,744
Current Liability		
Accruals	**(54)**	(61)
Net Current Assets	**584,479**	642,683
Total Assets less Current Liability	**722,376**	788,739
Capital and Reserves		
Share capital (note 28)	**6,680**	6,680
Share premium and reserves	**715,696**	782,059
Total Equity	**722,376**	788,739

40. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement in reserves

	Share premium HK$'000	Contributed surplus reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2015	809,226	67,385	7,690	27,304	(109,896)	801,709
Profit for the year	–	–	–	–	30,563	30,563
Exchange differences arising on translation	–	–	–	(48,690)	–	(48,690)
Total comprehensive (expense) income for the year	–	–	–	(48,690)	30,563	(18,127)
Exercise of share options	1,335	–	(279)	–	–	1,056
Dividends recognised as distribution	(36,740)	–	–	–	–	(36,740)
Shares issued due to conversion of convertible notes by a noteholder	34,161	–	–	–	–	34,161
At 31st December, 2015	807,982	67,385	7,411	(21,386)	(79,333)	782,059
Profit for the year	**–**	**–**	**–**	**–**	**33,839**	**33,839**
Exchange differences arising on translation	**–**	**–**	**–**	**(43,422)**	**–**	**(43,422)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(43,422)**	**33,839**	**(9,583)**
Dividends recognised as distribution	**(56,780)**	**–**	**–**	**–**	**–**	**(56,780)**
Lapse of share options	**–**	**–**	**(7,411)**	**–**	**7,411**	**–**
At 31st December, 2016	**751,202**	**67,385**	**–**	**(64,808)**	**(38,083)**	**715,696**

The contributed surplus of the Company represents the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company under a corporate reorganisation in 2004 and the nominal amount of the Company's shares issued for the acquisition.

Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31st December,				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
RESULTS					
Turnover	1,781,635	2,350,527	2,466,784	2,760,202	**3,965,770**
Profit before tax	268,156	325,934	235,489	318,375	**464,917**
Income tax expense	(82,498)	(107,356)	(83,344)	(91,282)	**(146,233)**
Profit for the year	185,658	218,578	152,145	227,093	**318,684**
Attributable to:					
Owners of the Company	186,523	216,089	147,121	223,330	**302,207**
Non-controlling interests	(865)	2,489	5,024	3,763	**16,477**
	185,658	218,578	152,145	227,093	**318,684**

	At 31st December,				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,828,962	2,233,617	2,838,880	2,868,076	**3,526,269**
Total liabilities	(530,759)	(618,923)	(673,631)	(611,640)	**(1,097,408)**
Total equity	1,298,203	1,614,694	2,165,249	2,256,436	**2,428,861**
Attributable to:					
Owners of the Company	1,280,236	1,573,736	2,144,877	2,238,288	**2,386,427**
Non-controlling interests	17,967	40,958	20,372	18,148	**42,434**
	1,298,203	1,614,694	2,165,249	2,256,436	**2,428,861**