NINE EXPRESS LIMITED
九號運通有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Nine Express Limited (formerly known as "**Cheung Wo International Holdings Limited**") (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016 ("**Year under Review**"), with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*5*	**23,047**	24,422
Cost of sales	*7*	**(5,919)**	(5,424)
Gross profit		**17,128**	18,998
Other income and gains	*5*	**87,891**	123
Fair value loss on investment properties		**(21,445)**	(48,780)
Impairment loss on investment in an associate	*11*	**(148,674)**	–
Impairment loss on available-for-sale financial assets		**(20,008)**	–
Properties development in progress written down		**(46,953)**	–
Impairment loss on hotel development		**–**	(604,173)
Provision for PRC Enterprise Income tax		**(28,200)**	–
Administrative expenses	*7*	**(56,612)**	(44,055)
Selling and marketing expenses	*7*	**(1,947)**	(3,003)

	Note	**2016**	2015
		HK$'000	*HK$'000*
Operating loss		**(218,820)**	(680,890)
Finance income	*6*	**42**	920
Finance costs	*6*	**(51,432)**	(24,385)
Finance costs – net	*6*	**(51,390)**	(23,465)
Share of losses of investments in associates		**(1,398)**	(4,224)
Loss on deemed disposal of an associate		**(61,222)**	–
Loss before income tax		**(332,830)**	(708,579)
Income tax credit	*8*	**4,116**	65,041
Loss for the year attributable to owners of the Company		**(328,714)**	(643,538)
Loss per share	*10*		
Basic		**HK(14.54)cents**	HK(42.34)cents
Diluted		**HK(14.54)cents**	HK(42.34)cents
Dividend	*9*	**–**	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(328,714)**	(643,538)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(42,818)**	(56,563)
Share of other comprehensive income of an associate accounted for using the equity method	**56**	–
Other comprehensive income for the year, net of tax	**(42,762)**	(56,563)
Total comprehensive income for the year attributable to owners of the Company	**(371,476)**	(700,101)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**71,994**	66,133
Land use rights		**79,285**	92,435
Investment properties		**256,868**	272,953
Investments in associates		**891,420**	145,868
Available-for-sale financial assets		**167,722**	105,050
Prepayments and other receivables	*13*	**16,495**	20,389
Film rights		**102**	102
Financial assets at fair value through profit or loss		**63,400**	–
Total non-current assets		**1,547,286**	702,930
Current assets			
Properties development in progress		**1,035,652**	1,073,710
Inventories		**2**	7
Trade and rental receivables	*12*	**10,642**	10,726
Prepayments and other receivables	*13*	**11,738**	57,307
Tax recoverable		**7**	83
Financial assets at fair value through profit or loss		**24,231**	–
Restricted bank deposits		**8,692**	2,561
Cash and cash equivalents		**24,010**	57,175
Total current assets		**1,114,974**	1,201,569
LIABILITIES			
Current liabilities			
Trade payables	*14*	**18,146**	28,031
Other payables, accruals and deposits received		**201,002**	45,641
Borrowings		**371,610**	390,890
Finance lease payables		**–**	1,018
Current tax liabilities		**2,121**	–
Total current liabilities		**592,879**	465,580
Net current assets		**522,095**	735,989
Total assets less current liabilities		**2,069,381**	1,438,919

	Note	**2016**	2015
		HK$'000	*HK$'000*
Non-current liabilities			
Deposits received		**2,501**	2,659
Borrowings		**326,075**	293,874
Convertible notes		**136,828**	–
Deferred tax liabilities		**157,140**	173,561
Total non-current liabilities		**622,544**	470,094
Net assets		**1,446,837**	968,825
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		**24,712**	16,825
Other reserves		**1,422,125**	952,000
Total equity		**1,446,837**	968,825

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company's registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and the head office and principal place of business in Hong Kong of the Company is located at Room 4101, 41st Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group consist of film distribution and licensing, film processing, rental of property, property and hotel development, and investment in centralised heat supply.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

As at 31 December 2016, the Group had total current liabilities of approximately HK$592,879,000 that would be due for repayment in the coming twelve months. As at the same date, the Group had cash and cash equivalents of approximately HK$24,010,000. In addition, the Group recorded a net loss attributable to owners of the Company of approximately HK$328,714,000 and had cash outflow from operating activities of approximately HK$617,000 for the year ended 31 December 2016. The Group's other loan with carrying amount of approximately HK$153,459,000 will mature in January 2018. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management has prepared cash flow projections which cover a period of eighteen months from the date of the consolidated statement of financial position. The Directors have reviewed the Group's cash flow projections. The Directors closely monitor the Group's liquidity position and financial performance and have initiated measures to improve the Group's cash flows. These measures include obtaining additional financing from banks and others with low interest cost and rollover of existing loans. The Group also received a letter of financial support from a substantial shareholder of the Company confirming that it will continue to provide adequate funds for the Group to meet its present and future financial obligations as they fall due. In the opinion of the Directors, in light of the above, together with the anticipated cash outflows from operations, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming eighteen months from the date of the consolidated statement of financial position. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised HKFRSs are relevant to the Group.

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018

Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed in the annual report. As the Group has not completed its assessment, further impacts may be identified in due course.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into five business units – property rental, film distribution and licensing, film processing, property and hotel development and centralised heat supply.

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

Segment assets exclude restricted bank deposits, cash and cash equivalents, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Segment liabilities exclude finance lease payables of a motor vehicle used on a Group basis, convertible notes and other unallocated head office and corporate liabilities as these liabilities are managed on a Group basis.

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

Year ended 31 December 2016

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Centralised heat supply *HK$'000*	Total *HK$'000*
Segment revenue:						
External revenue	**19,303**	**1,285**	**2,459**	**–**	**–**	**23,047**
Total revenue	**19,303**	**1,285**	**2,459**	**–**	**–**	**23,047**
Segment results	**(9,364)**	**(14,143)**	**(2,007)**	**(58,829)**	**(148,169)**	**(232,512)**
Unallocated corporate expenses						**(48,928)**
Finance income						**42**
Finance costs						**(51,432)**
Loss before income tax						**(332,830)**
Income tax credit						**4,116**
Loss for the year						**(328,714)**

As at 31 December 2016

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Centralised heat supply *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets and liabilities							
Segment assets	**269,808**	**140**	**2,851**	**1,349,286**	**–**	**148,755**	**1,770,840**
Segment liabilities	**51,569**	**8,338**	**1,858**	**893,424**	**–**	**260,234**	**1,215,423**
Investments in associates	**–**	**–**	**–**	**–**	**891,420**	**–**	**891,420**
Other segment information:							
Capital expenditure	**774**	**–**	**86**	**2,731**	**–**	**1,522**	**5,113**
Depreciation	**923**	**–**	**480**	**300**	**–**	**2,722**	**4,425**
Fair value loss on investment properties	**21,445**	**–**	**–**	**–**	**–**	**–**	**21,445**
Property development in progress written down	**–**	**–**	**–**	**46,953**	**–**	**–**	**46,953**
Impairment loss on investment in an associate	**–**	**–**	**–**	**–**	**148,674**	**–**	**148,674**
Share of losses (profits) of investments in associates	**–**	**–**	**–**	**1,966**	**(568)**	**–**	**1,398**

Year ended 31 December 2015

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Total *HK$'000*
Segment revenue:					
External revenue	20,112	2,374	1,936	–	24,422
Total revenue	20,112	2,374	1,936	–	24,422
Segment results	(35,865)	(15,655)	(1,875)	(620,540)	(673,935)
Unallocated corporate expenses					(11,179)
Finance income					920
Finance costs					(24,385)
Loss before income tax					(708,579)
Income tax credit					65,041
Loss for the year					(643,538)

As at 31 December 2015

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets and liabilities						
Segment assets	304,644	8,416	2,800	1,410,031	178,608	1,904,499
Segment liabilities	57,406	8,452	1,023	865,497	3,296	935,674
Investments in associates	–	–	–	145,868	–	145,868
Other segment information:						
Capital expenditure	229	69	390	51,318	–	52,006
Depreciation	1,004	496	398	383	2,073	4,354
Fair value loss on investment properties	48,780	–	–	–	–	48,780
Impairment loss on hotel development	–	–	–	604,173	–	604,173
Share of losses of investments in associates	–	285	–	3,939	–	4,224

(a) Geographical information

2016

	Hong Kong *HK$'000*	**Mainland China** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue	**3,226**	**19,303**	**518**	**23,047**
Non-current assets (excluding available-for-sale financial assets and financial assets at fair value through profit or loss)	**5,880**	**1,310,284**	**–**	**1,136,164**
Capital expenditure	**1,504**	**3,609**	**–**	**5,113**

2015

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue	2,643	20,112	1,667	24,422
Non-current assets (excluding available-for-sale financial assets)	2,344	595,536	–	597,880
Capital expenditure	459	51,547	–	52,006

(b) Information about major customers

Revenue of approximately HK$13,110,000 (2015: HK$13,730,000) and approximately HK$3,620,000 (2015: HK$3,790,000) were derived from two individual tenants of property rental segment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of film rights licensed, after allowances for trade discounts; the value of services rendered; and rental income received and receivable from its investment property less business tax during the year.

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Property rental income	**19,303**	20,112
Film distribution and licensing income	**1,285**	2,374
Film processing income	**2,459**	1,936
	23,047	24,422
Other income and gains		
Fair value gains on financial assets at fair value through profit or loss	**87,631**	–
Gain on disposal of property, plant and equipment	**110**	26
Others	**150**	97
	87,891	123

6. FINANCE COSTS – NET

	2016	2015
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**43,414**	59,003
Interest on finance leases	**20**	85
Interest on other borrowings	**32,407**	29,736
Interest on convertible notes	**13,114**	–
Foreign exchange difference, net	**212**	–
	89,167	88,824
Less: amounts capitalised on qualifying assets	**(37,735)**	(64,439)
Total finance costs	**51,432**	24,385
Finance income:		
Interest income on short-term bank deposits	**(42)**	(132)
Foreign exchange difference, net	**–**	(788)
Total finance income	**(42)**	(920)
Finance costs – net	**51,390**	23,465

7. EXPENSES BY NATURE

	2016	2015
	HK$'000	*HK$'000*
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	**18,437**	13,401
Pension costs – defined contribution plans and social security costs	**982**	600
	19,419	14,001
Directors' remuneration	**5,410**	2,922
Auditors' remuneration	**1,881**	1,636
Depreciation	**4,425**	4,354
Cost of inventories recognised as expenses	**83**	140
Operating lease rentals in respect of buildings	**4,655**	6,045
Direct operating expenses of investment property that generate rental income	**3,226**	2,911
Provision for impairment of trade receivables	**69**	–
Reversal of provision for impairment of trade receivables	**(85)**	(44)
Professional fees	**14,173**	8,669
Selling and marketing expenses	**1,947**	3,003
Others	**9,275**	8,845
Total cost of sales, administrative expenses and selling and marketing expenses	**64,478**	52,482

8. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

The applicable tax rate for the Group's operations in Mainland China is 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**–**	7
Overprovision in prior years	**(5)**	(20)
Current tax – PRC		
Charge for the year	**2,286**	–
Total current tax	**2,281**	(13)
Deferred tax	**(6,397)**	(65,028)
Total tax credit	**(4,116)**	(65,041)

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(328,714)**	(643,538)
Weighted average number of ordinary shares in issue (thousands)	**2,261,158**	1,520,003

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had three (2015: two) categories of dilutive potential ordinary shares, share options, warrants and convertible notes for the year ended 31 December 2016 (2015: share options and warrants).

For the year ended 31 December 2016, the convertible notes were assumed to have been converted into ordinary shares, and the net loss was adjusted to eliminate the interest expense less the tax effect. Potential ordinary shares arising from the assumed conversion of convertible notes were not included in the calculation of diluted loss per share because they are anti-dilutive for the year ended 31 December 2016. For share options and warrants, calculation is done to determine the number of shares that could have acquired at fair value (determined as average annual market share price of the Company's shares) based on the monetary value of the subscription right attached to the outstanding share options and warrants. As the exercise price of the share options and warrants granted by the Company was higher than the average annual market price of the Company's shares for the year ended 31 December 2016, the outstanding share options and warrants had no dilutive effect on loss per share. Therefore, diluted loss per share for the year ended 31 December 2016 equals basic loss per share.

In calculating the diluted loss per share for the year ended 31 December 2015, the potential ordinary shares arising from the assumed conversion of the share options and warrants has no dilutive effect on loss per share. Therefore, diluted loss per share equals basic loss per share.

11. IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

For impairment assessment, the Group had estimated the value in use of Ever-Grand Development Limited ("**Ever-Grand**"), based on the share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operation of the associate and the proceeds from the ultimate disposal of the investment. For the year ended 31 December 2016, due to delay in pipeline construction, an impairment loss of approximately HK$148,674,000 was recognised in profit or loss. The pre-tax discount rate used was 19.4%.

The investment in Ever-Grand was included in the segment of "centralised heat supply".

12. TRADE AND RENTAL RECEIVABLES

	2016 ***HK$'000***	2015 *HK$'000*
Trade receivables	**554**	1,242
Less: provision for impairment of trade receivables	**(109)**	(125)
Trade receivables – net	**445**	1,117
Rental receivables	**10,197**	9,609
	10,642	10,726

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 to 120 days. Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Credit limits attributed to customers are reviewed regularly.

The aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
0 – 90 days	**415**	448
91 – 180 days	**30**	598
181 – 365 days	**–**	6
Over 1 year	**–**	65
	445	1,117

Aging of trade receivables which are past due but not impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 90 days	**234**	281
91 – 180 days	**–**	–
More than 180 days	**–**	65
	234	346

13. PREPAYMENTS AND OTHER RECEIVABLES

		2016	2015
	Note	*HK$'000*	*HK$'000*
Prepayment for construction costs	*(i)*	**97,800**	103,982
Impairment loss		**(82,796)**	(90,854)
Exchange realignment		**–**	2,824
Prepayment for construction costs – net		**15,004**	15,952
Other prepayments		**2,497**	47,129
Other receivables	*(ii)*	**8,166**	11,906
Utility and other deposits		**2,566**	2,709
		28,233	77,696
Less: current portion		**(11,738)**	(57,307)
Non-current portion		**16,495**	20,389

(i) The balance represents prepayments to a subcontractor in the PRC relating to the construction project of the Group in Hunan for developing the residential units and the hotel.

(ii) The balance includes a compensation income receivable of HK$Nil (2015: HK$4,000,000) in relation to a movie production.

14. TRADE PAYABLES

At 31 December 2016, the aging analysis of the trade payables, based on the invoice date, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 90 days	**16,357**	25,619
91 – 180 days	**1,175**	745
181 – 365 days	**290**	1,012
Over 1 year	**324**	655
	18,146	28,031

15. CONTINGENT LIABILITIES

According to Tax Circular 698 and Public Notice [2015] No.7 ("**Public Notice 7**") of the State Administration of Taxation (the "**SAT**"), the acquisition of 49% equity interest in Ever-Grand during the year had led to an indirect acquisition of subsidiaries of Ever-Grand in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be re-characterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to PRC Enterprise Income tax ("**EIT**"). The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the tax authority within 30 days after the equity transfer agreement is concluded.

In case the Group fails to fulfill its withholding obligation and the vendor, namely Sky-Linked International Limited (the "**Vendor**"), has not paid the EIT, the PRC tax authorities would demand the Vendor for the payment of EIT and impose penalty of 50% to 3 times of the unpaid EIT on the Group. The penalty may be relieved if the indirect transfer has been voluntarily reported to the PRC tax authorities by the Group.

The Company has already held back a sum of HK$60,000,000 payable to the Vendor to serve as withholding EIT and further made a EIT provision of HK$28,200,000, but has not yet reported the transaction or paid EIT to the PRC tax authorities. After consulting PRC legal counsel, the Directors are of the opinion that the Group has already substantially fulfilled the withholding obligation, thereby containing the risk of penalty to reasonably low level.

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and the Guarantors, namely Mr. Cheng Ngok Fai and Mr. Li Ruiguan, the Vendor is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. The Vendor shall compensate the Company in case the Vendor fails to report and payment of the EIT on the indirect equity transfer. In addition, such arrangement was further formally executed through a deed of tax indemnify entered into among the Company, the Vendor and the Guarantors on 30 March 2016. Therefore, the Directors believe the Vendor, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The Directors do not consider it probable that a claim will be made against the Group regarding the penalty mentioned above.

The Group has no material contingent liabilities as at 31 December 2015.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that, as at 31 December 2016, the Group had total current liabilities of approximately HK$592,879,000 that would be due for repayment in the coming twelve months. As at the same date, the Group had cash and cash equivalents of approximately HK$24,010,000. In addition, the Group recorded a net loss attributable to owners of the Company of approximately HK$328,714,000 and had cash outflow from operating activities of approximately HK$617,000 for the year ended 31 December 2016. The Group's other loan with carrying amount of approximately HK$153,459,000 will mature in January 2018. These events or conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid "note 2 to the consolidated financial statements" in the extract of the independent auditor's report is disclosed in note 2 to this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2016, the Group recorded a turnover of approximately HK$23,047,000 (2015: HK$24,422,000), accounting for a decrease of approximately 5.6%. Loss attributable to the owners of the Company was approximately HK$328,714,000 (2015: HK$643,538,000).

For the year ended 31 December 2016, property rental income was stable and contributed approximately HK$19,303,000 (2015: HK$20,112,000) to the total turnover while film distribution and processing businesses accounted for approximately 16.2% (2015: 17.6%) of the total turnover, amounted to approximately HK$3,744,000 (2015: HK$4,310,000).

Loss attributable to shareholders was approximately HK$328,714,000 (2015: HK$643,538,000). Basic loss per share was approximately HK$14.54 cents (2015: HK$42.34 cents). The Board does not recommend dividend payout for the year ended 31 December 2016 (2015: Nil). As at 31 December 2016, cash and cash equivalents were approximately HK$24,010,000 (2015: HK$57,175,000).

BUSINESS REVIEW

During the Year under Review, the Group continued to focus on (i) property and hotel development (the "**Xiangtan Project**") in Xiangtan, Hunan Province, (ii) property rentals (the "**Chengdu Project**") in Chengdu, Sichuan Province, (iii) film distribution and processing business, and (iv) centralised heat supply business.

(i) Xiangtan Project

Situated in the Jiuhua Economic Zone of Xiangtan, Hunan, the Xiangtan Project encompasses a land area of 325,989 sq. m. for the development of a five-star hotel and low density residential units.

During the year ended 31 December 2016, the construction work on the five-star hotel has already been completed. However, given that the adjacent recreational facilities are still under construction and to avoid unnecessary spending and depreciation, the hotel decoration work has not started yet. Based on the construction progress of the nearby recreation facilities, we expect that the hotel will officially begin operations in the first half of 2019.

During the year ended 31 December 2016, the Group completed construction of low density residential units covering an area of over 20,000 sq. m. and obtained a pre-sale permit for 24,708 sq. m. As of 31 December 2016, the Group had pre-sold 53 villas with a total area of 11,495 sq. m., comprising 41 duplex villas, and 12 semi-detached villas. The average price per sq.m. of duplex villas and semi-detached villas were sold ranged from approximately RMB4,400 to RMB5,600, and approximately RMB7,800 to RMB10,700, respectively. The delivery of the properties to buyers will take place in 2017, therefore the total financial contributions will only be reflected in our 2017 financial results.

In 2017, the Group will start construction of detached villa units, and will obtain pre-sale permits, generating cash flow returns for the Group.

On 5 August 2016, Cheung Wo (Hunan) Property Limited ("**Cheung Wo (Hunan)**"), a wholly owned subsidiary of the Company engaged in the property and hotel development business, entered into a subscription agreement (the "**Subscription Agreement**") with Silver Ridge International Limited (the "**Subscriber**"), pursuant to which, Cheung Wo (Hunan) agreed to allot and issue the subscription shares at the subscription price of HK$200,000,000. Upon completion, the Subscriber would be interested in 63% of the enlarged issued share capital of Cheung Wo (Hunan); and the Company's interest in Cheung Wo (Hunan) would be diluted to 37%, representing a decrease of 63%.

The required conditions under the Subscription Agreement were not fulfilled or waived on or before the long stop date stated in the agreement, i.e. 31 December 2016 (the "**Long Stop Date**"), therefore, the Subscription Agreement was terminated.

(ii) Chengdu Project

For the year ended 31 December 2016, the Group's five-storey shopping centre located in Jinniu District, Chengdu, remained almost fully leased and occupied, becoming the main steady income driver for the Group. Revenues of approximately HK$19,303,000 from property rental, were similar to the total recorded for the year ended 31 December 2015.

(iii) Film Distribution and Processing Business

For the year ended 31 December 2016, film distribution and processing business recorded revenues of approximately HK$3,744,000, a decline of approximately 13.1% compared to last year. Because this sector will not serve as the core business driver of the Group in the future, less resources will be directed into its operations, and instead more focus will be placed on our new business sectors with a view to providing greater benefits for the Group and its shareholders. The loss before income tax narrowed from approximately HK$17,530,000 to approximately HK$16,150,000 in FY2016 as the Group restructured its existing film group for strategic planning purposes.

While maintaining its operations and development of this sector, we will continue to identify new viable opportunities to improve this sector's profitability. In the meantime, the Group will actively explore new potential business opportunities in order to diversify its business portfolio.

(iv) Centralised Heat Supply Business

The Group completed the acquisition of 49% equity interest in Ever-Grand in March 2016, at a consideration of HK$882,000,000, in which HK$60,000,000 was paid in cash and HK$822,000,000 was settled by issuing convertible notes. Ever-Grand holds 80% equity interest in Dongguan City Dejin Energy Technology Company Limited and Dongguan City Dejin Thermal Power Company Limited, which is the first and also the only centralised heat supply company in Dongguan City, mainly engaged in energy-saving environmental protection projects by providing steam and heat in Dongguan City to industrial customers in various areas of Humen Town and Changan Town of Dongguan City.

During the year ended 31 December 2016, the Group entered into steam supply contracts with 20 industrial customers and completed the construction of approximately 3.2km of steam transmission pipelines in Humen Town that have fully begun operations and generated revenues of approximately HK$15,327,000 for Ever-Grand. However, since we have yet to receive a financial loan during the year ended 31 December 2016, the construction of steam transmission pipelines has been delayed, which has affected relevant financial returns.

The total length of the steam transmission pipelines in Human Town and Changan Town provided by the project company is expected to reach approximately 42km and 60km respectively. The Group believes that the pipelines construction work will be rolled out in different phases in a few years following the fund-raising for the capital investment. Therefore, the Group is optimistic about the prospects for the centralised heat supply business.

FINANCING ACTIVITIES

On 30 March 2016, the Company had completed the acquisition of 49% of the entire issued capital in Ever-Grand which is engaged in the centralised heat supply project by distribution of steam and heat produced by a power plant in Dongguan City to the industrial customers in certain areas in Humen Town and Changan Town of Dongguan City, Guangdong Province respectively.

On 31 March 2016, a Company's subsidiary extended the repayment period of a loan agreement with a PRC bank, extending the due date from 2018 to 2021, for an outstanding term loan of RMB189,000,000 which is interest bearing at the market rate. Under such loan agreement, the borrowing was secured by the land use right and the construction in progress of the hotel development project, situated in Xiangtan, Hunan (which were held for the hotel development project) and guaranteed by certain related parties of the Company.

On 13 July 2016, Upbest Securities Company Limited (the "**Placing Agent**") and the Company entered into the placing agreement (the" **Placing Agreement**") pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 494,232,500 placing shares at the placing price of HK$0.323 per placing share and it was expected that the net proceeds from the placing would be approximately HK$153,900,000. On 3 August 2016, the Company and the Placing Agent agreed to terminate the Placing Agreement by entering into the deed of termination to terminate the Placing Agreement with immediate effect.

On 26 July 2016, a Company's subsidiary entered into a loan agreement with a PRC bank, for a period of 12 months, for the term loan of RMB250,000,000 which is interest bearing at the market rate. Under such loan agreement, the borrowing was secured by the land situated in Xiangtan, Hunan (which was acquired by the Group in October 2013 for the residential development project) and guaranteed by certain related parties of the Company.

On 5 August 2016, Cheung Wo (Hunan), a wholly owned subsidiary of the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Subscriber agreed to subscribe and Cheung Wo (Hunan) agreed to allot and issue the subscription shares at the subscription price of HK$200,000,000. Upon completion, the Subscriber would be interested in 63% of the enlarged issued share capital of Cheung Wo (Hunan); and the Company's interest in Cheung Wo (Hunan) would be diluted to 37%, representing a decrease of 63%. Upon completion, Cheung Wo (Hunan) would cease to be a subsidiary of the Company. The financial results of Cheung Wo (Hunan) would be accounted for using equity method in the Group's financial statements. In view of the property market in Xiangtan and the stringent PRC banking policies in releasing loans to property companies, Cheung Wo (Hunan) was facing a slow return from its selling of properties and it was difficult to obtain financing with favourable terms from independent financial institutions to fund the current development of the property project. Further, debt financing would increase the gearing level of the Group and the interest expense incurred would impose additional financial burden to the Group's future cash flows, hence the Directors considered that the transaction under the Subscription Agreement represented a good opportunity to raise capital for the future development of Cheung Wo (Hunan). As certain conditions precedent had not been and were not expected to be satisfied or waived on or before the Long Stop Date, and Cheung

Wo (Hunan) and the Subscriber had not agreed on any further extension of the Long Stop Date, the Subscription Agreement lapsed immediately after the Long Stop Date (i.e. 31 December 2016) and no party would have any claim against the other party in respect of any matter or thing arising out of or in connection with the Subscription Agreement save in respect of antecedent of any obligation thereof. The Directors consider that the lapse of the Subscription Agreement will not have any material adverse impact on the existing business, operation and financial position of the Group.

DISPOSAL OF SHARES BY THE CONTROLLING SHAREHOLDER

On 22 November 2016, Full Dragon Group Limited ("**Full Dragon**"), the Group's then controlling shareholder, sold 642,488,592 shares of the Company to Keyne Holdings Limited, at a consideration of US$22,867,207, representing approximately 26.0% of the issued share capital of the Company. Immediately following the disposal, Full Dragon now holds 232,284,073 shares of the Company, representing approximately 9.4% of its issued share capital and ceases to be a substantial shareholder of the Company.

PROSPECTS

Global economic growth remained soft in 2016, affected by uncertainties in the international macro economy and overall financial environment. Negative sentiment is expected to remain in 2017. In view of this, the Group will continue to execute a prudent business diversification strategy in the coming year in order to stabilise its advantages and profitability under this challenging economic environment.

The Xiangtan Jiuhua Economic Zone in Hunan Province is one of China's national development zones and it is experiencing rapid economic growth due to large scale investments by institutions across different fields in construction of transportation facilities, educational institutions, healthcare facilities, commercial facilities, tourism facilities and so on. As upgrades and improvements continue in this Zone, there will be greater demand for the Group's five-star hotel operations and low density villas. Given these circumstances, the Group intends to make full use of the entire Xiangtan Project land area and actively accelerate its development. We expect that significant revenues would be generated with the operations of the hotel and the launch of all the properties.

In recent years, the film industry has been booming across the PRC with favorable policies launched by both the PRC and Hong Kong Governments. For this reason, the Group still sees promising future developmental potential for the film business. Therefore, while maintaining its current operations, we will also explore new plans and opportunities that could potentially bring in even higher revenues for the Group.

In addition, due to the advantages of greater energy efficiency, centralised heat supply has become one of the main developmental directions being undertaken in China. As such, continuous support policies are being launched by the Central Government as well as municipal governments for centralised heat supply promotion. For instance, in February 2016, the Guangdong Provincial Government issued the "Guangdong Province Boiler Pollution Remediation Plan 2016 – 2018", clearly stating that the replacement of small, high polluting boilers with centralised heat supply should be completed by the end of 2017. In the coming year, the Group will continue with the construction of centralised heat supply pipelines in Humen Town and Changan Town in Dongguan City, with a view to expanding business operations to other towns and seizing opportunities brought about by new governmental green policies.

Apart from the abovementioned four core businesses, namely, property rental, property and hotel development, film distribution and processing, and centralised heat supply, the Group will actively explore other potential and feasible business opportunities to integrate and diversify its business portfolio in order to strengthen the overall income base and maximise the Group's value as well as the dividends to its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's net current assets were approximately HK$522,095,000 (2015: HK$735,989,000), with current assets of approximately HK$1,114,974,000 (2015: HK$1,201,569,000) and current liabilities of approximately HK$592,879,000 (2015: HK$465,580,000), representing a current ratio of approximately 1.9 (2015: 2.6). As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$24,010,000 (2015: HK$57,175,000).

CAPITAL STRUCTURE

The Group's total equity amounted to approximately HK$1,446,837,000 as at 31 December 2016 (2015: HK$968,825,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 31 December 2016, the Group's outstanding borrowings and convertible notes were approximately of HK$834,513,000 (2015: HK$684,764,000). The Group's bank borrowings of approximately HK$192,372,000 (2015: HK$236,323,000) were secured by the Group's land use right and construction in progress with a net carrying amount of approximately HK$79,285,000 (2015: HK$92,435,000) and approximately HK$64,453,000 (2015: HK$56,023,000) respectively. The Group's bank borrowings of approximately HK$275,061,000 as at 31 December 2016 was secured by the Group's properties development in progress with a net carrying amount of approximately HK$441,466,000 and the Group's entrusted bank borrowings of approximately HK$295,404,000 as at 31 December 2015 was secured by the Group's properties development in progress with a net carrying amount of approximately HK$469,374,000. The Group's current bank borrowing of approximately HK$627,000 (2015: HK$839,000) and bank overdraft of approximately HK$2,981,000 as at 31 December 2016 were secured by the leasehold land and buildings, with a net carrying amount of approximately HK$672,000 (2015: HK$699,000) and obligations under finance leases of approximately HK$1,018,000 as at 31 December 2015 was secured by a motor vehicle with a net carrying amount of approximately HK$1,330,000 at the same date. The Group's bank borrowing of approximately HK$11,000 (2015: HK$118,000) was secured by the Group's bank deposits of approximately HK$17,000 (2015: HK$142,000). The Group's other borrowings of approximately HK$153,459,000 (2015: HK$152,080,000) was secured by the share charges over certain subsidiaries of the Group, inter-companies loans and a personal guarantee executed by Mr. Cheng Keung Fai, a shareholder of the Company. The Group's loans from a shareholder of approximately HK$15,828,000 and other loan of approximately HK$57,346,000 were unsecured. The gearing ratio based on borrowings, obligations under finance leases and convertible notes over total equity as at 31 December 2016 was approximately 0.577 (2015: 0.708).

EXPOSURE TO FOREIGN EXCHANGE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Income and expenses derived from the operations in the PRC were mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, however, the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

CONTINGENT LIABILITIES

Save for those disclosed in Note 15 to the financial statements, there was no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the year ended 31 December 2016 was approximately HK$24,158,000 (2015: HK$16,603,000), representing an increase of approximately 45.5%, mainly due to hiring of experienced management staff to accommodate for our new diversified businesses. The Group had a workforce of 100 (2015: 80). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2016 (2015: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2016, the Company has complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "**CG Code**") except for the following:

Pursuant to the code provision F.1.1 of the CG Code, the company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. The Company engages Mr. Chan Chun Fat as its company secretary. Mr. Chan is a practising solicitor and in performing his duties as the company secretary of the Company, he reports to the Board and maintains contacts with the chief executive officer of the Company.

Pursuant to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. Although only two regular board meetings were held during the Year under Review, the Board considered that sufficient meetings had been held as business operations were under the management and the supervision of the executive Directors and senior management of the Company. In addition, senior management of the Company provided the information to the Board in respect of financial, operational and business development, amongst others, from time to time and, when required, ad hoc board meetings were held.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares during the year.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "**Model Code**") set out in Appendix 10 of Rules Governing the Listing of Securities on the Stock Exchange as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The audit committee of the Company has met with the external auditor of the Company, Messrs. RSM Hong Kong, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2016, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The audit committee is composed of four independent non-executive Directors, Mr. Tang Ping Sum, Mr. Tsui Pui Hung, Mr. Chiu Sin Nang, Kenny and Mr. Gao Hong. The chairman of the audit committee has professional qualifications and experience in financial matters.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and that of the Company (http://www.nine-express.com.hk). The annual report will be dispatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their support and our customers for their patronage.

By order of the Board
Nine Express Limited
WAN PEIZHONG
Chairman

Hong Kong, 29 March 2017

As at the date of this announcement, the Board comprises ten Directors. The executive Directors are Mr. Wan Peizhong (Chairman), Mr. Xiang Junjie (Chief Executive Officer), Mr. Tai Yat Chung, Mr. Ji Jianguo, Ms. Qian Ling Ling and Mr. Zhang Li; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum, Mr. Chiu Sin Nang, Kenny and Mr. Gao Hong.