



中國信息科技發展有限公司

**China Information Technology Development Limited**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8178)

ANNUAL REPORT

**2016**



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

*This report will be available on the Company’s website <http://www.chinainfotech.com.hk> and will remain on the “Latest Company Report” page on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting.*

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Wong Kui Shing, Danny  
(Chairman and Chief Executive Officer)  
Mr. Tse Chi Wai  
Ms. Wu Jingjing  
Mr. Takashi Togo

## NON-EXECUTIVE DIRECTOR

Mr. Wong Chi Yung

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man  
Mr. May Tai Keung, Nicholas  
Dr. Chen Shengrong

## COMPANY SECRETARY

Mr. Tse Chi Wai

## COMPLIANCE OFFICER

Mr. Tse Chi Wai

## AUTHORISED REPRESENTATIVES

Mr. Wong Kui Shing, Danny  
Mr. Tse Chi Wai

## NOMINATION COMMITTEE

Mr. Hung Hing Man (Chairman)  
Mr. May Tai Keung, Nicholas  
Dr. Chen Shengrong

## REMUNERATION COMMITTEE

Mr. May Tai Keung, Nicholas (Chairman)  
Mr. Hung Hing Man  
Dr. Chen Shengrong

## AUDIT COMMITTEE

Mr. Hung Hing Man (Chairman)  
Mr. May Tai Keung, Nicholas  
Dr. Chen Shengrong

## AUDITOR

ZHONGHUI ANDA CPA Limited

## LEGAL ADVISOR

Conyers Dill & Pearman

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Public Bank (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
Citibank, N.A.

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 2802, 28th Floor, Prosperity Tower  
39 Queen's Road Central  
Hong Kong

## REGISTERED OFFICE

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

## 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 KYI-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East, Hong Kong

## GEM STOCK CODE

8178

## WEB-SITE ADDRESS

[www.chinainfotech.com.hk](http://www.chinainfotech.com.hk)

# Chairman's Statement

Dear Shareholders,

I am pleased to present the annual results of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

## BUSINESS HIGHLIGHT

The only constant in the world of IT is change. The Company and the directors of the Company (the "Directors") believe that it is more than important to equip ourselves in all levels in order to stand out in the market. The competition among the different players in the IT industry elevated with the huge potential laid by the new developments and IT trends. In 2016, the Company has leveraged few valuable opportunities to value add ourselves so that the Company will become an all-rounded company to welcome the ever-changing trends and development in the IT industry.

To start with, having the goal to better optimize use of resources of the Group, the Company has disposed its 25% shares in Wise Visual Holdings Limited at a consideration of HK\$80 million during 2016, so that the Group can put more resources on the existing business and other business opportunities with higher yield.

It shall not be hard to see that cloud computing and mobile solutions are the focal points in the world and the Company will not lag behind the trend. With this vision, on 12 September 2016, one of the Company's direct wholly-owned subsidiaries – Golden Sunweave Limited entered into a subscription agreement by subscribing 84% of the enlarged share capital of Macro China Holding Limited ("Macro"). After the subscription, the Company is able to engage in provision of IT infrastructure solutions and maintenance services in Hong Kong and the PRC. Details of the said event are set out in the announcements dated 12 September 2016 and 14 December 2016 and circular dated 25 November 2016. The said subscription has been completed on 30 December 2016 and Macro has become a subsidiary of the Company.

Macro aims at providing "One-stop" IT services including systems integration, cloud computing, mobility solutions, data housekeeping, networking solutions and procurement of IT hardware and software. Macro, the group of which has over 18 years' experience in IT industry, is one of the most outstanding suppliers in Hong Kong. In particular, Macro Systems Limited, a wholly-owned subsidiary of Macro is recognized as one of the two IBM Certified Onboarding Specialist for IBM Social Cloud Platform in Hong Kong. By providing customers with cloud computing and data management technology, Macro assists its customers to have a more efficient and secure computing environment. Over the past 18 years, Macro has successfully provided services to over 1,000 enterprises in Hong Kong and the PRC. With the injection from the Group, Macro aims to broaden its customer base, especially in educational and financial institutions, supported by the "Fourth Strategy on IT in Education" issued by the Education Bureau in August 2015. Such remarkable and glamorous transcript had convinced us that the Company will not only be able to enjoy substantial returns from the investments we have made in Macro, but also to gain more knowledge and technical support from Macro, tying up the whole business structure together and create synergies that allow the Group to better complement its existing business.

Apart from the above disposal and acquisition, to expand the Company's footprints in ASEAN Regions and China as well as to broaden the income source, in June 2016, the Company's subsidiary in Japan had entered into an agreement with Jiji Press, Ltd. (時事通信社) ("Jiji Press") which is a prominent news agency in Japan. Details of the agreement with Jiji Press are set out in the "Management Discussion and Analysis" section. We believe that this is another strategic step of the Company to develop a comprehensive one-stop IT services platform that can be applied in the existing businesses of the Company.

# Chairman's Statement

As information technology permeates every sector of society and economy, the internet will continue to change the way we work and live, and will likely to maintain a strong growth momentum moving forward. Changes create risk and also opportunities. The Company has demonstrated to balance both in 2016 by diversifying the business risk as well as to open up new income source. The Company is inspired to keep pace with the development of IT industry. With the joining of Macro into the big family, the Company become well equipped in technical as well as conceptual level of IT industry, creating a competitive edge for the Company to healthily develop in the IT industry. We firmly believe that the future potential of the Company is massive.

## APPRECIATION

Last but not least, I would like to express my sincere gratitude to our valuable shareholders, business partners and customers for their trust and support. And also I would like to extend my heartfelt thanks to our directors, management team and staff for their tireless endeavor and contributions under the fierce market situation, and continue to bring the Group forward to attain better results.

**Wong Kui Shing Danny**

*Chairman*

**China Information Technology Development Limited**

# Management Discussion and Analysis

## BUSINESS REVIEW

There were two matters initiated in late 2015 that are now completed.

In November 2015, Giant Prestige Investments Limited (the “Purchaser”), a wholly owned subsidiary of the Company, entered into an agreement with three independent third parties (the “Vendors”) pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell 100% of the issued share capital of the Joyunited Investments Limited (“Joyunited”) and all obligations, liabilities and debts owing or incurred by the Joyunited to the Vendors on or at any time prior to the completion at the aggregate consideration of RMB178 million (equivalent to approximate HK\$212 million) (the “Acquisition”). The transactions were duly passed as ordinary resolutions of the Company at the extraordinary general meeting held on 10 March 2016. More details on the Acquisition had been disclosed in the relevant announcement dated 25 November 2015 and the circular dated 23 February 2016. The Acquisition had been completed on 7 April 2016. The Group started to consolidate the operations of Joyunited commencing from April 2016.

In December 2015, the Company and Kingston Securities Limited, as the placing agent, entered into the placing agreement, pursuant to which, subject to the approval of the shareholders of the Company at the extraordinary general meeting on 7 April 2016, the Company will place up to 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK\$0.13 each on a best effort basis and raised a maximum net proceeds of approximately HK\$232 million (the “Placement”). It was expected that the net proceed raised would be utilized as follows: HK\$73 million for the refurbishment of and operation of the business in the PRC properties as acquired in the above Acquisition (“PRC Properties”), the Company would have approximately HK\$69 million for the general working capital and approximately HK\$88 million for the projects that are currently in progress. The transactions were duly passed as ordinary resolutions of the Company at the extraordinary general meeting held on 7 April 2016. More details on the Placement had been disclosed in the relevant announcement of the Company dated 8 December 2015 and the circular dated 18 March 2016. The Placement had been completed on 9 May 2016. As at 31 December 2016, the use of net proceeds from the Placement is as follows:– (1) approximately HK\$65.6 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK\$11.9 million for investment in Macro; (3) approximately HK\$13.2 million for loans to an independent third parties to enhance yield of idle cash of the Group; (4) as a result of the loss in book value of the listed securities held by the Group, the Group has not realised such listed securities to settle part of the consideration for the PRC Properties. Instead, approximately HK\$76.1 million had been applied to settle the consideration for the PRC Properties; (5) approximately HK\$7.2 million for expenses relating to the Group’s Japan business and related travelling expenses; and (6) approximately HK\$18.5 million for administrative expenses and other expenses incurred by the Group. The unutilized proceeds has been held as cash at bank.

In line with the business strategy and foundation laid in 2015, the Company continued to build on its business structure.

To start with, in June 2016, the Company entered into an agreement with Mr. Yang Jie, pursuant to which the Company had conditionally agreed to dispose its 25% shares in Wise Visual Holdings Limited (“Wise Visual”) at a consideration of HK\$80 million (the “Disposal”). More details on the Disposal had been disclosed in the relevant announcement of the Company dated 28 June 2016. The Disposal was completed in the same month.

# Management Discussion and Analysis

Apart from that, in June 2016, the Company's subsidiary in Japan had entered into an agreement with Jiji Press, Ltd.(時事通信社)("Jiji Press") which is a prominent news agency in Japan, having 82 branch offices, general bureau in Japan and 28 general bureau globally (the "Agreement"). Pursuant to the Agreement, the Group shall procure advertising channels, through print and digital media in Hong Kong for Japanese products and Jiji Press will be the exclusive distributor for advertising channels so procured for the Japanese market in Japan. With the vast networks of Jiji Press in Japan, Jiji Press has valuable source of different famous and unique products around Japan. By cooperating with Jiji Press, the Group can further extend and build up its business networks in Japan and also in Hong Kong especially in the media industry where the Group can apply its technology to explore for new business opportunities. As announced in November 2015, the Company had formed a joint venture in Japan to launch into the business of promotion and distribution of Japanese products in Great China Region and ASEAN Regions, this Agreement has further strengthened the Group's ability to promote the Japanese products in China and ASEAN Regions and indicated the determination of Company to continue on this business strategy to broaden its income source and enhance its financial performance. It further equips and gives synergy to the Group as to further its step to develop a comprehensive one-stop IT services platform that can be applied in the existing businesses of the Company. Details of the Agreement has been disclosed in the relevant announcement of the Company dated 20 June 2016.

In September 2016, Golden Sunweave Limited (the "Subscriber"), being a direct wholly-owned subsidiary of the Company, Macro China Holding Limited ("Macro"), and Mr. Chan Kai Leung, the current director of Macro who is also one of its shareholders as the guarantor (the "Guarantor"), entered into a subscription agreement dated 12 September 2016 (the "Subscription Agreement"), pursuant to which Macro has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the subscription shares, representing 525% of the issued share capital of Macro and 84% of the total issued share capital of Macro as enlarged by the allotment and issue of the subscription shares, at the total subscription price of HK\$8,400,000 (the "Subscription"). Macro Group provides comprehensive end-to-end solutions and services, ranging from (i) procurement and deployment of IT equipment and facilities; (ii) systems integration; (iii) consulting services on IT infrastructure and business solutions; and (iv) technical support and managed services. As one of the major players in the IT service management industry in Hong Kong and the PRC, Macro has strong relationships with well-renowned suppliers and large scale customers, by entering into the Subscription Agreement, it enjoys strong brand awareness and major presence in the Greater China region.

The Board expects that, through bringing in the Group's seasoned management team into Macro and its group companies ("Macro Group") and sharing technical know-how and existing customer bases between the Group and Macro Group, the Subscription will create synergies that allow the Group to better complement its existing business. In addition, given (i) the similarity of the business nature of the Group and Macro Group and (ii) that subject to entering into of the service contracts, each of the executives of Macro will continue his/her employment service to Macro for 3 years, the integration risks of the enlarged Group are expected to be minimal. The Board is of the view that is in line with the Group's business expansion plan. Furthermore, the Board believes, with financial support of the Group, the cash flow of Macro Group will be improved, which will facilitate Macro to engage in those large scale projects, which are generally of high profit margin. The Subscription has been completed on 30 December 2016. More details on the transaction had been disclosed in the relevant announcements and circular dated 12 September 2016, 25 November 2016, 14 December 2016 and 30 December 2016.

# Management Discussion and Analysis

To diversify the business of the Group, in November 2016, the Company acquired the entire share capital of Value Creation Finance Limited, which owns a money lender licence in Hong Kong under the Money Lenders Ordinance, at a consideration of HK\$450,000 from an independent third party in order to commence the money lending business which brings steady income for the Group.

Other than the above, during the year under review, revenue from provision of information technology related services in the PRC remained as staple income of the Group.

## OUTLOOK AND PROSPECT

During the year under review, the Pantosoft operation was the main revenue and income driver of the Group.

In 2016, the Company has further demonstrated its determination to broaden the business scope and open up new income source. The business structure of the Company has been more complete and refined upon the corporate actions.

Through the subscription of Macro, the Company can further diversify its IT business and derive addition revenue in the coming years. The Group believes that the Subscription can create synergies with Macro Group to enlarge its business in Hong Kong and the PRC.

Together with the experience and knowledge of the Group in the IT field, the Group believes that the Acquisition and the Subscription can help further to equip the Group to further expand its existing and future businesses.

With the aforesaid, the Company is fueled up and equipped so as to expand the Group's footprint in the PRC and ASEAN Regions with the new headquarter in Guangzhou, the joint venture arrangement and cooperation with Jiji Press and the Subscription described in the above, together with the existing business and other new IT related projects to come in future.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for 2016 amounted to approximately HK\$12,153,000, decreased by 56.3% from approximately HK\$27,793,000 in 2015. The decrease in revenue as compared to 2015 was mainly due to the decrease in sales revenue of Pantosoft. It was facing increasingly fierce competition and market for its products turned tougher.

### Cost of sales and services

The Group had a total cost of sales and services of approximately HK\$11,056,000 for 2016, which decreased by 27.2% compared with approximately HK\$15,186,000 in 2015. The decrease was a direct result of decrease in revenue. The decrease was not in proportion to the decrease in revenue as there were fixed cost elements of research and development expenses charged to cost of sales.

# Management Discussion and Analysis

## Gross profit

The gross profit of the Group in 2016 amounted to approximately HK\$1,097,000 which decreased by approximately HK\$11,510,000 compared with approximately HK\$12,607,000 in 2015. The gross profit margin was 9.0% compared with 45.4% in 2015. The decrease in both the gross profit and gross profit margin was mainly due to the revenue of Pantosoft shrank significantly in 2016 as compared to 2015.

## Other income and gains

During the financial year ended 31 December 2016, the Group generated other income and gains of approximately HK\$3,453,000 (2015: approximately HK\$3,814,000) which comprised: (i) bank interest income amounted to approximately HK\$15,000 (2015: approximately HK\$16,000); (ii) loans interest income amounted to approximately HK\$2,068,000 (2015: approximately HK\$828,000); (iii) investment income from financial assets at fair value through profit or loss investments amounted to approximately HK\$320,000 (2015: approximately HK\$249,000); (iv) reversal of impairment loss on trade receivables amounted to approximately HK\$nil (2015: approximately HK\$400,000); (v) government grants amounted to approximately HK\$315,000 (2015: approximately HK\$911,000); (vi) waived other payable amounted to approximately HK\$nil (2015: approximately HK\$305,000) and (vii) other miscellaneous items in an aggregate amounted of approximately HK\$735,000 (2015: approximately HK\$1,105,000).

## Selling and distribution expenses

The Group's selling and distribution expenses in 2016 amounted to approximately HK\$5,442,000, which decreased by 57.1% compared with approximately HK\$12,690,000 in 2015. The decrease was mainly due to the decrease in the related staff cost and reduction of promotion activities incurred by Pantosoft during 2016.

## Administrative expenses

Administrative expenses of the Group in 2016 were approximately HK\$55,166,000, increased by 143.9% comparing to approximately HK\$22,614,000 in 2015. The increase was mainly due to the accounting for share options granted on 11 April 2016 to employees and consultants for the amount of HK\$19,625,000, travelling and other expenses amounted to approximately HK\$6,000,000 incurred to explore for new business opportunities in Japan, and professional fees amounted to approximately HK\$3,320,000 incurred for acquisition of subsidiaries.

## Other expenses

Other expenses of the Group were approximately HK\$4,434,000 for 2016 compared to approximately HK\$3,608,000 for the previous year, which comprised: (i) written off of intangible assets amounted to HK\$nil (2015: approximately HK\$2,192,000); (ii) impairment loss on investment in an joint venture amounted to HK\$nil (2015: approximately HK\$1,281,000); (iii) impairment loss on inventories amounted to approximately HK\$366,000 (2015: HK\$nil); (iv) impairment loss on trade receivables amounted to approximately HK\$1,340,000 (2015: HK\$nil); (v) written off of other receivables amounted to approximately HK\$701,000 (2015: HK\$nil); (vi) impairment loss on property, plant and equipment amounted to approximately HK\$802,000 (2015: HK\$nil); and (vii) other miscellaneous expenses in an aggregate amount of approximately HK\$1,225,000 (2015: approximately HK\$136,000).

## Fair value gain on financial assets

As at 31 December 2016, the Group held an investment portfolio comprising of marketable securities that are listed on the Stock Exchange. The financial gain from the portfolio amounted to approximately HK\$10,882,000 (2015: loss of HK\$23,973,000).

# Management Discussion and Analysis

## Change in fair value of derivative financial asset

Profit guarantee extended by vendor of equity interest in Faithful Asia and valued at HK\$10,610,000 as at 31 December 2015 was written off as the related profit guarantee had been fulfilled.

## Finance costs

Finance costs of the Group for 2016 were approximately HK\$3,560,000, an increase of approximately HK\$3,200,000 comparing to approximately HK\$360,000 in 2015. Finance costs for the year were mainly attributed to bank loan interest expenses of approximately HK\$2,655,000 incurred by Joyunited in relation to the Group's investment properties, finance lease interest expenses for a motor vehicle of Pantosoft of approximately HK\$35,000, other loan interest expenses of approximately HK\$187,000, and margin finance interest for purchase of securities of approximately HK\$683,000.

## Impairment loss on investment in an associate

As of the 2016 financial year end, the Group tested the amount of investment in an associate for impairment. Taking into account the macro-economic change, especially the conservative outlook growth of the PRC and Hong Kong market, and the updated projections on the future performance of the associate, although Faithful Asia met the profit guarantee in 2016, an impairment provision of approximately HK\$10,812,000 was made against the goodwill attributable to Faithful Asia.

## Gain on disposal of an associate

The Group made an impairment provision of approximately HK\$22,597,000 against investment in Wise Visual in 2015. Together with other miscellaneous items, a net gain of approximately HK\$22,827,000 was recognized.

## Loss attributable to owners

The Group's loss attributable to owners of the Company was approximately HK\$48,143,000 for 2016 as compared to approximately HK\$105,462,000 in 2015. The reduction was mainly due to the factors as mentioned above.

## FINANCIAL POSITION

### Liquidity and financial resource

As at 31 December 2016, cash and bank balances held by the Group decreased from approximately HK\$119,229,000 as of 31 December 2015 to approximately HK\$80,329,000.

As at 31 December 2016, the Group's total borrowings and finance lease amounted approximately HK\$81,435,000 (2015: approximately HK\$937,000). The gearing ratio (calculated as total borrowings and finance lease over total equity) of the Group was 0.15 (2015: 0.003).

For the year ended 31 December 2016, the Group had capital expenditure of approximately HK\$2,081,000 (2015: approximately HK\$11,308,000) for addition of property, plant and equipment, approximately HK\$329,407,000 (2015: HK\$nil) for addition of investment properties by acquisition of a subsidiary and further construction works and HK\$nil (2015: approximately HK\$164,639,000) for acquisition of associates.

# Management Discussion and Analysis

## Capital structure

In June 2015, the authorised share capital of the Company was increased from HK\$400 million to HK\$800 million by creation of an additional 4,000 million new shares of HK\$0.10 each.

In May 2016 1,830,792,000 new ordinary shares were issued to not less than six independent placees under specific mandate pursuant to the terms and conditions of the placing agreements dated 8 December 2015 and raised net proceeds of approximately HK\$231,842,000. Detail of movements in share capital is set out in note 34 to the financial statements.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To their best of knowledge and belief, the Directors consider that the followings are the key risks and uncertainties identified by the Group as at the date of this report.

### Foreign Exchange Rates Risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### Liquidity Risk

Liquidity risk is the potential risk that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

### Price Risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

## EMPLOYEES AND REMUNERATION POLICIES

The total number of full-time employees hired by the Group maintained at 96 (including 34 which was related to the newly acquired Macro) as of 31 December 2016 (2015: 138 employees). Total expenses on employee benefits amounted to approximately HK\$30,147,000, in which HK\$12,370,000 related to equity-settled share-based payment, for the year ended 31 December 2016 (2015: HK\$29,106,000). The management believes the remuneration packages offered by the Group to its employees are competitive.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

# Biographical Information of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. WONG Kui Shing, Danny**, aged 57, holds a Bachelor of Arts degree from the University of Hong Kong. He is currently the chairman (“Chairman”) and chief executive officer (“Chief Executive Officer”) of the Company. He is currently an executive director and a member of the executive committee of Ceneric (Holdings) Limited (Stock Code: 542). He is also an executive director, a member of the nomination committee and remuneration committee of Larry Jewelry International Company Limited (Stock Code: 8351) since 3 October 2016. He was also a vice chief executive officer of InvesTech Holdings Limited (Stock Code: 1087) (“InvesTech Holdings”) from 27 June 2015 to 24 September 2015. He is currently a non-executive director and a member of the Nomination Committee of InvesTech Holdings commencing from 25 September 2015. He was a non-executive director of Kong Shum Union Property Management (Holding) Limited (Stock Code: 8181) from 19 October 2015 to 18 January 2017. He was a former executive director and managing director of See Corporation Limited (Stock Code: 491). In addition, Mr. Wong was a former executive director of SMI Holdings Group Limited (Stock Code: 198). He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market. Mr. Wong joined the Group on 26 March 2015.

**Mr. TSE Chi Wai**, aged 49, was appointed an executive director on 15 August 2011. He is also the chief financial officer and company secretary (“Company Secretary”) of the Company. Mr. Tse graduated from the University of Hong Kong in 1989 with a bachelor degree in Social Science Studies. Mr. Tse is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tse has extensive experience in auditing, accounting and finance gained from working with various international accounting firms and listed companies. Mr. Tse is also an executive director of Jih Sun Financial Holding Company Limited, the shares of which are listed in Taiwan and an independent non-executive director of Hong Kong listed companies, namely Sunac China Holdings Limited (Stock Code: 1918); China Environmental Technology Holdings Limited (Stock Code: 646); Great Water Holdings Limited (Stock Code: 8196) and Huarong Investment Stock Corporation Limited (Stock Code: 2277). Mr. Tse was an independent non-executive director of Green Holdings Limited (Stock Code: 1318) from 14 March 2015 to 19 November 2015. Mr. Tse joined the Group in May 2010.

During the period between March 2015 and November 2015, Mr. Tse was an independent non-executive director of Greens Holdings, a company incorporated in the Cayman Islands and principally engaged in the manufacture and supply of heat transfer products and solutions. Greens Holdings announced that (i) on 2 September 2015, Greens Holdings filed a winding up petition with the Grand Court of the Cayman Islands as Greens Holdings was unable to repay its debt; (ii) on 29 September 2015, a winding up petition was filed with the High Court of Hong Kong against Greens Holdings by a bondholder for an outstanding debt under the unlisted bonds issued by Greens Holdings in January 2015; (iii) on 8 October 2015, joint provisional liquidators were appointed pursuant to an order of the Grand Court of the Cayman Islands; (iv) the winding up petition hearing which was originally scheduled on 2 December 2015, has been adjourned several times to 3 August 2016 of which the petitioner was granted leave to withdraw the winding up petition in Hong Kong; (v) the Cayman Court of the Cayman Islands convened a case management conference on 7 April 2016 and ordered that the winding up petition with the Cayman Court of the Cayman Islands be listed for directions hearing on 17 May 2016, which was adjourned and rescheduled for several times until a date to be fixed after 30 April 2017; and (vi) the Stock Exchange issued a letter dated 28 October 2016 to Greens Holdings stating that it had decided to place Greens Holdings into the third delisting stage. Mr. Tse confirmed that (i) there is no wrongful act on his part leading to the said winding up petitions and he is not aware of any actual or potential claim which has been or will be made against him as a result of the said winding up petitions; and (ii) his involvement in Greens Holdings during his tenure was part and parcel of his services as a director thereof and no misconduct or misfeasance on his part had been involved in the said winding up petitions.

# Biographical Information of Directors and Senior Management

## EXECUTIVE DIRECTORS *(Continued)*

**Ms. WU Jingjing**, aged 47, graduated from the English Department of the Xian Air-force Engineering College in 1991. She had worked with the Citic Group, the Beijing Branch of Industrial and Commercial Bank Corporation of China, Beijing Xintiandi Electronic Information Technology Research Institute and Beijing Fongzheng Xintiandi Property Management Company Limited. She is a director of the Beijing Jiahe Zhiye Technology Company Limited since August 2013. Ms. Wu has vast experience in information technology service provision and corporate management. Ms. Wu joined the Group on 28 November 2014.

**Mr. TOGO Takashi**, aged 53, holds a bachelor degree of Economics from Hitotsubashi University in Japan. Mr. Togo is currently a non-executive director of Sau San Tong Holdings Limited (Stock Code: 8200). He has over 11 years' experience in foreign equities investment. He was the investment manager of several investment funds in Japan including Yasuda Trust & Banking Corporation Limited and Fuji Investment Management Company Limited. He also specializes in merger and acquisitions, his clients cover major reputable Japan corporations. Mr. Togo has been serving as the chief executive officer of a consultancy firm in Japan since 2000. He is also currently participating in a few big property projects in Tokyo and Osaka. Mr. Togo joined the Group on 20 April 2015.

## NON-EXECUTIVE DIRECTOR

**Mr. WONG Chi Yung**, aged 33, started his career in an international accounting firm for over 2 years focusing on assurance and advisory business services. Mr. Wong holds a bachelor degree of business administration in Management of Organizations and Finance from The Hong Kong University of Science and Technology. He is a nephew of Mr. Wong Kui Shing, Danny, who is the Chairman and Chief Executive Officer of the Company. He had also been engaged as an operation controller in a company listed on the main board of Stock Exchange, which is mainly engaged in the cinema business in the PRC. Mr. Wong joined the Group on 20 April 2015 as an executive Director and re-designated as non-executive Director on 8 July 2016.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. HUNG Hing Man**, aged 46, holds a master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and a member of the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung is also an independent non-executive director of Heng Tai Consumables Group Limited (Stock Code: 197) since 20 February 2017. He was an independent non-executive director of the Hong Kong listed company, namely China Baoli Technologies Holdings Limited (Stock Code: 164) from 31 March 2009 to 21 September 2015 and Ping An Securities Group (Holdings) Limited (Stock Code: 197) from 23 September 2009 to 17 November 2015. Mr. Hung joined the Group on 24 April 2015.

# Biographical Information of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

**Mr. MAY Tai Keung, Nicholas**, aged 55, holds a Bachelor of Arts degree in Economics from Macquarie University and a master's degree in Commerce from University of New South Wales. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of accounting, finance and general management experience. Currently, Mr. May is a consultant in accounting, tax, internal control and finance. Mr. May had worked at the audit department of Deloitte Touche Tohmatsu. After leaving Deloitte Touche Tohmatsu, he had worked at senior management level in a number of sizeable private enterprises and listed groups including Hopewell Holdings Limited (Stock Code: 0054) as group financial controller and Hopewell Highway Infrastructure Limited (Stock Code: 0737) as an alternate director; and China Resources Property Limited as chief financial officer and internal audit director. He was also an independent non-executive director of Wealth Glory Holdings Limited (stock code: 8269) from September 2013 to July 2014. Mr. May joined the Group on 24 April 2015.

**Dr. CHEN Shengrong**, aged 35, obtained a doctorate degree in Business Administration from the Pacific States University of the USA in 2011. She was an audit manager with Baker Tilly China Certified Public Accountants and had been the vice general manager of New Times Securities Company Limited in charge of risk control. From August 2014 to December 2016, Dr. Chen served as the vice president of finance of Skyslink New Energy Asset Management Limited. Since January 2017, she serves as the vice president of 天之雲綠色數據技術有限公司. Dr. Chen has extensive experience in internal control of enterprises, risk control in investment businesses, project risk evaluation and assets restructuring management. Dr. Chen joined the Group on 30 January 2015.

## SENIOR MANAGEMENT

**Mr. HU Zhuoer**, aged 51, chief operation officer, graduated from Shanghai University of Finance and Economics with a bachelor's degree in science in 1986, obtained a master's degree in Finance from Peking University in 2000 and obtained the qualification of Senior Engineer in 2007. Mr. Hu had served in the Ministry of Finance and was a deputy director and then director of the State Administration of Taxation and a party constitution member and deputy director of the Chengdu Municipal Office of the State Administration of Taxation. During his term of office in the State Administration of Taxation, he mainly engaged in technology and equipment management, IT construction and planning, international exchanges on technology, etc. During his service in the Chengdu Municipal Office of the State Administration of Taxation, he was mainly responsible for tax audit, the Golden Taxation project, tax collection for large enterprises, etc. Mr. Hu has extensive experience in eGovernment planning and construction, tax reform implementation and governance and government affair restructuring and innovation. Mr. Hu joined the Group as an executive director on 25 August 2009 and retired on 30 June 2015. Upon his retirement from directorship, Mr. Hu remains as the chief operation officer of the Group.

**Mr. CHEN Wenwei**, aged 46, is the general manager of Xteam Software (China) Company Limited and Shanghai Pantasoft Company Limited. Mr. Chen graduated from Huazhong University of Science and Technology and obtained a EMBA from the Beijing University. He had been an assistant engineer with the North China Institute of Computing Technology for computing technology, manager of the Beijing Strong Technical Industry Company, assistant general manager of Beijing Strong Technical Industry Company, partner of Taineng Technology Investment Company Limited, etc. He has extensive experiences in market development, business investment and channel management. Mr. Chen joined the Group in March 2012.

# Biographical Information of Directors and Senior Management

## **SENIOR MANAGEMENT** *(Continued)*

**Mr. CHAN Kai Leung, Peter**, aged 51, is a director and the general manager of Macro Systems Limited, the subsidiary of the Company. Mr. Chan graduated from London Metropolitan University with a bachelor's degree in Computing and Information Systems. He founded Macro Systems Limited in 1997 and has extensive experiences for about 30 years in the industry of information technology. Mr. Chan joined the Group in December 2016.

# Report of the Directors

The Directors present their report and the audited consolidated financial statements of China Information Technology Development Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

## RESULTS AND DIVIDENDS

The Group’s loss for the year ended 31 December 2016 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 37 to 40.

The Directors do not recommend the payment of a final dividend in respect of the year.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 104. This summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of 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 AND SHARE OPTIONS

Details of movement in the share capital and share options of the Company during the year are set out in note 34 and note 35 to the consolidated financial statements respectively.

## PRE-EMPTIVE RIGHTS

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

# Report of the Directors

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2016, the Company had no reserve available for distribution to shareholders (including share premium account, foreign currency translation reserve and retained earnings). 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 or 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 Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

## **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for 68.6% of the total sales for the year and sales to the largest customer included therein amounted to 18.8%. Purchases from the Group's five largest suppliers accounted for 70.4% of the total purchases for the year and purchase from the largest supplier included therein amounted to 38.2%.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

## **DIRECTORS**

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

### **Executive Directors:**

Mr. Wong Kui Shing, Danny (*Chairman and Chief Executive Officer*)

Mr. Tse Chi Wai

Ms. Wu Jingjing

Mr. Wong Chi Yung (Re-designated as non-executive Director on 8 July 2016)

Mr. Takashi Togo

### **Non-Executive Director:**

Mr. Wong Chi Yung (Re-designated as non-executive Director on 8 July 2016)

# Report of the Directors

## **DIRECTORS** *(Continued)*

### **Independent non-executive Directors:**

Mr. Hung Hing Man  
Mr. May Tai Keung, Nicholas  
Dr. Chen Shengrong

In accordance with articles 86(3), 87(1) and 87(2) of the Company's articles of association (the "Articles of Association"), one-third of the Directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### **CONFIRMATION OF INDEPENDENCE**

The Company has received annual confirmations of independence from Mr. Hung Hing Man, Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong and as at the date of this report still considers them to be independent.

### **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 12 to 15 of the annual report.

### **DIRECTORS' SERVICE CONTRACTS**

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' REMUNERATION**

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee of the Company (the "Remuneration Committee"). Further details of the Remuneration Committee are set out in the corporate governance report on page 27 to 28 of the annual report.

### **DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS**

Except for matters relating to and disclosed for the joint venture agreement dated 13 November 2015 entered into among the Company, Mr. Wong Kui Shing, Danny, an executive Director, Chairman and Chief Executive Officer, and Nihon Unisys, Ltd. in relation to the formation of China Information Technology Development Japan Limited; none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2016, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), were as follows:

### Long positions in ordinary shares of the Company:

Name	Capacity	Nature of Interest		Percentage of the Company's issued share capital
		Registered Shareholder	Underlying Interest	
Mr. Wong Kui Shing, Danny	Through controlled corporation	403,971,449		7.07%
	Beneficially owned		936,000	0.02%

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Hong Kong Stock Exchange.

# Report of the Directors

## SHARE OPTIONS

On 11 April 2016, the Company granted a total of 323,448,000 share options with rights to subscribe for 323,448,000 ordinary shares of HK\$0.1 each in the share capital of the Company under the share option scheme adopted by the Company on 2 August 2012 ("Share Option Scheme"). A total of 105,984,000 share options were granted to Directors of the Company. Details of the share options granted are as follows:–

Name of Grantees	Position held with the Company	Number of share options		
		Granted on 11 April 2016	Cancelled during the year	Outstanding as at 31 December 2016
Mr. Wong Kui Shing, Danny	Executive Director and substantial shareholder of the Company	936,000	–	936,000
Mr. Tse Chi Wai	Executive Director	32,328,000	–	32,328,000
Mr. Takashi Togo	Executive Director	32,328,000	–	32,328,000
Ms. Wu Jingjing	Executive Director	2,016,000	–	2,016,000
Mr. Wong Chi Yung	Non-Executive Director	32,328,000	–	32,328,000
Mr. Hung Hing Man	Independent non-executive Director	2,016,000	–	2,016,000
Mr. May Tai Keung, Nicholas	Independent non-executive Director	2,016,000	–	2,016,000
Dr. Chen Shengrong	Independent non-executive Director	2,016,000	–	2,016,000
	Sub-total	105,984,000	–	105,984,000
	Other staff and consultants	217,464,000	(3,000,000)	214,464,000
	Total	323,448,000	(3,000,000)	320,448,000

All the above share options granted are exercisable during the period from date of grant to 10 April 2017 at an exercise price of HK\$0.185 per share.

The closing price per share immediately before the date of grant was HK\$0.177. No share options were exercised or lapsed and 3,000,000 share options were cancelled during the year ended 31 December 2016.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At the date of this report, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital <i>(Note b)</i>
Discover Wide Investments Limited		Directly beneficially owned	403,971,449 <i>(Registered Shareholder)</i>	7.07%
Mr. Wong Kui Shing, Danny	(a)	Through controlled corporation	403,971,449 <i>(Registered Shareholder)</i>	7.07%
		Beneficially owned	936,000 <i>(Underlying Interest)</i>	0.02%
Mr. Zhang Rong		Directly beneficially owned	364,672,000 <i>(Registered Shareholder)</i>	6.38%

Notes:

- (a) Mr. Wong Kui Shing, Danny was deemed to be interested in the 403,971,449 shares by virtue of his controlling interests in Discover Wide Investments Limited.
- (b) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 5,712,151,908.

Save as disclosed above, as at the date of this report, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

# Report of the Directors

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

The details of environmental, social and governance policies and performance of the Group will be disclosed in a standalone Environmental, Social and Governance Report, which will be issued in June 2017.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group.

The Group maintains strong relationships with its employees and offers them with safe working environments. The Group has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

## PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, every Director or other senior officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company during the year.

## COMPETING INTERESTS

During the year and up to the date of this report, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

# Report of the Directors

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 24 to 32.

## AUDITORS

ZHONGHUI ANDA CPA Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Mr. Wong Kui Shing, Danny**

*Chairman and Chief Executive Officer*

Hong Kong

28 March 2017

# Corporate Governance Report

## INTRODUCTION

The Company has complied with the Corporate Governance Code Provisions as set out in Appendix 15 of the GEM Listing Rules (the “Code”) for the year ended 31 December 2016, except for the following:

### Code Provision A.2.1

#### *Chairman and Chief Executive Officer*

Code Provision A.2.1 stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Kui Shing, Danny (“Mr. Wong”) serves as both the Chairman and the Chief Executive Officer, such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as possible.

### Code Provision A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

The board meetings of the Company held during the year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board.

The Company will endeavor to arrange the meetings for the Chairman with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

### Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term.

None of the non-executive Directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1. Nonetheless, in accordance with the articles of association of the Company, all non-executive Directors are subject to retirement by rotation. The Company considers that there are sufficient measures to ensure the corporate governance standard of the Company is not less exacting than the Code.

### Code Provision E.1.2.

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting.

# Corporate Governance Report

Mr. Wong Kui Shing, Danny, the Chairman, Mr. Hung Hing Man, the chairman each of Audit and Nomination Committees, and Mr. May Tai Keung, Nicholas, the chairman of Remuneration Committee, were unable to attend the annual general meeting on 30 June 2016 (“AGM”) due to their other business commitment. An executive Director of the Company chaired AGM and answered questions from the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact information listed on the Company’s website. The Company will endeavor to ensure of the attendance of the Directors so as to comply with the requirement of Code Provision E.1.2.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding the director’s securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Directors have confirmed that they have complied with the GEM Listing Rules throughout the year ended 31 December 2016.

## **BOARD OF DIRECTORS**

The board of Directors, which currently comprises eight Directors, is responsible for corporate strategy, annual, interim and quarterly results, succession planning, internal control and risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters of the Company. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The composition of the Board, details of backgrounds and qualifications of all Directors are set out in the “Corporate Information” and “Biographical Details of Directors and Senior Management” sections of this annual report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director and non-executive Director (including the independent non-executive Director) has sufficient experience, knowledge and execution ability to hold the position so as to carry out his duties effectively and efficiently.

## **TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS**

Each Director receives comprehensive, formal and tailored induction on the first occasion of his appointment so as to ensure the he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development.

Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All 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.

# Corporate Governance Report

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The executive Directors and non-executive Directors have not entered into any service contract with the Company with a fixed term, yet all the Directors of the Company are subject to retirement and re-election at the forthcoming general meeting of the Company after his appointment and will also be subject to retirement but rotation and re-election in accordance with the Articles of Associations and the Code.

## BOARD MEETING

During the year of 2016, the board held totally ten board meetings and four general meetings. The attendance of each Director are set out below:

<b>Name of Director</b>	<b>Attendance/Number of board meetings held</b>	<b>Attendance/Number of general meeting held</b>
<i>Executive directors:</i>		
Mr. Wong Kui Shing, Danny ( <i>Chairman and Chief Executive Officer</i> )	5/10	0/4
Mr. Tse Chi Wai	10/10	4/4
Ms. Wu Jingjing	4/10	0/4
Mr. Wong Chi Yung (Re-designated as non-executive director on 8 July 2016)	5/6	3/4
Mr. Takashi Togo	2/10	0/4

<b>Name of Director</b>	<b>Attendance/Number of board meetings held</b>	<b>Attendance/Number of general meeting held</b>
<i>Non-executive director:</i>		
Mr. Wong Chi Yung (Re-designated as non-executive director on 8 July 2016)	3/4	1/1

<b>Name of Director</b>	<b>Attendance/Number of board meetings held</b>	<b>Attendance/Number of general meeting held</b>
<i>Independent non-executive directors:</i>		
Mr. Hung Hing Man	7/10	0/4
Mr. May Tai Keung, Nicholas	7/10	0/4
Dr. Chen Shengrong	6/10	1/4

At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Board's procedures comply with the Articles of Association, as well as relevant rules and regulations.

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

Board minutes of each Board meeting are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

# Corporate Governance Report

## NON-EXECUTIVE DIRECTORS

The Board fulfilled the requirement of appointing at least three independent non-executive directors and they represented at least one-third of the Board as stipulated by the GEM Listing Rules. It met the requirement of having at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders.

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 5.09 of the GEM Listing Rules. The independent non-executive Directors have confirmed that they are independent.

## DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged for appropriate liabilities insurance for the Directors to cover their liabilities arising out of corporate activities.

## CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance functions, which include the following duties:

- (a) To develop and review the Company's policies and practices on corporate governance;
- (b) To review and monitor the training and conditions professional development of Directors and senior management;
- (c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct applicable to employees and Directors; and
- (e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report. The Board has discharged the above functions during the year under review.

## REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules.

During the year under review, members of the Remuneration Committee are Mr. May Tai Keung, Nicholas (committee chairman), Mr. Hung Hing Man and Dr. Chen Shengrong. All of the Remuneration Committee members are independent non-executive Directors.

# Corporate Governance Report

Its main role and function included the determination of specific remuneration packages of all executive director, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive directors and senior management of the Company. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the year of 2016, one Remuneration Committee meeting was held. The attendance of each member is set out below:

<b>Name of member</b>	<b>Attendance/Number of meetings held</b>
Mr. May Tai Keung, Nicholas (Committee Chairman)	1/1
Mr. Hung Hing Man	1/1
Dr. Chen Shengrong	1/1

## EMOLUMENTS OF SENIOR MANAGEMENT

The emoluments of each senior management were as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Mr. Hu Zhuoer	<b>922</b>	466
Mr. Chen Wenwei	<b>379</b>	108
Mr. Chan Kai Leung, Peter*	—	—

\* Mr. Chan joined the Group in December 2016

The remuneration of the senior management for the year ended 31 December 2016 and 2015 fell within the range of nil to HK\$1,000,000.

## NOMINATION OF DIRECTORS

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy or, subject to authorisation by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their respective professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business of the Board taken as a whole.

# Corporate Governance Report

## NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with Code Provisions A.5.1 to A.5.6 of Appendix 15 of the GEM Listing Rules.

During the year under review, members of the nomination committee are Mr. Hung Hing Man (committee chairman), Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong. A majority of the nomination committee members are independent non-executive Directors of the Company.

The nomination committee of the Company (the "Nomination Committee") is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment, re-appointment and succession of directors.

The Company recognises and embraces the benefits of having a diversified Board, and notes increasing diversity at Board level as an essential element in maintaining a competitive advantage. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. In reviewing Board composition, the Nomination Committee will consider a number of factors, including professional knowledge, skills, experience and diversity of perspectives which are appropriate to the Company's business model and specific needs. In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the year of 2016, nil nomination committee meeting was held. The attendance of each member is set out below:

<b>Name of member</b>	<b>Attendance/Number of meetings held</b>
Mr. Hung Hing Man (Committee Chairman)	0/0
Mr. May Tai Keung, Nicholas	0/0
Dr. Chen Shengrong	0/0

## AUDIT COMMITTEE

The Company established an audit committee of the Company ("Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules.

During the year under review, members of the Audit Committee are Mr. Hung Hing Man (committee chairman), Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong. All of the Audit Committee member are independent non-executive directors.

# Corporate Governance Report

The duties of the Audit Committee include supervising the financial reporting procedure and reviewing the consolidated financial statements of the Group, examining and monitoring the internal control system adopted by the Group and reviewing the relevant work of the Group's external auditor. The Audit Committee had reviewed this annual report and confirmed that it complies with the applicable standard, the Listing Rules and other applicable legal requirements and the adequate disclosures have been made. There is no disagreement between the Directors of the Audit Committee regarding the selection and appointment of external auditors.

During the year under review, five audit committee meetings were held. The attendance of each member is set out below:

<b>Name of member</b>	<b>Attendance/Number of meetings held</b>
Mr. Hung Hing Man (Committee Chairman)	4/5
Mr. May Tai Keung, Nicholas	5/5
Dr. Chen Shengrong	4/5

## COMPANY SECRETARY

As at 31 December 2016, the company secretary of the Company, Mr. Tse Chi Wai, who is also an executive Director, fulfilled the requirement under Rules 5.14 and 5.15 of the GEM Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of directors. He has attained not less than fifteen hours of relevant professional training during the year. His biography is set out in the "Directors and Senior Management" section of this annual report.

## FINANCIAL REPORTING

With the assistance of the accounting department of the Company, the Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2016 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with the statutory requirements including the Hong Kong Companies Ordinances and the Listing Rules and the applicable accounting standards including the International Financial Reporting Standards, Hong Kong Financial Reporting Standards. These statutory requirements and applicable accounting standards have been consistently used and applied and reasonable judgements and estimates are properly made. The Board aims to present a clear and balanced assessments of the Group's performance in the annual, interim and quarterly reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. During the year of 2016, the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The directors' responsibilities for the consolidated financial statements and the responsibilities of the external auditors to the shareholders are set out on page 36.

# Corporate Governance Report

## AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the auditor's remuneration for audit services was HK\$580,000 and for non-audit service assignments was HK\$440,000 all of which was paid to ZHONGHUI ANDA CPA Limited in connection with the circular and issuance of comfort letter on capital sufficiency for acquisition of Macro China Holding Limited.

## INTERNAL CONTROL AND RISK MANAGEMENT

The main features of the internal control and risk management systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations, to safeguard the shareholders' investment and the Group's assets and to ensure strict compliance with relevant laws, rules and regulations. The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group ("Senior Management"). The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives. The Audit Committee is responsible for reviewing the effectiveness of the internal control and risk management systems and reporting to the Board. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

The Group has formulated and adopted Risk Management Policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the Senior Management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems were effective during the year. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 58, any shareholder or shareholders of the Company holding at the date of 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 to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Shareholders may put forward their enquiries about the Company to the Board or the Company Secretary at the Company's head office in Hong Kong.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board is committed to maintaining a high degree of corporate transparency, as well as establishing a policy of open communication with shareholders having the aim to ensure shareholders be provided with information about the Company and enable them to engage actively with the Company and to exercise their rights.

The Company communicates with shareholders and investors through various channels including publication of quarterly, interim and annual reports, announcements, circulars and other corporate information available on the websites of the Hong Kong Stock Exchange and/or the Company.

The Company's general meeting provides valuable opportunities for the Board to have face-to-face communication with the shareholders. The Company encourages the participation of the shareholders through annual general meeting and other general meetings where the shareholders exchange views with the Board, and to exercise their rights to vote at meetings.

There was no significant change in the Company's constitutional documents for the year ended 31 December 2016.

## ENQUIRES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Suite 2802, 28/F, Prosperity Tower, 39 Queen's Road Central, Hong Kong

Shareholders may also make enquiries with the Board at the general meetings of the Company.

# Independent Auditor's Report



To the shareholders of

**China Information Technology Development Limited**

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 103, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, 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 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.

## **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.

# Independent Auditor's Report

## ***Investment properties***

Refer to note 15 to the consolidated financial statements.

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK\$313,328,000 as at 31 December 2016 and the fair value gain of HK\$2,643,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by the Group;
- Obtaining the external valuation report and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

## ***Investment in an associate***

Refer to note 19 to the consolidated financial statements.

The Group tested the amount of investment in an associate for impairment. This impairment test is significant to our audit because the balance of investment in an associate of HK\$60,048,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Obtaining and checking to evidence to support the Group's impairment assessment.
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates; and
- Checking input data to supporting evidence.

We consider that the Group's impairment test for investment in an associate is supported by the available evidence.

# Independent Auditor's Report

## ***Other receivables***

Refer to note 21(b) to the consolidated financial statements.

The Group tested the amount of other receivable from purchaser of a former associate (the "Purchaser") for impairment. This impairment test is significant to our audit because the balance of other receivable from the Purchaser of HK\$80,000,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit periods to the Purchaser;
- Evaluating the Group's impairment assessment;
- Obtaining confirmation from the Purchaser;
- Assessing aging of the debts; and
- Checking subsequent settlements from the Purchaser.

We consider that the Group's impairment test for the other receivable is supported by the available evidence.

## **Other information**

The directors are responsible for the other information. The other information comprises all the information in the Company's 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.

# Independent Auditor's Report

## Responsibilities of Directors for the Consolidated Financial Statements

The directors 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.

## 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. We report our opinion solely to you, as a body, 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 HKSAAs 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.

"A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report."

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Ng Ka Lok**

Audit Engagement Director

Practising Certificate Number P06084

Hong Kong, 28 March 2017

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
REVENUE	6&7	<b>12,153</b>	27,793
Cost of sales and services		<b>(11,056)</b>	(15,186)
Gross profit		<b>1,097</b>	12,607
Other income and gains	8	<b>3,453</b>	3,814
Selling and distribution expenses		<b>(5,442)</b>	(12,690)
Administrative expenses		<b>(55,166)</b>	(22,614)
Other expenses		<b>(4,434)</b>	(3,608)
Loss on disposal of a subsidiary	39	–	(3,152)
Fair value gain/(loss) on financial assets at fair value through profit or loss		<b>10,882</b>	(23,973)
Change in fair value of investment properties		<b>2,643</b>	–
Change in fair value of derivative financial asset		<b>(10,610)</b>	–
Finance costs	9	<b>(3,560)</b>	(360)
Share of results of associates		<b>(232)</b>	(3,167)
Impairment loss on investment in an associate	19	<b>(10,812)</b>	(22,597)
Share of results of a joint venture		–	(29,415)
Gain on disposal of an associate		<b>22,827</b>	–
LOSS BEFORE TAX	10	<b>(49,354)</b>	(105,155)
Income tax expenses	12	<b>(661)</b>	(531)
LOSS FOR THE YEAR		<b>(50,015)</b>	(105,686)
Attributable to:			
Owners of the Company		<b>(48,143)</b>	(105,462)
Non-controlling interests		<b>(1,872)</b>	(224)
		<b>(50,015)</b>	(105,686)
LOSS PER SHARE	14		
Basic		<b>HK0.95 cent</b>	HK3.34 cents
Diluted		<b>HK0.95 cent</b>	HK3.34 cents

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
LOSS FOR THE YEAR	<b>(50,015)</b>	(105,686)
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified to profit or loss:		
Share of other comprehensive loss of a joint venture	–	(398)
Exchange differences on translation of foreign operations	<b>(15,929)</b>	273
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	<b>(15,929)</b>	(125)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<b>(65,944)</b>	(105,811)
Attributable to:		
Owners of the Company	<b>(64,272)</b>	(105,575)
Non-controlling interests	<b>(1,672)</b>	(236)
	<b>(65,944)</b>	(105,811)

# Consolidated Statement of Financial Position

At 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	15	313,328	–
Property, plant and equipment	16	13,045	12,916
Goodwill	17	3,865	–
Other intangible assets	18	8,268	–
Investment in associates	19	60,048	128,265
Available-for-sale financial asset	20	1,000	–
Prepayments, deposits and other receivables	21	36,252	36,225
Deferred tax assets	22	1,882	–
Total non-current assets		<b>437,688</b>	177,406
<b>CURRENT ASSETS</b>			
Inventories	23	464	487
Trade receivables	24	5,092	5,555
Prepayments, deposits and other receivables	21	83,293	5,536
Loan receivables	25	22,910	–
Financial assets at fair value through profit or loss	26	56,164	60,301
Derivative financial asset	27	–	10,610
Bank and cash balances	28	80,329	119,229
Total current assets		<b>248,252</b>	201,718
<b>CURRENT LIABILITIES</b>			
Trade payables	29	7,734	5,374
Gross amount due to customers for contract work	30	1,394	–
Other payables and accruals	31	40,086	5,266
Current tax liabilities		8,293	8,832
Bank and other loans	32	81,435	495
Finance lease payables	33	–	237
Total current liabilities		<b>138,942</b>	20,204
<b>NET CURRENT ASSETS</b>		<b>109,310</b>	181,514

# Consolidated Statement of Financial Position *(Continued)*

At 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<hr/>			
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>546,998</b>	358,920
<hr/>			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	<b>661</b>	–
Finance lease payables	33	–	205
<hr/>			
Total non-current liabilities		<b>661</b>	205
<hr/>			
<b>NET ASSETS</b>		<b>546,337</b>	358,715
<hr/>			
<b>CAPITAL AND RESERVES</b>			
Share capital	34	<b>571,215</b>	388,136
Reserves	37	<b>(23,999)</b>	(28,115)
<hr/>			
Equity attributable to owners of the Company		<b>547,216</b>	360,021
Non-controlling interests		<b>(879)</b>	(1,306)
<hr/>			
<b>TOTAL EQUITY</b>		<b>546,337</b>	358,715
<hr/>			

Approved by the Board of Directors on 28 March 2017

**Wong Kui Shing, Danny**  
*Director*

**Tse Chi Wai**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share Capital HK\$'000	Share premium account HK\$'000	Share-based payment reserve HK\$'000	Foreign currency translation reserve HK\$'000	PRC reserve funds HK\$'000	(Accumulated losses)/ Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Notes	(note 37(a)(iii))	(note 37(a)(iv))	(note 37(a)(iii))	(note 37(a)(iv))					
At 1 January 2015	269,547	26,243	-	3,128	844	4,276	304,038	(1,070)	302,968
Loss for the year	-	-	-	-	-	(105,462)	(105,462)	(224)	(105,686)
Other comprehensive (loss)/income for the year:									
- Share of other comprehensive loss of a joint venture	-	-	-	(398)	-	-	(398)	-	(398)
- Exchange differences on translation of foreign operations	-	-	-	285	-	-	285	(12)	273
Total comprehensive loss for the year	-	-	-	(113)	-	(105,462)	(105,575)	(236)	(105,811)
Issue of new shares	34	118,589	47,441	-	-	-	166,030	-	166,030
Transaction costs attributable to issue of new shares	34	-	(4,472)	-	-	-	(4,472)	-	(4,472)
At 31 December 2015 and 1 January 2016	388,136	69,212*	-	3,015*	844*	(101,186)*	360,021	(1,306)	358,715
Loss for the year	-	-	-	-	-	(48,143)	(48,143)	(1,872)	(50,015)
Other comprehensive (loss)/income for the year:									
- Exchange differences on translation of foreign operations	-	-	-	(16,129)	-	-	(16,129)	200	(15,929)
Total comprehensive loss for the year	-	-	-	(16,129)	-	(48,143)	(64,272)	(1,672)	(65,944)
Equity-settled share-based payment expenses	35	-	19,625	-	-	-	19,625	-	19,625
Issue of new shares	34	183,079	54,924	-	-	-	238,003	-	238,003
Transaction costs attributable to issue of new shares	34	-	(6,161)	-	-	-	(6,161)	-	(6,161)
Capital injection from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	1,236	1,236
Acquisition of a subsidiary	40(b)	-	-	-	-	-	-	863	863
At 31 December 2016	571,215	117,975*	19,625*	(13,114)*	844*	(149,329)*	547,216	(879)	546,337

Notes:

\* These reserve accounts comprise the consolidated reserve of approximately HK\$(23,999,000) (2015: approximately HK\$(28,115,000)) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(49,354)</b>	(105,155)
Adjustments for:			
Share of results of associates		<b>232</b>	3,167
Impairment loss on investment in an associate	19	<b>10,812</b>	22,597
Impairment loss on inventories	10	<b>366</b>	–
Equity-settled share-base payment	10	<b>19,625</b>	–
Impairment loss on property, plant and equipment	10, 16	<b>802</b>	–
Share of results of a joint venture		–	29,415
Finance costs	9	<b>3,560</b>	360
Bank interest income	8	<b>(15)</b>	(16)
Change in fair value of investment properties	15	<b>(2,643)</b>	–
Investment income from financial assets at fair value through profit or loss	8	<b>(320)</b>	(249)
Gain on disposal of an associate		<b>(22,827)</b>	–
Loss on disposal of a subsidiary	10, 39	–	3,152
Loans interest income	8	<b>(2,068)</b>	(828)
Loss on disposal of property, plant and equipment	10	–	72
Fair value (gain)/loss on financial assets at fair value through profit or loss		<b>(10,882)</b>	23,973
Fair value loss on derivative financial asset		<b>10,610</b>	–
Depreciation	10, 16	<b>1,465</b>	857
Amortisation of other intangible assets	10, 18	–	114
Written off of other intangible assets	10	–	2,192
Impairment loss on investment in a joint venture	10	–	1,281
Written off of other receivables	10	<b>701</b>	–
Impairment loss on trade receivables	10	<b>1,340</b>	–
Reversal of impairment loss on trade receivable	8	–	(400)
Waiver of other payables	8	–	(305)
Operating loss before working capital change		<b>(38,596)</b>	(19,773)
Change in inventories		<b>6</b>	(410)
Change in trade receivables		<b>1,534</b>	371
Change in prepayments, deposits and other receivables		<b>1,943</b>	1,006
Change in financial assets at fair value through profit or loss		<b>15,019</b>	(34,239)
Change in trade payables		<b>(168)</b>	2,189
Change in other payables and accruals		<b>32,622</b>	1,643
Cash generated from/(used in) operations		<b>12,360</b>	(49,213)
Interest paid		<b>(3,525)</b>	(325)
Net cash generated from/(used in) operating activities		<b>8,835</b>	(49,538)

# Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	16	(2,081)	(11,308)
Proceeds from disposal of property, plant and equipment		452	102
Purchase of other intangible assets	18	–	(1,875)
Prepayment for construction works of investment properties	21	(34,818)	–
Payments for construction works of investment properties	15	(52,022)	–
Acquisition of subsidiaries	40	(174,603)	–
Loan to a company which subsequently became a subsidiary of the Group	40(b)	(4,197)	–
Purchase of available-for-sale financial asset		(1,000)	–
Refund from a joint venture		–	500
Acquisition of associates		–	(164,639)
Deposit paid for acquisition of a subsidiary	21(a)	–	(36,225)
Disposal of a subsidiary	39	–	12,480
Increase in time deposits with maturity of more than three months when acquired		(50)	–
Bank interest received	8	15	16
Loans interest received	8	358	–
Investment income from financial assets at fair value through profit or loss	8	320	249
Grant of loans		(57,200)	(30,000)
Repayment of loans received		36,000	30,000
<b>Net cash used in investing activities</b>		<b>(288,826)</b>	<b>(200,700)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital injection by non-controlling shareholders of a subsidiary	43	1,236	–
Other loans raised	32	17,053	460
Net proceeds from issue of new shares	34	231,842	161,558
Repayment of bank loans		(7,119)	–
Repayment of finance lease payables		(429)	(238)
<b>Net cash generated from financing activities</b>		<b>242,583</b>	<b>161,780</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(37,408)</b>	<b>(88,458)</b>
Cash and cash equivalents at beginning of year		119,028	207,421
Effect of foreign exchange rate changes		(1,542)	65
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>80,078</b>	<b>119,028</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances other than time deposits		80,078	119,028
Time deposits		251	201
Cash and cash equivalents as stated in the consolidated statement of financial position		80,329	119,229
Less: Time deposits with maturity of more than three months when acquired		(251)	(201)
Cash and cash equivalents as stated in the consolidated statement of cash flows		80,078	119,028

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The address of its principal place of business is Suite No. 2802, 28th Floor, Prosperity Tower, 39 Queen's Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were principally engaged in development and sale of computer software and hardware, provision of system integration and related support services, provision of IT infrastructure solutions and maintenance services, money lending and securities trading.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and investment properties which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

### Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in consolidated profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Consolidation** *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### **Business combination and goodwill**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in consolidated other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combination and goodwill** *(Continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

### **Associates**

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Associates** *(Continued)*

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

#### **(b) Transactions and balances in each entity's financial statements**

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### **(c) Translation on consolidation**

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

#### *(c) Translation on consolidation (Continued)*

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land and building	50 years
Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Furniture, fixtures and equipment	18% – 30%
Motor vehicles	10% – 20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in consolidated profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases

#### *(i) Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

#### *(ii) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

### Golf club membership and customer relationships

Golf club membership and customer relationships are stated at cost less any accumulated impairment losses and are amortised on the straight-line basis over their estimated useful life of 10 years. Impairment is reviewed annually or when there is any indication that the golf club membership and customer relationships have suffered an impairment loss.

### Money lending license

Money lending license with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the money leading license has suffered an impairment loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

### Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

#### *(i) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in consolidated profit or loss when there is an objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in consolidated profit or loss when an increase in the investments' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments *(Continued)*

#### ***(ii) Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in consolidated profit or loss.

#### ***(iii) Available-for-sale financial assets***

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is an objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in consolidated profit or loss. Interest calculated using the effective interest method is recognised in consolidated profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in consolidated profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in consolidated profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in consolidated profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair value cannot be reliably measured are not reversed.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in consolidated profit or loss.

Impairment losses are reversed in subsequent periods and recognised in consolidated profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **Trade and other payables**

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, on the percentage of completion basis and when the services are rendered;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits

#### **(a) Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### **(b) Pension obligations**

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to consolidated profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organized by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to consolidated profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

#### **(c) Termination benefits**

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

### **Taxation**

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such 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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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 through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Related parties**

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties *(Continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

### Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except investments, derivative financial assets, inventories and receivables 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 any impairment loss. Where 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.

Recoverable amount is the higher of fair value less costs of disposal 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of assets** *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### **Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. KEY ESTIMATES AND CRITICAL JUDGEMENTS

### **Key sources of estimation uncertainty**

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, are discussed below.

#### **(a) Fair values of investment properties**

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 4. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### *(b) Investment in associates*

Determining whether investment in associates are impaired requires an estimation of the recoverable amount of the associates which are determined based on value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the associates, suitable discount rates and the proceeds on ultimate disposal of the associates. Where the actual future cash flows are less than or more than expected or upon the management's revision of estimated cash flows due to change in conditions, facts and circumstances, a material impairment loss or reversal of impairment loss may arise.

#### *(c) Provision for impairment of trade receivables and other receivables*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

#### *(d) Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing for the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 4. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### **(e) Income taxes**

The Group is subject to income taxes in Hong Kong, the PRC and Japan. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### **(f) Property, plant and equipment/other intangible assets and depreciation/amortisation**

The Group determines the estimated useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment/other intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment/other intangible assets of similar nature and functions. The Group will revise the depreciation/amortisation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

#### **(g) Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

### **Critical judgements in applying accounting policies**

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 4. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

### Critical judgements in applying accounting policies *(Continued)*

#### *Deferred tax for investment properties*

For the purposes of measuring deferred tax for 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 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 determining the Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

## 5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2016, if the share prices of the investments increase/decrease by 10%, loss after tax for the year would have been HK\$4,690,000 (2015: HK\$5,035,000) lower/higher, arising as a result of the fair value gain/loss of the investments.

### (c) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and investments, included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Credit risk *(Continued)*

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparties are well-established securities broker firms and issuers in Hong Kong.

### (d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The maturity analysis of the Group's financial liabilities is as follows:

	<b>Less than 1 year HK\$'000</b>	<b>Between 1 and 2 years HK\$'000</b>	<b>Between 2 and 5 years HK\$'000</b>	<b>Over 5 years HK\$'000</b>
<b>At 31 December 2016</b>				
Trade payables	<b>7,734</b>	–	–	–
Other payables and accruals	<b>37,940</b>	–	–	–
Bank and other loans	<b>36,302</b>	<b>12,420</b>	<b>32,608</b>	<b>9,819</b>
	<b>81,976</b>	<b>12,420</b>	<b>32,608</b>	<b>9,819</b>
<b>At 31 December 2015</b>				
Trade payables	5,374	–	–	–
Other payables and accruals	3,990	–	–	–
Other loans	495	–	–	–
Finance lease payables	263	215	–	–
	10,122	215	–	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities as at 31 December 2016, the Group's operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2016, the Group's bank deposits of approximately HK\$251,000 (2015: approximately HK\$201,000), bank and other loans of approximately HK\$16,948,000 (2015: approximately HK\$495,000) and finance lease of HK\$nil (2015: approximately HK\$442,000) bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

At 31 December 2016, the Group's exposure to interest-rate risk arises from its bank deposits of approximately HK\$80,078,000 (2015: approximately HK\$118,985,000) and bank and other loans of approximately HK\$64,487,000 (2015: HK\$nil). These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2016, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been approximately HK\$310,000 (2015: HK\$23,000) lower (2015: higher), arising mainly as a result of lower interest expenses on bank loans. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been approximately HK\$78,000 (2015: HK\$595,000) lower (2015: lower), arising mainly as a result of higher interest income on bank deposits.

### (f) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets:		
Available-for-sale financial asset	1,000	–
Financial assets at fair value through profit or loss		
– Held for trading	56,164	60,301
Derivative financial asset	–	10,610
Loans and receivables (including bank and cash balances)	191,623	129,076
Financial liabilities:		
Financial liabilities at amortised costs	127,109	9,859

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

#### (a) *Disclosures of level in fair value hierarchy*

	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

At 31 December 2016

#### Recurring fair value measurements:

Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	56,164	–	–	56,164
Investment properties	–	–	313,328	313,328

At 31 December 2015

#### Recurring fair value measurements:

Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	60,301	–	–	60,301
Derivative financial asset	–	–	10,610	10,610

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (g) Fair values *(Continued)*

#### (b) Reconciliation of assets measured at fair value based on level 3:

At 31 December 2016

Description	Derivative financial asset HK\$'000	Investment properties HK\$'000	Total HK\$'000
At beginning of year	10,610	–	10,610
Total gains/(losses) recognised in consolidated profit or loss (#)	(10,610)	2,643	(7,967)
Additions on acquisition of subsidiaries	–	277,385	277,385
Additions	–	52,022	52,022
Exchange realignment	–	(18,722)	(18,722)
At end of year	–	313,328	313,328
(#) Include gains for assets held at end of reporting period	N/A	2,643	2,643

At 31 December 2015

Description	Derivative financial asset HK\$'000
At beginning of year	–
Addition	10,610
At end of year	10,610

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (g) Fair values (Continued)

#### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

#### At 31 December 2016

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK\$'000
Investment properties	Direct comparison approach	Market price of office	RMB33,000 per square meter	Increase	313,328
		Market price of commercial	RMB36,500 per square meter	Increase	
		Market price of carpark	RMB150,000 per unit	Increase	
		Construction cost	RMB2,860 per square meter	Increase	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (g) Fair values (Continued)

#### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (Continued)

At 31 December 2015

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK\$'000
Profit guarantees	Discounted cash flow	Expected amount of the guarantee received estimated by the management of the Group	HK\$12,817,000	Decrease	10,610
		Discount rate	15.53%	Decrease	

During the two years, there were no changes in the valuation techniques used.

## 6. OPERATING SEGMENT INFORMATION

The Group has five reportable segments as follows:

- the software development and system integration segment engages in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services;
- the in-house developed products segment engages in the lease of in-house developed computer hardware;
- provision of IT infrastructure solutions and maintenance services (“IT solutions and maintenance”);
- money lending; and
- Securities trading (“Securities investments”).

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 6. OPERATING SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include interest income, investment income, finance costs as well as head office and corporate expenses. Segment assets do not include investment in associates and other unallocated head office and corporate assets. Segment liabilities do not include others loans, income tax payables and other unallocated head office and corporate liabilities.

	Software development and system integration		In-house developed products		IT solutions and maintenance		Money lending		Securities investments		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>												
Sales to external customers	12,153	27,793	-	-	-	-	-	-	-	-	12,153	27,793
<b>Segment (loss)/profit</b>	<b>(14,061)</b>	<b>(7,091)</b>	-	234	-	-	-	-	11,187	(23,724)	<b>(2,874)</b>	<b>(30,581)</b>
<b>Reconciliation:</b>												
Bank interest income											15	16
Loans interest income											2,068	828
Change in fair value of investment properties											2,643	-
Change in fair value of derivative financial asset											(10,610)	-
Unallocated gains											370	394
Loss on disposal of a subsidiary											-	(3,152)
Share of results of associates											(232)	(3,167)
Impairment loss on investment in of an associate											(10,812)	(22,597)
Share of results of a joint venture											-	(29,415)
Gain on disposal of an associate											22,827	-
Impairment loss on investment in a joint venture											-	(1,281)
Corporate and other unallocated expenses											(49,189)	(15,840)
Finance costs											(3,560)	(360)
Loss before tax											<b>(49,354)</b>	<b>(105,155)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 6. OPERATING SEGMENT INFORMATION (Continued)

	Software development and system integration		In-house developed products		IT solutions and maintenance		Money lending		Securities investments		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment assets</b>	<b>4,961</b>	12,857	-	483	<b>21,648</b>	-	<b>450</b>	-	<b>94,534</b>	60,301	<b>121,593</b>	73,641
<b>Reconciliation:</b>												
Corporate and other unallocated assets											<b>564,347</b>	305,483
Total assets											<b>685,940</b>	379,124
<b>Segment liabilities</b>	<b>(8,612)</b>	(8,455)	-	-	<b>(13,588)</b>	-	-	-	<b>(15,823)</b>	-	<b>(38,023)</b>	(8,455)
<b>Reconciliation:</b>												
Corporate and other unallocated liabilities											<b>(101,580)</b>	(11,954)
Total liabilities											<b>(139,603)</b>	(20,409)
<b>Other segment information:</b>												
Depreciation on:												
Segment assets	<b>192</b>	167	-	-	-	-	-	-	-	-	<b>192</b>	167
Corporate and other unallocated assets											<b>1,273</b>	690
											<b>1,465</b>	857
Amortisation of other intangible assets on:												
Corporate and other unallocated assets											-	114
Bank interest income#	<b>2</b>	5	-	2	-	-	-	-	-	-	<b>2</b>	7
Impairment loss on trade receivables	<b>1,340</b>	-	-	-	-	-	-	-	-	-	<b>1,340</b>	-
Income tax expenses											<b>661</b>	531
Capital expenditure* on:												
Segment assets											<b>344</b>	93
Corporate and other unallocated assets											<b>331,144</b>	11,215
											<b>331,488</b>	11,308

\* Capital expenditure consists of additions to property, plant and equipment and investment properties by acquisition of a subsidiary and further construction works.

# The amounts of bank interest income exclude non-operating segment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 6. OPERATING SEGMENT INFORMATION *(Continued)*

### Geographical information

	Revenue		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	–	–	86,212	79,388
PRC except Hong Kong	12,153	27,793	349,361	98,018
Japan	–	–	233	–
Consolidated total	12,153	27,793	435,806	177,406

In presenting the geographical information, revenue is based on the locations of the customers and information about the non-current assets, except deferred tax assets, classified in accordance with geographical location of the assets at the end of the reporting period.

### Information about major customers

During the year ended 31 December 2016, the Group had transactions with four (2015: nil) external customers of the software development and system integration segment who each contributed over 10% of the Group's total revenue for the year. A summary of revenue earned from each of these major external customers is set out below:

	2016 HK\$'000	2015 HK\$'000
Customer 1	2,284	–
Customer 2	2,184	–
Customer 3	1,700	–
Customer 4	1,312	–
	7,480	–

## 7. REVENUE

The Group's revenue which represents (1) an appropriate proportion of contract revenue from the provision of software development and system integration services, net of value-added tax, business tax and government surcharges; (2) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; and (3) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges are as follows:

	2016 HK\$'000	2015 HK\$'000
Provision of software development and system integration services	10,685	23,646
Sale of computer hardware	93	1,789
Provision of technical support and maintenance services	1,375	2,358
	12,153	27,793

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 8. OTHER INCOME AND GAINS

	2016	2015
	HK\$'000	HK\$'000
Bank interest income	15	16
Loans interest income	2,068	828
Investment income from financial assets at fair value through profit or loss	320	249
Government grants	315	911
Waiver of other payables	–	305
Reversal of impairment loss on trade receivables	–	400
Others	735	1,105
	<b>3,453</b>	3,814

## 9. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	HK\$'000	HK\$'000
Interest on other loans	870	315
Interest on bank loans	2,655	–
Interest on finance lease payables	35	45
	<b>3,560</b>	360

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 10. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	3,975	2,387
Cost of services provided	7,081	12,799
Depreciation	1,465	857
Amortisation of other intangible assets*	–	114
Minimum lease payments under operating leases in respect of land and buildings	3,707	2,701
Auditors' remuneration	580	480
Employee benefit expense (including directors' remuneration – note 11):		
Salaries, allowances and benefits in kind	16,048	26,375
Pension schemes contribution	1,729	2,731
Equity-settled share-based payment	12,370	–
	<b>30,147</b>	29,106
Impairment loss on investment in a joint venture**	–	1,281
Written off of other intangible assets**	–	2,192
Equity-settled share-based payment to consultants	7,255	–
Impairment loss on inventories**	366	–
Impairment loss on trade receivables**	1,340	–
Impairment loss on property, plant and equipment**	802	–
Written off of other receivables**	701	–
Foreign exchange differences, net	73	30
Fair value (gain)/loss on financial assets at fair value through profit or loss	(10,882)	23,973
Loss on disposal of a subsidiary	–	3,152
Loss on disposal of property, plant and equipment**	–	72

\* The amortisation of other intangible assets is included in "Administrative expenses" of the consolidated statement of profit or loss.

\*\* These items are included in "Other expenses" of the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

### (a) Directors' emoluments

	Note	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension contribution HK\$'000	Equity- settled share-based payment HK\$'000	Total HK\$'000
<b>Year ended 31 December 2016</b>						
<b>Executive directors:</b>						
Mr. Wong Kui Shing, Danny	(i)	120	1,584	18	57	1,779
Mr. Tse Chi Wai		120	845	18	1,980	2,963
Ms. Wu Jingjing		120	300	–	123	543
Mr. Takashi Togo	(ii)	120	741	–	1,980	2,841
		<b>480</b>	<b>3,470</b>	<b>36</b>	<b>4,140</b>	<b>8,126</b>
<b>Non-Executive director:</b>						
Mr. Wong Chi Yung	(viii)	120	240	12	1,980	2,352
<b>Independent non-executive directors:</b>						
Dr. Chen Shengrong	(iv)	120	–	–	123	243
Mr. Hung Hing Man	(v)	120	–	–	123	243
Mr. May Tai Keung, Nicholas	(v)	120	–	–	123	243
		<b>360</b>	<b>–</b>	<b>–</b>	<b>369</b>	<b>729</b>
<b>Total</b>		<b>960</b>	<b>3,710</b>	<b>48</b>	<b>6,489</b>	<b>11,207</b>
<b>Year ended 31 December 2015</b>						
<b>Executive directors:</b>						
Mr. Wong Kui Shing, Danny	(i)	92	810	14	–	916
Mr. Tse Chi Wai		120	845	18	–	983
Ms. Wu Jingjing		120	300	–	–	420
Mr. Wong Chi Yung	(ii)	84	167	8	–	259
Mr. Takashi Togo	(ii)	84	167	–	–	251
Mr. Hu Zhuoer	(iii)	60	423	15	–	498
		<b>560</b>	<b>2,712</b>	<b>55</b>	<b>–</b>	<b>3,327</b>
<b>Independent non-executive directors:</b>						
Dr. Chen Shengrong	(iv)	110	–	–	–	110
Mr. Hung Hing Man	(v)	82	–	–	–	82
Mr. May Tai Keung, Nicholas	(v)	82	–	–	–	82
Mr. Ng Kwok Fai	(vi)	40	–	–	–	40
Dr. Sun Guofu	(vi)	40	–	–	–	40
Mr. Chen Zhongfa	(vii)	10	–	–	–	10
		<b>364</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>364</b>
<b>Total</b>		<b>924</b>	<b>2,712</b>	<b>55</b>	<b>–</b>	<b>3,691</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' emoluments (Continued)

Note:

- (i) Appointed as an executive director on 26 March 2015.
- (ii) Appointed as an executive director on 20 April 2015.
- (iii) Retired as an executive director on 1 July 2015.
- (iv) Appointed as an independent non-executive director on 30 January 2015.
- (v) Appointed as an independent non-executive director on 24 April 2015.
- (vi) Resigned as an independent non-executive director on 24 April 2015.
- (vii) Resigned as an independent non-executive director on 30 January 2015.
- (viii) Re-designated as a non-executive director on 8 July 2016.

During the year, no emoluments were paid by the Group to any of the directors of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

### (b) Employees' emoluments

The five highest paid individuals in the Group during the year included three (2015: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2015: two) individuals are set out below:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefits in kind	195	1,404
Pension schemes contribution	10	49
Equity settled share-based payment	3,674	–
	<b>3,879</b>	1,453

Their emoluments were within the following band:

	Number of individuals	
	2016	2015
HK\$0 - HK\$500,000	–	1
HK\$500,001 - HK\$1,000,000	–	1
HK\$1,000,001 - HK\$1,500,000	–	–
HK\$1,501,001 - HK\$2,000,000	2	–

During the year, no emoluments were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 12. INCOME TAX EXPENSES

	2016 HK\$'000	2015 HK\$'000
Current tax – Hong Kong	–	531
Deferred tax ( <i>note 22</i> )	<b>661</b>	–
	<b>661</b>	531

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2016 (2015: 16.5%).

No provision for PRC corporate income tax is required since the Group has no assessable profit for the year ended 31 December 2016 (2015: Nil).

No provision for Japan corporate income tax for the year ended 31 December 2016 since the Group did not generate any assessable profits arising in Japan during the year. Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The reconciliation between the income tax expenses and the product of loss before tax multiplied by tax rates applicable to profit or loss in the respective countries is as follows:

	2016 HK\$'000	2015 HK\$'000
Loss before tax	<b>(49,354)</b>	(105,155)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	<b>(9,740)</b>	(18,188)
Tax effect of income that is not taxable	<b>(3,923)</b>	(1)
Tax effect of expenses that are not deductible	<b>8,890</b>	1,803
Tax effect of temporary differences not recognised	<b>(314)</b>	–
Tax effect of tax losses not recognised	<b>5,659</b>	8,673
Tax effect of utilisation of tax losses not previously recognised	<b>(1,733)</b>	(860)
Tax effect of share of results of associates	<b>38</b>	522
Tax effect of impairment loss of an associate	<b>1,784</b>	3,729
Tax effect of share of results of a joint venture	–	4,853
Tax charge for the year	<b>661</b>	531

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 13. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2016 and 2015.

## 14. LOSS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Loss for the year attributable to owners of the Company	<b>48,143</b>	105,462
	2016	2015
Weighted average number of ordinary shares for basic and diluted loss per share	<b>5,066,872,760</b>	3,153,304,324

The diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in an anti-dilutive effect on loss per share for the year ended 31 December 2016 while the Company did not have any dilutive potential ordinary shares for the year ended 31 December 2015.

## 15. INVESTMENT PROPERTIES

	2016 HK\$'000
At 1 January	–
Additions on acquisition of subsidiaries (note 40(a))	<b>277,385</b>
Additions	<b>52,022</b>
Fair value gains	<b>2,643</b>
Exchange differences	<b>(18,722)</b>
At 31 December	<b>313,328</b>

Investment properties were revalued at 31 December 2016 on the open market value basis by reference to market evidence of recent transactions for similar properties by Roma Appraisals Limited, an independent firm of chartered surveyors.

At 31 December 2016, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to approximately HK\$56,951,000.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 16. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST:</b>					
At 1 January 2015	–	483	4,617	3,808	8,908
Exchange realignment	–	(20)	(219)	(219)	(458)
Additions	9,156	15	220	1,917	11,308
Disposal	–	–	(228)	(402)	(630)
<b>At 31 December 2015 and 1 January 2016</b>	<b>9,156</b>	<b>478</b>	<b>4,390</b>	<b>5,104</b>	<b>19,128</b>
Exchange realignment	–	(35)	(257)	(239)	(531)
Additions	–	1,268	813	–	2,081
Disposal	–	–	–	(875)	(875)
Written off	–	(117)	(515)	–	(632)
Acquisition of subsidiaries	–	263	167	457	887
<b>At 31 December 2016</b>	<b>9,156</b>	<b>1,857</b>	<b>4,598</b>	<b>4,447</b>	<b>20,058</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS:</b>					
At 1 January 2015	–	483	3,590	2,055	6,128
Exchange realignment	–	(20)	(174)	(123)	(317)
Provided during the year	15	1	259	582	857
Eliminated on disposals	–	–	(133)	(323)	(456)
<b>At 31 December 2015 and 1 January 2016</b>	<b>15</b>	<b>464</b>	<b>3,542</b>	<b>2,191</b>	<b>6,212</b>
Exchange realignment	–	(35)	(228)	(148)	(411)
Provided during the year	183	108	267	907	1,465
Impairment loss	–	261	541	–	802
Eliminated on disposals	–	–	–	(423)	(423)
Written off	–	(117)	(515)	–	(632)
<b>At 31 December 2016</b>	<b>198</b>	<b>681</b>	<b>3,607</b>	<b>2,527</b>	<b>7,013</b>
<b>CARRYING AMOUNTS:</b>					
<b>At 31 December 2016</b>	<b>8,958</b>	<b>1,176</b>	<b>991</b>	<b>1,920</b>	<b>13,045</b>
At 31 December 2015	9,141	14	848	2,913	12,916

Note: The land and building are situated in Hong Kong.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group carried out reviews of the recoverable amount of the property, plant and equipment of the software development and system integration segment as a result of the expectation of continuing loss making of this segment. The reviews led to the recognition of an impairment loss of HK\$802,000 (2015: HK\$nil), that has been recognised in consolidated profit or loss.

## 17. GOODWILL

	HK\$'000
<b>Cost</b>	
As at 1 January 2016	–
Additions on acquisition of a subsidiary <i>(note 40(b))</i>	3,865
As at 31 December 2016	3,865
<b>Carrying amount:</b>	
As at 31 December 2016	3,865
The carrying amount of goodwill had been allocated as follows:	
	2016 HK\$'000
IT solutions and maintenance	3,865

The recoverable amount of this CGU is determined by reference to the value-in-use approach, which is based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 15.51% that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-year period have been extrapolated using a steady 2% growth rate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 18. OTHER INTANGIBLE ASSETS

	Customer relationships HK\$'000	Money lending licence HK\$'000	Golf club membership HK\$'000	Total HK\$'000
COST:				
At 1 January 2015	–	–	1,614	1,614
Additions	–	–	1,875	1,875
Written off	–	–	(3,489)	(3,489)
At 31 December 2015 and 1 January 2016	–	–	–	–
Acquisition of subsidiaries	<b>7,828</b>	<b>440</b>	–	<b>8,268</b>
At 31 December 2016	<b>7,828</b>	<b>440</b>	–	<b>8,268</b>
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS:				
At 1 January 2015	–	–	1,183	1,183
Amortisation for the year	–	–	114	114
Written off	–	–	(1,297)	(1,297)
At 31 December 2015, 1 January 2016 and 31 December 2016	–	–	–	–
CARRYING AMOUNTS:				
<b>At 31 December 2016</b>	<b>7,828</b>	<b>440</b>	–	<b>8,268</b>
At 31 December 2015	–	–	–	–

Note:

- (a) The Group acquired two golf club memberships from a golf club during the year ended 31 December 2015. The golf club memberships were written off during the year ended 31 December 2015 since the golf club was closed down due to environmental issues.
- (b) The Group's money lending license of HK\$440,000 (2015: HK\$nil) at 31 December 2016 is assessed as having indefinite useful life because the Group can renew the money lending license without substantial costs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 19. INVESTMENT IN ASSOCIATES

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Unlisted investment in the British Virgin Islands			
Share of net assets		<b>16,210</b>	43,887
Goodwill		<b>54,650</b>	106,975
		<b>70,860</b>	150,862
Impairment losses	<i>(d)</i>	<b>(10,812)</b>	(22,597)
		<b>60,048</b>	128,265

Notes:

(a) Details of the Group's associates at 31 December 2016 and 31 December 2015 are as follows:

Company name	Principle place of business/country of incorporation	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
		2016	2015	
Wise Visual Holdings Limited ("Wise Visual")	PRC/ British Virgin Islands	–	25%	Developing and providing intelligent video recording surveillance system for security and safety alarm
Faithful Asia Group Limited ("Faithful Asia")	Hong Kong/ British Virgin Islands	40%	40%	Business intelligence, big data, facilities management, financial technology solutions consulting and implementation

(b) The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 19. INVESTMENT IN ASSOCIATES (Continued)

Notes: (Continued)

	Wise Visual		Faithful Asia	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December				
Non-current assets	–	165,988	37,748	42,277
Current assets	–	10,120	10,707	1,941
Current liabilities	–	(10,070)	(1,702)	(1,751)
Non-current liabilities	–	(47,278)	(6,228)	(6,976)
Net assets	–	118,760	40,525	35,491
Group's share of net assets	–	29,690	16,210	14,197
Goodwill	–	52,326	54,650	54,649
Group's share of carrying amount of interests	–	82,016	70,860	68,846
Year/Period ended 31 December:				
Revenue	812	11,221	12,660	4,000
Profit/(Loss) and total comprehensive gain/(loss) for the year/period	(8,980)	(9,041)	5,033	(2,265)

As at 31 December 2016, the bank and cash balances of the Group' associates in the PRC denominated in Renminbi ("RMB") amounted to HK\$nil (2015: approximately HK\$73,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

- (c) Wise Visual was disposed to an independent third party at a consideration of HK\$80,000,000 in June 2016.
- (d) The Group carried out a review of the recoverable amount of investment in an associate based on value-in-use approach (level 3 fair value measurements). The review led to the recognition of an impairment of approximately HK\$10,812,000 for the year ended 31 December 2016.

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2016	2015
	HK\$'000	HK\$'000
Unlisted equity investment, at cost	1,000	–

Unlisted equity investment is measured at cost less impairment for the year ended 31 December 2016 since there was no quoted market price in an active market for the shares and the directors of the Company were of the opinion that their fair values cannot be reliably measured. The directors of the Company conduct a regular review on the performance of the investee company.

As at 31 December 2016, the Group had 19% equity interest in Quality Partner Enterprises Limited, which wholly-owned a licensed company specializing in corporate finance advisory services and a company secretarial services company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Prepayments	<i>(a)</i>	<b>36,253</b>	37,469
Deposits and other receivables	<i>(b)</i>	<b>85,916</b>	11,109
		<b>122,169</b>	48,578
Impairment	<i>(c)</i>	<b>(2,624)</b>	(6,817)
		<b>119,545</b>	41,761
Analysed as:			
<b>Non-current portion</b>			
Prepayments	<i>(a)</i>	<b>34,818</b>	36,225
Deposits and other receivables		<b>1,434</b>	–
		<b>36,252</b>	36,225
<b>Current portion</b>			
Prepayments		<b>1,435</b>	1,244
Deposits and other receivables	<i>(b)</i>	<b>81,858</b>	4,292
		<b>83,293</b>	5,536
		<b>119,545</b>	41,761

*Notes:*

- (a) As at 31 December 2015, included in prepayment was an amount of approximately HK\$36,225,000 for acquiring 100% equity interests of Joyunited Investments Limited ("Joyunited"), which is holding properties situated outside Hong Kong.

As at 31 December 2016, included in prepayments is an amount of approximately HK\$34,818,000 prepayment for construction works of investment properties of the Group.

- (b) As at 31 December 2016, included in other receivable is an amount of HK\$80,000,000 receivable from the purchaser of Wise Visual, a former associate of the Group, for disposal of Wise Visual at a consideration of HK\$80,000,000 (Note 19).

- (c) The movements in the provision for impairment of prepayments, deposits and other receivables during the year are as follows:

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

	2016 HK\$'000	2015 HK\$'000
At 1 January	6,817	7,276
Written off of impairment	(4,011)	(278)
Exchange realignment	(182)	(181)
At 31 December	<b>2,624</b>	6,817

The above provision for impairment of prepayments, deposits and other receivables is the provision for individually impaired prepayments, deposits and other receivables. The Group and the Company do not hold any collateral or other credit enhancements over these balances.

## 22. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) recognised by the Group.

	Fair value change of investment properties HK\$'000	Other intangible asset HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2016	-	-	-	-
Additions on acquisition of a subsidiary	-	(1,292)	3,174	1,882
Charged to consolidated profit or loss	(661)	-	-	(661)
At 31 December 2016	<b>(661)</b>	<b>(1,292)</b>	<b>3,174</b>	<b>1,221</b>

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2016 HK\$'000	2015 HK\$'000
Deferred tax liabilities	(661)	-
Deferred tax assets	1,882	-
	<b>1,221</b>	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 22. DEFERRED TAX (Continued)

The Group has tax losses arising in Hong Kong of approximately HK\$67,377,000 (2015: approximately HK\$61,621,000) that are available indefinitely, in Mainland China of approximately HK\$60,610,000 (2015: approximately HK\$28,873,000) that are available for a maximum of five years, and in Japan of approximately HK\$1,660,000 (2015: HK\$nil) that are available for a maximum of nine years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is considered not probable that taxable profits will be available against which tax losses can be utilised.

At the end of the reporting period, there is no temporary differences associated with undistributed earnings of subsidiaries and joint ventures for which deferred tax liabilities have not been recognised (2015: HK\$nil).

## 23. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Finished goods and merchandises	464	487

## 24. TRADE RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	9,941	9,370
Impairment	(4,849)	(3,815)
	5,092	5,555

Notes:

- (a) The Group has granted credit terms to its customers, ranging from 30 to 90 days. In certain cases, the Group would request payment in advance from the customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 24. TRADE RECEIVABLES (Continued)

Notes: (Continued)

- (b) The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 month	1,287	878
1 to 2 months	1,232	294
2 to 3 months	220	–
Over 3 months	2,353	4,383
	<b>5,092</b>	5,555

- (c) An aging analysis of the trade receivables as at the end of the reporting period that are neither individually nor collectively considered to be impaired is as follows:

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	2,518	242
Less than 1 month past due	251	975
1 to 3 months past due	133	140
Over 3 months to 1 year past due	2,183	2,421
Over 1 year past due	7	1,777
	<b>5,092</b>	5,555

Receivables that were neither past due nor impaired mainly relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 24. TRADE RECEIVABLES (Continued)

Notes: (Continued)

(d) The movements in the provision for impairment of trade receivables during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 January	3,815	5,658
Impairment during the year recognised in consolidated profit or loss	1,340	–
Amount written off as uncollectible	–	(1,212)
Reversal of impairment loss	–	(400)
Exchange realignment	(306)	(231)
At 31 December	<b>4,849</b>	3,815

The above provision for impairment of trade receivables is the provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

## 25. LOAN RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Loan receivables	<b>22,910</b>	–

Included in the amount of approximately HK\$22,910,000, loan receivables of HK\$3,200,000 are guaranteed by an independent third party.

All loans receivables are denominated in HK\$ and carried fixed interest rate at 9% per annum and with the terms ranging from 6 months to 14 months.

One of the loan receivables of HK\$10,000,000 was fully settled after the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$'000	2015 HK\$'000
Equity securities listed in Hong Kong	<b>56,164</b>	60,301

The carrying amounts of the above financial assets are classified as follows:

Held for trading	<b>56,164</b>	60,301
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The investments included above as at 31 December 2016 and 2015 represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of the listed equity securities are determined based on the quoted market prices.

## 27. DERIVATIVE FINANCIAL ASSET

	2016 HK\$'000	2015 HK\$'000
Fair value of the profit guarantees	–	10,610

The profit guarantees are obtained as part of the acquisition of Faithful Asia during the year ended 31 December 2015.

## 28. BANK AND CASH BALANCES

	2016 HK\$'000	2015 HK\$'000
Cash and bank balances other than time deposits	<b>80,078</b>	119,028
Time deposits	<b>251</b>	201
	<b>80,329</b>	119,229

Note:

- (a) As at 31 December 2016, the bank and cash balances of the Group denominated in RMB amounted to approximately HK\$3,041,000 (2015: approximately HK\$5,977,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 28. BANK AND CASH BALANCES (Continued)

Note: (Continued)

- (b) Time deposits are made for varying periods of between seven days and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

## 29. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 month	1,050	1,776
1 to 2 months	1,281	–
2 to 3 months	393	–
Over 3 months	5,010	3,598
	<b>7,734</b>	5,374

## 30. GROSS AMOUNT DUE TO CUSTOMERS FOR CONTRACT WORK

	2016 HK\$'000	2015 HK\$'000
Contract costs incurred plus recognised profits less recognised losses to date	2,173	–
Less: Progress billings	<b>(3,567)</b>	–
	<b>(1,394)</b>	–
Gross amount due to customers for contract work	<b>(1,394)</b>	–

Advances received in respect of construction contracts amounted to approximately HK\$10,000 at 31 December 2016 (2015: HK\$nil) and are included in accruals and other payables.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 31. OTHER PAYABLES AND ACCRUALS

	2016 HK\$'000	2015 HK\$'000
Accruals	5,073	2,464
Receipts in advance	2,146	1,276
Other payables	32,867	1,526
	<b>40,086</b>	5,266

At 31 December 2016, other payables of HK\$335,000 is due to a director, Mr. Wong Kui Shing, Danny.

## 32. BANK AND OTHER LOANS

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
<b>Bank loans:</b>			
Mortgage loan	<i>(i)</i>	56,951	–
Revolving loan	<i>(ii)</i>	5,000	–
Installment loan	<i>(iii)</i>	708	–
Bank overdrafts	<i>(iv)</i>	1,228	–
		<b>63,887</b>	–
<b>Others loans:</b>			
Loan from a company controlled by former management of a subsidiary	<i>(v)</i>	692	495
Loan from a management of a subsidiary	<i>(v)</i>	1,033	–
Margin loans	<i>(vi)</i>	15,823	–
		<b>17,548</b>	495
		<b>81,435</b>	495

*Notes:*

- (i) The mortgage loan has terms of 10 years until 2022 with a repayable on demand clause exercisable by a bank. The average interest rate was 5.39%.

The mortgage loan is secured by a charge over the Group's investment properties with fair value of approximately HK\$313,328,000, and personal guarantee by former shareholders of a subsidiary.

- (ii) The revolving loan is charged at Hong Kong prime rate per annum, which is guaranteed by a director and a former director of a subsidiary, secured by a property owned by a director and a former director of a subsidiary and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 32. BANK AND OTHER LOANS (Continued)

Note: (Continued)

- (iii) The installment loan is charged at 4.8% per annum, guaranteed by a director of a subsidiary and a former director of the a subsidiary and repayable on demand.
- (iv) The bank overdrafts is charged at a rate of 0.75% per annum over Hong Kong prime rate during the year, which is guaranteed by a director and a former director of a subsidiary, secured by a property owned by a director and a former director of a subsidiary and repayable on demand.
- (v) The loans from a company controlled by former management of a subsidiary and a management of a subsidiary are unsecured, interest bearing at 10% per annum on the unpaid principal and repayable on demand.
- (vi) The margin loans are secured by the Group's equity securities listed in Hong Kong with fair value of HK\$50,984,226 and repayable on demand. The loans of approximately HK\$14,515,000 and approximately HK\$1,308,000 are charged at a fixed interest rate of 8% per annum and at 3% per annum over the Hong Kong prime rate respectively.

## 33. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Within one year	-	263	-	237
In the second to fifth years, inclusive	-	215	-	205
	-	478	-	442
Less: Future finance charges	-	(36)	-	-
Present value of lease obligations	-	442	-	442
Less: Amount due for settlement within 12 months (shown under current liabilities)			-	(237)
Amount due for settlement after 12 months			-	205

The Group leased a motor vehicle. The lease term was three years. At 31 December 2015, the average effective borrowing rate was 7%. Interest rates were fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments. At the end of the lease term, the Group had title of the motor vehicle.

As at 31 December 2015, all finance lease payables were denominated in RMB.

As at 31 December 2015, the Group's finance lease payables were secured by the lessor's title to the leased assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 34. SHARE CAPITAL

	Note	Number of shares		Share capital	
		2016	2015	2016	2015
				HK\$'000	HK\$'000
<b>Authorised:</b>					
Ordinary shares of HK\$0.10 (2015: HK\$0.10) each					
At the beginning of the year		<b>8,000,000,000</b>	4,000,000,000	<b>800,000</b>	400,000
Increase in authorised share capital	(a)	–	4,000,000,000	–	400,000
At the end of the year		<b>8,000,000,000</b>	8,000,000,000	<b>800,000</b>	800,000

	Note	Number of shares		Share capital	
		2016	2015	2016	2015
				HK\$'000	HK\$'000
<b>Issued and fully paid:</b>					
Ordinary shares of HK\$0.10 (2015: HK\$0.10) each					
At the beginning of the year		<b>3,881,359,908</b>	2,695,471,908	<b>388,136</b>	269,547
Placing of new shares	(b)	<b>1,830,792,000</b>	1,185,888,000	<b>183,079</b>	118,589
At the end of the year		<b>5,712,151,908</b>	3,881,359,908	<b>571,215</b>	388,136

Notes:

- (a) By an ordinary resolution passed on 30 June 2015, the authorised ordinary share capital of the Company was increased from HK\$400,000,000 to HK\$800,000,000 by the creation of 4,000,000,000 shares of HK\$0.10 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 34. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) On 13 May 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, a total of 539,088,000 placing shares to not less than 6 independent placees at a price of HK\$0.188 per placing share. The placing agreements was completed on 1 June 2015. The net proceeds of approximately HK\$98,623,000 were raised from the placing.

On 23 September 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, a total of 646,800,000 placing shares to not less than 6 independent placees at a price of HK\$0.1 per placing share respectively. The placing agreements was completed on 23 September 2015. The net proceeds of approximately HK\$62,935,000 were raised from the placing.

On 8 December 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, a total of 1,830,792,000 placing shares to not less than 6 independent placees at a price of HK\$0.13 per placing share. The placing was completed on 9 May 2016. The net proceeds of approximately HK\$231,842,000 were raised from the placing.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves) and includes some forms of subordinated debts.

## 35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive directors, full-time employees of the Group, advisers and consultants of the Group. The Scheme became effective on 3 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 35. SHARE OPTION SCHEME (Continued)

The maximum number of shares which may be issued upon exercise of all options granted and yet to be granted under the Scheme is currently limited to 30% of the shares of the Company in issue at any time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in the Scheme in any 12-month period up to the date of the grant is limited to 1% of the aggregate number of issued shares of the Company at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors at their discretion, and commences on the date upon which the options are deemed to be granted and accepted.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were outstanding, granted, exercised under the Scheme during the years ended 31 December 2015.

Details of the specific categories of options are as follows:

<b>Date of grant</b>	<b>Vesting period</b>	<b>Exercise period</b>	<b>Exercise price</b> HK\$
11 April 2016	11 April 2016	11 April 2016 – 10 April 2017	0.185

If the options remain unexercised after a period of 1 year from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 35. SHARE OPTION SCHEME (Continued)

Details of the share options outstanding during the year are as follows:

	2016	
	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	–	–
Granted during the year	323,448,000	0.185
Forfeited during the year	(3,000,000)	0.185
Outstanding at the end of the year	320,448,000	0.185
Exercisable at the end of the year	320,448,000	0.185

The options outstanding at the end of the year have a weighted average remaining contractual life of 3 months and the exercise price is HK\$0.185. The estimated fair values of the options granted on 11 April 2016 are approximately HK\$19,625,000.

	2016
Share price at the date of grant	HK\$0.177
Exercise price	HK\$0.185
Expected volatility	98.56%
Expected life	1 year
Risk free rate	0.34%
Expected dividend yield	0%
Expected Early Exercise Multiple	2.2

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 1 year.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of Financial Position of the Company

	2016 HK\$'000	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	1,338	674
Total non-current assets	1,338	674
<b>CURRENT ASSETS</b>		
Due from subsidiaries	320,555	265,782
Loan receivables	22,910	–
Prepayments, deposits and other receivables	285	1,129
Cash and bank balances	26,112	91,689
Total current assets	369,862	358,600
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	1,465	749
Current tax liabilities	531	530
Total current liabilities	1,996	1,279
NET CURRENT ASSETS	367,866	357,321
NET ASSETS	369,204	357,995
<b>CAPITAL AND RESERVES</b>		
Share capital	571,215	388,136
Reserves	(202,011)	(30,141)
<b>TOTAL EQUITY</b>	<b>369,204</b>	<b>357,995</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 37. RESERVES

### (a) Group

- (i) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.
- (ii) Share premium account  
Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (iii) Foreign currency translation reserve  
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.
- (iv) The PRC reserve funds  
The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries. None of the Group's PRC reserve funds as at 31 December 2016 and 2015 were distributable in the form of cash dividends.
- (v) Share-based payment reserve  
The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 37. RESERVES (Continued)

### (b) Company

	Share premium account HK\$'000	Share-based payment reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
1 January 2015	15,376	–	23,085	38,461
Loss for the year and total comprehensive loss for the year	–	–	(111,571)	(111,571)
Issue of new shares	47,441	–	–	47,441
Transaction costs attributable to issue of new shares	(4,472)	–	–	(4,472)
At 31 December 2015 and 1 January 2016	58,345	–	(88,486)	(30,141)
Loss for the year and total comprehensive loss for the year	–	–	(240,258)	(240,258)
Equity-settled share-based payment expenses	–	19,625	–	19,625
Issue of new shares	54,924	–	–	54,924
Transaction costs attributable to issue of new shares	(6,161)	–	–	(6,161)
At 31 December 2016	107,108	19,625	(328,744)	(202,011)

## 38. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2016 are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of ownership interest	Principal activities
Shanghai Pantosoft Company Limited#	PRC	HK\$17,200,000	90%	Development and sale of computer software, and provision of system integration and related services
China Information Technology Development (Hong Kong) Limited	Hong Kong	HK\$100	100%	Office management
Macro Systems Limited	Hong Kong	HK\$1,050,000	84%	Provision of systems integration and maintenance services in Hong Kong

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 38. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of ownership interest	Principal activities
廣州市銀興計算機服務有限公司	PRC	HK\$1,300,000	84%	Provision of systems integration and maintenance services in the PRC
Guangzhou Xinfeng Investment Consultancy Company Limited	PRC	HK\$101,400,000	100%	Assets acquisition, management and consultancy services
Global Shine Investment Limited	Hong Kong	HK\$1	100%	Securities trading
Value Creation Finance Limited	Hong Kong	HK\$10,000	100%	Money lending
Golden Kindex Limited	Hong Kong	HK\$1	100%	Property holding

# Registered as wholly foreign-owned enterprises under the PRC law until 13 June 2036

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

## 39. DISPOSAL OF A SUBSIDIARY

### Disposal of China Luck International Limited (“China Luck”)

On 20 November 2015, the Group disposed the equity interest in China Luck.

Net assets at the date of disposal were as follows:

	HK\$000
Available-for-sale financial assets	15,632
Net assets disposed of	15,632
Loss on disposal of a subsidiary	(3,152)
Total consideration satisfied by cash	12,480
Net cash inflow arising on disposal:	
Cash consideration received	12,480

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 40. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of entire issued share capital in Joyunited Investments Limited (“Joyunited”)

On 7 April 2016, the Group acquired entire issued share capital in Joyunited Investments Limited and its subsidiary which is a wholly foreign owned enterprise established in the PRC (together “Joyunited Group”) at a consideration of RMB178 million (equivalent to approximately HK\$212,315,000). Joyunited Investments Limited is an investment holding company and its subsidiary owns properties in the PRC.

The acquisition is to extend the Group’s business footprints into the asset acquisition, management and consultancy services industry in the PRC as well as to build business network in the PRC.

The acquisition of Joyunited is not a business combination.

The value of the identifiable assets and liabilities of Joyunited Group at the date of acquisition is allocated as follows:

	HK\$'000
<hr/>	
Net assets acquired:	
Investment properties	277,385
Property, plant and equipment	464
Prepayment	1,535
Bank and cash balances	944
Bank loan	(68,013)
	<hr/>
	212,315
<hr/>	
Consideration, satisfied by:	
Cash	212,315
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	212,315
Cash and cash equivalents acquired	(944)
	<hr/>
	211,371
<hr/>	

Cash consideration of approximately HK\$36,225,000 and approximately HK\$176,090,000 was paid during the year ended 31 December 2015 and year ended 31 December 2016 respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 40. ACQUISITION OF SUBSIDIARIES (Continued)

### (b) Subscription of 84% equity interest in Macro China Holding Limited

On 30 December 2016, the Group subscribed 84% equity interest in Macro China Holding Limited and its wholly-owned subsidiaries (together "Macro Group") at a consideration of HK\$8,400,000 (the "Subscription"). Macro Group is a limited liability company incorporated in British Virgin Islands and is principally engaged in provision of IT infrastructure solutions and maintenance services in Hong Kong and the PRC.

The Subscription is for sharing technical know-how and existing customer bases between the Group and Macro Group, the Group will be able to raise the corporate governance and management standards of Macro Group and the Subscription will create synergies that allow the Group to better complement its existing business.

The fair value of the identifiable assets and liabilities of Macro Group at the date of acquisition is as follows:

	HK\$'000
Net assets acquired:	
Property, plant and equipment	423
Other intangible assets (note 18)	7,828
Inventories	381
Deferred tax assets	1,882
Trade receivables	2,771
Deposits	515
Amount due from the Group for the Subscription	5,400
Bank and cash balances	3,983
Loan from a subsidiary of the Group	(4,197)
Accruals and other payable	(2,381)
Trade payables	(2,877)
Amount due to customers for contract work	(1,394)
Bank loan and overdraft	(6,936)
Total identifiable net assets	5,398
Non-controlling interests	(863)
Goodwill (note 17)	3,865
	8,400
Consideration, satisfied by:	
Cash	8,400

The fair value of the acquired identifiable assets and liabilities were valued by Valor Appraisal & Advisory Limited, an independent qualified professional valuer.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 40. ACQUISITION OF SUBSIDIARIES (Continued)

### (b) Subscription of 84% equity interest in Macro China Holding Limited (Continued)

	HK\$'000
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	8,400
Less: cash and cash equivalent acquired	(3,983)
Net cash outflow	4,417

Cash consideration of HK\$3,000,000 was paid during the year ended 31 December 2016 and HK\$5,400,000 was paid in January 2017.

The goodwill arising on the acquisition of Macro Group is attributable to the anticipated future operating synergies from the combination.

#### **Impact of acquisition on the results of the Group**

No revenue and loss of Macro Group were recognised in the Group's loss for the year ended 31 December 2016.

Had these business combination be effective on 1 January 2016, the revenue of the Group would have been approximately HK\$37,339,000 and the loss after tax for the year would have been HK\$52,894,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

## 41. OPERATING LEASE COMMITMENTS

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	5,513	2,414
In the second to fifth year inclusive	8,291	503
	13,804	2,917

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 41. OPERATING LEASE COMMITMENTS *(Continued)*

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years (2015: two years) and rentals are fixed over the lease terms and do not include contingent rentals.

## 42. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for (note (a))	–	176,738

- (a) On 25 November 2015, Giant Prestige Investments Limited (the "Purchaser"), a wholly owned subsidiary of the Company, entered into an agreement with 3 independent third parties ("Vendors") pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell 100% of the issued share capital of Joyunited and all obligations, liabilities and debts owing or incurred by Joyunited to the Vendors on or at any time prior to the completion at the aggregate consideration of RMB178,000,000 (equivalent to HK\$212,963,000). Deposit of RMB30,000,000 (equivalent to HK\$36,225,000) was paid to the Vendors.

## 43. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

- (a) On 13 November 2015, the Company, Mr. Wong Kui Shing ("Mr. Wong"), the chairman and Chief Executive Officer of the Group and Nihon Unisys, Ltd. ("Nihon Unisys"), an independent third party, entered into an agreement, pursuant to which the parties agreed to jointly establish China Information Technology Development Limited ("CITD Japan") in Japan with intention to promote and sell the Japanese products in the PRC, Hong Kong and countries which are members of the Association of Southeast Asia Nations Countries.

Pursuant to the agreement, the Company, Mr. Wong and Nihon Unisys owned CITD Japan 35%, 31% and 34% respectively. The total investment amount in CITD Japan will be JPY30 million (equivalent to approximately HK\$1,902,000). The Company, Mr. Wong and Nihon Unisys shall contribute the amount of JPY10.5 million (equivalent to approximately HK\$666,000), JPY9.3 million (equivalent to approximately HK\$589,000) and JPY10.2 million (equivalent to approximately HK\$647,000) respectively.

## 44. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2017.

# Five Year Financial Summary

31 December 2016

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published annual report and audited financial statements is set out below:

	Year ended 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>RESULTS</b>					
<b>CONTINUING OPERATIONS</b>					
REVENUE	<b>12,153</b>	27,793	23,097	18,333	56,414
Loss before tax from continuing operations	<b>(49,354)</b>	(105,155)	(11,615)	(20,345)	(6,692)
Income tax expenses	<b>(661)</b>	(531)	–	–	(1,160)
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>(50,015)</b>	(105,686)	(11,615)	(20,345)	(7,852)
<b>DISCONTINUED OPERATIONS</b>					
Profit/(loss) for the year from discontinued operations	–	–	12,976	10,636	(131)
<b>(Loss)/profit for the year</b>	<b>(50,015)</b>	(105,686)	1,361	(9,709)	(7,983)
Attributable to:					
Owners of the Company	<b>(48,143)</b>	(105,462)	1,049	(9,066)	(7,986)
Non-controlling interests	<b>(1,872)</b>	(224)	312	(643)	3
	<b>(50,015)</b>	(105,686)	1,361	(9,709)	(7,983)
<b>ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS</b>					
	Year ended 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
TOTAL ASSETS	<b>685,940</b>	379,124	319,909	143,666	237,830
TOTAL LIABILITIES	<b>(139,603)</b>	(20,409)	(16,941)	(24,104)	(85,029)
<b>NET ASSETS</b>	<b>546,337</b>	358,715	302,968	119,562	152,801
Equity attributable to:					
Owners of the Company	<b>547,216</b>	360,021	304,038	120,538	134,475
Non-controlling interests	<b>(879)</b>	(1,306)	(1,070)	(976)	18,326
	<b>546,337</b>	358,715	302,968	119,562	152,801