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 2017

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This report will be available on the Company's website http://www.citd.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.

Contents

Page

CORPORATE INFORMATION 3

CHAIRMAN'S STATEMENT 5

MANAGEMENT DISCUSSION AND ANALYSIS 7

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT 16

REPORT OF THE DIRECTORS 20

CORPORATE GOVERNANCE REPORT 29

INDEPENDENT AUDITOR'S REPORT 40

AUDITED FINANCIAL STATEMENTS

Consolidated:

Statement of Profit or Loss 44

Statement of Profit or Loss and Other Comprehensive Income 45

Statement of Financial Position 46

Statement of Changes in Equity 48

Statement of Cash Flows 49

Notes to the Consolidated Financial Statements 52

FIVE YEAR FINANCIAL SUMMARY 119

PARTICULARS OF PROPERTY INTERESTS 120

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Kui Shing, Danny
(Chairman and Chief Executive Officer)
Mr. Tse Chi Wai
Mr. Takashi Togo
Mr. Wong King Shiu, Daniel
Mr. Chan Kai Leung

NON-EXECUTIVE DIRECTOR

Mr. Wong Chi Yung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man
Mr. Wong Hoi Kuen
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. Wong Hoi Kuen
Dr. Chen Shengrong

REMUNERATION COMMITTEE

Mr. Wong Hoi Kuen *(Chairman)*
Mr. Hung Hing Man
Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man *(Chairman)*
Mr. Wong Hoi Kuen
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

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Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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GEM STOCK CODE

8178

WEB-SITE ADDRESS

www.citd.com.hk

Chairman’s Statement

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 2017.

BUSINESS HIGHLIGHT

In this era of “Internet of Things (IoT)”, technology dominates our lives and it empowers and assists us in almost every aspects of our daily lives. We can have access to anything in the whole world with just one click on the device in our pockets. Esports, for example, has become an official medal sports at the 2022 Asian Games which demonstrates of the importance and popularity of technology in our lives.

In fact, both the Hong Kong and PRC governments have pledged of their support to promote various technological development of the society. In 2017-2018 Budget of the Hong Kong Government, eSports and FinTech have been the emphasis of the Hong Kong Government and its organization of the eSports & Music Festival in August 2017 has proved of its commitment to the industry. Meanwhile, during the 13th National People’s Congress of the PRC, with the concept of “Mass Entrepreneurship and Innovation”, technological innovation is the focal point of the PRC Government’s work. Strategic emerging industries in the technology field like AI and new mobile communication technologies etc will be vigorously promoted and supported. Grabbing hold of these supportive policies while bearing in mind that new technological developments evolve ever-so quickly, the Company has kept up with the trend in order to maintain our competitiveness in the market.

To present our vision and determination for innovation, the Company has adopted a new logo and website in September 2017, giving a refreshing and pioneering image to the Company. With this new distinctive identity, the Group has invested in a few businesses that are being globally hyped. Mobile payment transactions in China has reached approximately RMB294.97 trillion in 2017, an upsurge of 41.4% from RMB208.60 trillion in 2016, and are expected to hit RMB793.00 trillion in 2021. Mobile payment has become so prominent in PRC that it can almost become a cashless society. The popularity of mobile payment in the world, especially in the PRC, has convinced the Company to acquire 16.67% equity interest of FULLPAY K.K. in January 2017, enabling the Company to step into the FinTech area.

Besides, in November 2017, we have entered into a non-legally binding memorandum of understanding in relations to the possible acquisition of not more than 51% issued share capital of Polar Imagination Limited which principally engages in the provision and operation of online tournament platform for eSports with a reputable brand name of MTGamer. With evidence of the rocket high number of the global eSports enthusiasts from 89 million in 2014 to 145 million in 2017 and the eSports revenue grew from US$194 million in 2014 to US$465 million in 2017, the directors of the Company (the “Directors”), believe that this possible acquisition will be a golden opportunity for the Company to understand the eSports industry better as well as to broaden our income source. The Company is still in the negotiation for the possible acquisition and we shall update the shareholders of the Company (the “Shareholders”) as appropriate.

In parallel of the above acquisitions of the new businesses, we are more than dedicated to developing our existing businesses. Macro China Holding Limited (“Macro”) and its subsidiaries (together with Macro, “Macro Group”), have made profound achievements. In 2017, Macro received the Standard Offer Agreement for Quality Professional Services 4 (SOA-QPS4) from the Office of the Government Chief Information Officer (OGCIO) of the Government of the Hong Kong Special Administrative Region. In January 2018, it has become Hitachi Vantara’s Silver Partner. Not only that, in the same month, Macro is also entitled as 5 Star IT Certified Service Partner with the “Huawei Enterprise Channel Partner Program”.

Chairman's Statement

As a milestone of our business relating to big data, the Group has established our first big data research centre – "DataCube Research Centre" which provides services to enterprises in adoption of big data applications as well as a platform for academic exchange of big data knowledge. We have organized various seminars and workshops with different counterparts at our DataCube Research Centre since its establishment. We, as the Platinum level partner of Lenovo, had collaborated with them to early celebrate with enterprise customers in a winter cocktail workshop while learn more on Lenovo's product update. Apart from having great fun with our enterprise customers, we introduced Enterprise Cloud Drive Solution, ECD, to the customers. We had also organized a meaningful event where we interacted with teachers and principals in relations to the building of smart campus for primary and secondary schools. In 2017, DataCube Research Centre had entered into a cooperation agreement with The First Affiliated Hospital, Sun Yat-sen University (the "Hospital") of which DataCube shall at no cost to provide technical support and data analysis service for certain predictive immune system ranking data to the Hospital. We believe that as a responsible corporation in our society, this cooperation can allow us to contribute with our humble efforts to the medical researches and discoveries while improving our knowledge by sharing and utilizing our big data technology in a new area of medical development.

It is astonishing how technology has permeated into our lives in every way. It changes the way how we connect with each other or even how the economies structured. The Company understands that it is inevitable to keep pace with the new marvels in the industry so that it will not be lagged behind in its business. During these few years, the Company had made enormous efforts to capitalize on the opportunities arising from the Hong Kong and national policies as well as the new technology trends which had constructed a comprehensive integrated business structure. We believe that the different businesses of the Company complement each other, creating synergy effects and a unique competitive edge to the Company. Nevertheless, the Company believes that our manpower is also a very important and valuable assets that ties the different gears of business operations together. The Company, therefore, had granted share options to certain Directors, employees and consultants, aiming to retain the talents and provide motivations for them to work towards to goal of the Company. The management is confident that the Company shall bear fruits of our investments both in our business and manpower and is poised to take decisive actions for any valuable investment opportunities in order to generate new impetus for our future development.

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

In 2016, the Company placed 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK$0.13 each and raised a net proceeds of approximately HK$230 million (the "Placement"). It was expected that the net proceeds 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 acquisition of Joyunited Investments Limited on 7 April 2016 ("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. 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 2017, the use of net proceeds from the Placement was as follows:– (1) approximately HK$73.0 million for refurbishment and other expenses relating to the PRC Properties; (2) approximately HK$15.7 million for investment in Macro China Holding Limited ("Macro"); (3) approximately HK$3.2 million for loans to 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 those listed securities to settle part of the consideration for the PRC Properties as was planned. Instead, approximately HK$76.1 million had been applied to settle the consideration for the PRC Properties; (5) approximately HK$10.7 million for expenses relating to the Group's Japan business and related travelling expenses; and (6) approximately HK$50.0 million for administrative expenses and other expenses incurred by the Group. The unutilized proceeds were held as cash at bank.

During the year of 2017, the Company has continued the businesses as acquired and developed in 2016, including the acquisition of 84% of the total issued share capital of Macro Group and the acquisition of the entire share capital of Value Creation Finance Limited ("Value Creation Finance"), with the expectation to improve the business performance as well as to bring synergies and refinement to the whole business of the Company.

Macro Group

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, being the subsidiary of the Group, it enjoys strong brand awareness and major presence in the Greater China region.

During the year ended 31 December 2017, the business performance of Macro has continued to convince the Company that the acquisition of Macro in 2016 was an appropriate step to diversify business risk as well as to refine the whole business of the Company. In April 2017, Macro has co-operated with the Company and Huawei International Co. Ltd., a prominent and multinational telecommunications equipment manufacturer and telecommunication service provider with products and services deployed in more than 140 countries, for a seminar on the topic of big data solutions. The speakers had shared ideas, new technologies and analytical approaches appealing to both technical and business people in the seminar. Through these co-operations, not only do both the Company and Macro enjoy the synergy effects from the sharing of experiences and knowledge, it also helps the Company and Macro build a brand name and network in the IT industry.

Management Discussion and Analysis

In September 2017, with the vision to foster Hong Kong big data application and contribute to build Hong Kong as a smart city, the Company and Macro have established the DataCube Research Centre ("DataCube Research Centre" or "DataCube"), the first big data research centre of the Group.

DataCube Research Centre is more than 2,000 square feet, which provides meeting venue for Macro technical team to meet with its clients and provide the most appropriate big data solution. The spacious centre also offers a demo room to showcase the latest hardware platform. With years of experience in Macro to tailor-made information technology solutions for its clients, DataCube will be able to provide the most in-depth analysis for their business to realize the big data value.

The DataCube Research Centre will also focus on assisting local enterprises in the adoption of big data applications and inviting veteran data scientists to share and enhance related platforms for academic exchanges and other related projects. DataCube has adopted the latest hardware technology and the excellent integration technology platform and quality management from Macro. Not only can we provide a good demonstration for future big data applications and talents cultivation, but also foster a local group of data talents and enhance the public awareness of data applications in DataCube Research Centre, hence help them to seize the opportunity.

During the reporting period, Macro Group has contributed a revenue of approximately HK$34,385,000 to the Group. This encouraging result motivates the Directors and the Company to continue developing the business of Macro.

Other businesses

The other business acquired in 2016, Value Creation Finance, which owns a money lending license in Hong Kong under Money Lenders Ordinance, has also started business in 2017 and it also gradually brings steady income for the Group.

Meanwhile, the Company has continued to keep pace with the technology development trends and taken a few steps to widen the business scope of the Company in order to maintain the sustainable development of the Group.

In January 2017, the Company subscribed 16.67% equity interest of FULLPAY K.K.（FULLPAY 株式會社）("Fullpay"), which is a company incorporated in Japan under the form of a joint stock company (kabushiki kaisha), at a consideration of JPY20,000,000 (equivalent to approximately HK$1,341,000). Fullpay is principally engaged in the sourcing and provision of electronic fund transfer at point of sale (EFT-POS) terminals and peripheral devices which support WeChat Pay, as well as the provision of relevant EFT-POS installation and system support services, to vendors in Japan.

Grabbing hold of the rising popularity of mobile payment in the world, especially in China, the Directors believe that the subscription is a golden opportunity for the Company to step into the mobile payment business so as to gain relevant knowledge and bring synergy effects to the other businesses of the Company.

Management Discussion and Analysis

On 29 November 2017, the Company has entered into a non-legally binding memorandum of understanding ("Possible Acquisition") with Digital Avatar Holdings Limited (the "Vendor") in relation to the possible acquisition of not more than 51% of issued share capital of Polar Imagination Limited (the "Target Company"). The ultimate beneficial owner of the Vendor, Mr. Wong Ka Ching, is a business consultant of the Company. As at the date of this report, Mr. Wong (i) was beneficially interested in 121,105,000 shares (representing approximately 2.12% of the total issued share capital of the Company); and (ii) held 30,000,000 share options (the "Options") under the share option scheme adopted by the Company pursuant to the approval by an ordinary resolution passed by the shareholders of the Company on 2 August 2012, which are convertible into 30,000,000 shares upon its full conversion. Thus, Mr. Wong was interested in, in aggregate, 151,105,000 shares assuming the Options are exercised in full (representing approximately 2.63% of the total issued share capital of the Company as enlarged by the full conversion of the 30,000,000 Options). Save as disclosed above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are independent third parties (as defined in Listing Rules).

With the brand name of MTGamer ("MTGamer"), the Target Group principally engages in the provision and operation of online tournament platform for eSports, as well as the domain and social media (including WeChat and Facebook etc.) providing latest information relating to eSports and game advertising. MTGamer is one of the pioneers in the eSports industry in Hong Kong.

The Directors are of the view that the Possible Acquisition can allow the Company to step into this emerging business and seize the valuable opportunities to utilize its knowledge and technologies in its existing business for upstream and downstream development in its eSports industrial chain, creating synergy effect to the development of the existing business of the Company. The Directors believe that the Possible Acquisition shall provide opportunities to the Company to broaden its business portfolio so as to improve the Group's financial status in the long term. The Company is still in negotiation with the Vendor and shall keep the Shareholders abreast of the latest development in relation to the Possible Acquisition. For more details, please refer to the announcement of the Company at 29 November 2017.

Management Discussion and Analysis

Apart from acquiring few potential businesses during 2017, the Group also disposed 21% equity interest in Faithful Asia Group Limited ("Faithful Asia") which mainly provides data warehouse maintenance and development, data integration, training and outsourcing services of business intelligence services at a consideration of HK$43,050,000 on 30 November 2017 (the "Disposal"). The Company had persistently reviewing the business performance of Faithful Asia and noted that the revenue and profit have been decreasing. The decrease in revenue and profit was mainly due to the conservative atmosphere of the economy which caused the clients to cut IT budget and delay in the implementation of IT projects. Therefore, the Directors consider that the Disposal represents a good opportunity for the Group to reduce its investment risk and to realise part of its investment at a reasonable return.

The net cash proceeds from the Disposal, after deducting the estimated expenses in relation to the Disposal, will amount to approximately HK$42,000,000. It was intended that the net proceeds of the Disposal will be applied as to approximately HK$12,000,000 for general working capital for the Group's existing businesses, among which approximately HK$9,800,000 and HK$2,200,000 will be used for settlement of staff cost and rental expense respectively; and as to approximately HK$30,000,000 for investment opportunities in Hong Kong and/or the PRC in respect of industries with growth potential, including but not limited to information technology industry when opportunities arise. Details of the Disposal have been disclosed in the relevant announcements dated 26 September 2017, 19 October 2017 and 2 November 2017 and the circular dated 9 November 2017.

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

OUTLOOK AND PROSPECT

In 2017, the Company has grabbed valuable chance to step into some new areas that the market has been raved about like eSports and mobile payment system. We believe that by exposing ourselves to these new trends in the market, we will be able to create a competitive edge for ourselves to provide more integrated and comprehensive services for our clients.

Nevertheless, the Company understands the importance to have a balanced development between the existing businesses and the new potential business opportunities. Especially in the IT world, the new technological advancement and devices do not come into place on its own. They are so intertwined with and dependent on other technologies, as the very popular and growing concept in the IT world, "Internet of Things (IoT)", has proven how every technology and device can be closely related. During the year of 2017, the Company has demonstrated to strive to maintain this balance.

Management Discussion and Analysis

The reliance in IT has created a fierce demand of big data analysis and management. Only when data is organized and analyzed, will it become useful catalyst for business improvements and new technological developments. Envisioning the prospect and importance of data, we have set up DataCube to provide a nurturing ground for big data business development in Hong Kong and DateCube has started cooperating with the Hospital in PRC to provide data analysis service for medical research. We believe that by these cooperation enable us to utilize our knowledge and skills in different industries, allowing us to gain experience and excel in our businesses. Besides, the remarkable performance of Macro has encouraged the Company to continue expand its business. Awarded the first and only 5 Star Certified Service Partners of Huawei Enterprise Solution Partner Program & Gold Partner – Huawei Enterprise Business in Hong Kong, together with all other the honors, Macro demonstrates high rate of success with its technology vendors, as well as recognition of partnership and achievement of customer success. We shall continue in the development of Macro as well as DateCube so that we will become a more reputable company in the industry in not only Hong Kong but also in other places like the PRC.

Subsequent to the year ended 31 December 2017, the Company has continued to refine our business structure. The Company has disposed the entire share capital of a subsidiary which owns a property situated in Hong Kong so that we can focus on the development on our IT business. Meanwhile, we had also signed sale and purchase agreements with two independent third parties which the Group had acquired a total of 10% equity interests (5% from each of the independent third parties) of a company incorporated in the PRC which principally engages in operation of data center in the PRC. In the year to come, we shall continue to search for more cooperation and business opportunities in date-related areas.

Understanding how the industry works is crucial to formulating a strategic development plan for a Company. By closely following with the market trends and the current situation of the Company, the Company shall continue to walk with two feet, steady growth in current businesses and the exploration of new businesses, so as to create value to the Group and bring benefits to the Shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for 2017 amounted to approximately HK$48,817,000, increased by 243.3% from approximately HK$14,221,000 in 2016. The significant increase in revenue was mainly attributable to the consolidation of the revenue of Macro into the Group during the year.

Cost of sales and services

The Group had a total cost of sales and services of approximately HK$31,245,000 for 2017, which increased by 182.6% compared with approximately HK$11,056,000 in 2016. The increase was mainly due to the consolidation of the cost of Macro during the year.

Management Discussion and Analysis

Gross profit

The gross profit of the Group in 2017 amounted to approximately HK$17,572,000 which increased by approximately HK$14,407,000 compared with approximately HK$3,165,000 in 2016. The gross profit margin was 36.0% compared with 22.3% in 2016. The increase in both gross profit and gross profit margin was mainly due to the consolidation of the Macro and the increase in loan interest income during the year.

Other income and gains

During the financial year ended 31 December 2017, the Group generated other income and gains of approximately HK$2,539,000 (2016: approximately HK$1,385,000) which comprised: (i) bank interest income amounted to approximately HK$8,000 (2016: approximately HK$15,000); (ii) investment income from financial assets at fair value through profit or loss investments amounted to HK$nil (2016: approximately HK$320,000); (iii) reversal of impairment loss on trade receivables amounted to approximately HK$387,000 (2016: HK$nil); (iv) government grants amounted to approximately HK$127,000 (2016: approximately HK$315,000); (v) waived other payable amounted to approximately HK$661,000 (2016: HK$nil); and (vi) other miscellaneous items in an aggregate amounted of approximately HK$1,356,000 (2016: approximately HK$735,000).

Selling and distribution expenses

The Group's selling and distribution expenses in 2017 amounted to approximately HK$4,665,000, which decreased by 14.3% compared with approximately HK$5,442,000 in 2016. The decrease was mainly due to the decrease in promotion activities incurred by Pantosoft during the year.

Administrative expenses

Administrative expenses of the Group in 2017 were approximately HK$129,742,000, increased by 135.2% comparing to approximately HK$55,166,000 in 2016. The increase was mainly due to the recognition of share options granted to employees and consultants for the amount of approximately HK$81,482,000 during the year (2016: approximately HK$19,625,000), the consolidation of the administrative expenses of Macro, and increase in staff cost and travelling expenses to explore new market.

Other expenses

Other expenses of the Group were approximately HK$2,921,000 for 2017 compared to approximately HK$4,434,000 for the previous year, which comprised: (i) impairment loss on inventories amounted to HK$nil (2016: approximately HK$366,000); (ii) impairment loss on trade receivables amounted to approximately HK$1,660,000 (2016: approximately HK$1,340,000); (iii) written off of other receivables amounted to HK$nil (2016: approximately HK$701,000); (iv) loss on disposal of property, plant and equipment amounted to approximately HK$35,000 (2016: HK$nil); (v) impairment loss on property, plant and equipment amounted to HK$nil (2016: approximately HK$802,000); and (vi) other miscellaneous expenses in an aggregate amount of approximately HK$1,226,000 (2016: approximately HK$1,225,000).

Gain on disposal of subsidiaries

During the year, the Group recognized a gain of approximately HK$9,019,000 from disposal of its equity interests in Surfing Platform International Limited ("Surfing Platform") and CITD Research Institute Limited ("CITD Research"), both wholly-owned subsidiaries of the Company, which were completed on 3 November 2017 and 14 August 2017 respectively.

Fair value gain on financial assets at fair value through profit or loss

As at 31 December 2017, 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$1,479,000 (2016: approximately HK$10,882,000), which decreased by 86.4%.

Finance costs

Finance costs of the Group for 2017 were approximately HK$5,071,000, an increase of approximately HK$1,511,000 comparing to approximately HK$3,560,000 in 2016. Finance costs for the year were mainly attributed to bank loan interest expenses of approximately HK$3,074,000 incurred mainly by Joyunited in relation to the Group's investment properties and other loan interest expenses of approximately HK$1,997,000.

Loss attributable to owners

The Group's loss attributable to owners of the Company was approximately HK$112,456,000 for 2017 as compared to approximately HK$48,143,000 in 2016. The increase in loss was mainly due to the recognition of share options granted to employees and consultants for the amount of approximately HK$81,482,000 and decrease in fair value gain on financial assets at fair value through profit or loss of approximately HK$9,403,000.

FINANCIAL POSITION

Liquidity and financial resource

As at 31 December 2017, cash and bank balances held by the Group decreased from approximately HK$80,329,000 as of 31 December 2016 to approximately HK$34,118,000.

As at 31 December 2017, the Group's total borrowings amounted approximately HK$68,921,000 (2016: approximately HK$81,435,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.13 (2016: 0.15).

For the year ended 31 December 2017, the Group had capital expenditure of approximately HK$1,230,000 (2016: approximately HK$2,081,000) for addition of property, plant and equipment, and approximately HK$58,176,000 for further construction works of investment properties (2016: approximately HK$329,407,000 for addition of investment properties by acquisition of a subsidiary and further construction works.)

Capital structure

Pursuant to an ordinary resolution passed by the shareholders of the Company on 30 June 2017, the authorised share capital of the Company was increased from HK$800,000,000 to HK$1,200,000,000 by the creation of 4,000,000,000 ordinary shares of HK$0.10 each, those new ordinary shares rank pari passu in all respects with the existing shares of the Company.

As at 31 December 2017 and as at the date of this report, there are a total of 5,712,151,908 issued shares of the Company.

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 different risk profiles.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

There were a total of 106 employees in the Group as of 31 December 2017 (2016: 96 employees). Total expenses on employee benefits amounted to approximately HK$81,304,000, in which approximately HK$57,191,000 related to equity-settled share-based payment for the year ended 31 December 2017 (2016: approximately HK$30,147,000, in which approximately HK$12,370,000 related to equity-settled share-based payment). 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 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT EVENTS

(a) On 9 January 2018, the Company entered into a sale and purchase agreement with an independent third party to dispose a wholly-owned subsidiary, which owns a property situated in Hong Kong, at a consideration of HK$10,000,000. The transaction was completed on 12 February 2018.

b) On 8 February 2018, a wholly-owned subsidiary of the Company and two independent third parties entered into two sale and purchase agreements individually to acquire totally 10% equity interests (5% from each of the independent third party) of a company incorporated in the PRC which is principally engaged in operation of data center in the PRC. The consideration to each individual is RMB5,000,000 and thus the total consideration is RMB10,000,000. The transaction was completed on 22 February 2018.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Kui Shing, Danny, aged 58, 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 of Huiyin Holdings Group Limited (Stock Code: 1178), Larry Jewelry International Company Limited (Stock Code: 8351) and TFG International Group Limited (Former name: Ceneric (Holdings) Limited, Stock Code: 542). He is also currently an independent non-executive director of Tech Pro Technology Development Limited (Stock Code: 3823) and Far East Holdings International Limited (Stock Code: 36). 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 50, 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 China Environmental Technology Holdings Limited (Stock Code: 646); Great Water Holdings Limited (Stock Code: 8196) and Huarong Investment Stock Corporation Limited (Stock Code: 2277); Chong Kin Group Holdings Limited (Stock Code: 1609) and Winto Group (Holdings) Limited (Stock Code: 8238). Mr. Tse was an independent non-executive director of Greens Holdings Ltd ("Greens Holdings") (Stock Code: 1318) from March 2015 to November 2015 and Sunac China Holdings Limited ("Sunac") (Stock Code: 1918) from December 2012 to December 2017. Mr. Tse joined the Group in May 2010.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS *(Continued)*

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 of the Hong Kong Limited ("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.

The following particulars relating to Mr. Tse are disclosed pursuant to Rule 17.50(2)(n)(iv) of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"):

In October 2017, based on findings made by the Listing Committee of the Stock Exchange ("Listing Committee") in respect of Sunac and on Sunac's acceptance, without admission of any liabilities and for the purpose of settlement, of the relevant findings, the Listing Committee censured Sunac for breaching Rule 2.13(2) of the Listing Rules for failure to ensure the announcements made in February 2015 and May 2015 were accurate and complete in all material aspects, and not misleading. Please refer to the Listing Committee's news issued on 26 October 2017 for further details.

Although Mr. Tse was an independent non-executive director of Sunac at the relevant time, Mr. Tse was not personally subject to any investigation process, disciplinary action or censure from the Listing Committee or any other competent authority in respect of the above matters.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS *(Continued)*

Mr. WONG King Shiu, Daniel, aged 58, has over 13 years of experience in natural resources industry and served as an executive director in a various natural resources company which is listed in Hong Kong. He also has extensive experience in the management and development of natural resources projects in China. He is currently an executive director of China Baoli Technologies Holdings Limited (Stock Code: 164), and an independent non-executive director of Huisheng International Holdings Limited (Stock Code: 1340), both companies listed on the main board of the Stock Exchange. Mr. Daniel Wong joined the Group on 16 August 2017.

Mr. Takashi TOGO , aged 54, 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.

Mr. CHAN Kai Leung, aged 52, holds a BSc (Hons) Degree in Computing and Information Systems from London Metropolitan University. He is currently the director and general manager of Macro Systems Limited ("Macro Systems"), the subsidiary of the Company. He founded Macro Systems in 1997 and is responsible for providing Macro Systems the vision and leadership and supporting the continuous improvement of overall market strategy, business development and operation. Mr. Chan has more than 20 years' experience in information system. Mr. Chan joined the Group in December 2016 and appointed as an executive Director on 16 August 2017.

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NON-EXECUTIVE DIRECTOR

Mr. WONG Chi Yung, aged 34, 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 executive Director, Chairman and Chief Executive Officer of the Company. Mr. Wong is currently an independent non-executive director of Polyfair Holdings Limited (Stock Code: 8532). 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.

Biographical Information of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUNG Hing Man, aged 47, 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 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: 231) from 23 September 2009 to 17 November 2015. Mr. Hung joined the Group on 24 April 2015.

Mr. WONG Hoi Kuen, aged 57, is a practising certified public accountant in Hong Kong and a chartered accountant in the United Kingdom. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales.

Mr. Wong has been an independent non-executive director, members of audit committee and nomination committee of China Baoli Technologies Holdings Limited (Stock Code: 164) since 13 February 2006. He has also been an independent non-executive director, members of audit committee and nomination committee of Elife Holdings Limited (Stock Code: 223) since 9 May 2011. Mr. Wong joined the Group on 16 August 2017.

Dr. CHEN Shengrong, aged 36, 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 Sky Cloud Green Data Technology Co., Ltd.（天之雲綠色數據技術有限責任公司）. 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

The Executive Directors are also senior management of the Group.

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 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 36 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group's businesses and other relevant information, can be found in the Management Discussion and Analysis set out on pages 7 to 15 and the Chairman's Statements as set out on pages 5 to 6 of this report. Such discussion forms part of this Report of the Directors.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2017 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 44 to 47.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017.

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 119. 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 32 and note 33 to the consolidated financial statements respectively.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as disclosed in the section headed "Share Option" of this Report of the Directors, the Company has not entered into any equity-linked agreement for the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

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

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 35 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, 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 28.8% of the total sales for the year and sales to the largest customer included therein amounted to 9.8%. Purchases from the Group's five largest suppliers accounted for 56.6% of the total purchases for the year and purchase from the largest supplier included therein amounted to 16.8%.

None of the Directors or any of their associates or any shareholders of the Company (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.

Report of the Directors

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
Mr. Takashi Togo
Mr. Wong King Shiu, Daniel *(appointed on 16 August 2017)*
Mr. Chan Kai Leung *(appointed on 16 August 2017)*
Ms. Wu Jingjing *(resigned on 5 January 2018)*

Non-Executive Director:

Mr. Wong Chi Yung

Independent non-executive Directors:

Mr. Hung Hing Man
Mr. Wong Hoi Kuen *(appointed on 16 August 2017)*
Dr. Chen Shengrong
Mr. May Tai Keung, Nicholas *(resigned on 5 January 2018)*

In accordance with Articles 86(3), 87(1) and 87(2) of the Company's 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. Wong Hoi Kuen 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 16 to 19 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 Directors' remuneration and the five highest paid individuals are set out in the Note 11 to the consolidated financial statements on pages 83 to 86 of the annual report.

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.

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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2017, the interests and short positions of the Directors and chief executive of the Company 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 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

		Nature of Interest		Percentage of the Company's issued share capital *(approximately)* *(Note)*
Name of Directors	**Capacity**	**Registered Shareholder**	**Underlying Interest**	
Mr. Wong Kui Shing, Danny	Through controlled corporation	403,971,449	–	7.07%
	Beneficially owned	–	5,688,000	0.10%
Mr. Wong King Shiu, Daniel	Beneficially owned	10,008,000	57,000,000	1.17%

Note:

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 Shares.

Save as disclosed above and in the section headed "Share Options", as at 31 December 2017 and as at of the date of this report, none of the Directors or chief executive had registered an interest or a 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 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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. Those share options were lapsed on 10 April 2017. On 11 April 2017, the Company granted a total of 571,200,000 share options with rights to subscribe for 571,200,000 ordinary shares of HK$0.1 each in the share capital of the Company under the Share Option Scheme. On 27 September 2017, the Company granted a total of 571,200,000 share options with rights to subscribe 571,200,000 ordinary shares of HK$0.1 each in the share capital under the Share Option Scheme. A total of 224,784,000 share options were granted to Directors of the Company. Details of the share options granted are as follows:

		Number of share options					
Name of Grantees	**Position held with the Company**	**Outstanding as at 1 January 2017**	**Lapsed on 10 April 2017**	**Granted on 11 April 2017**	**Cancelled on 16 July 2017**	**Granted on 27 September 2017**	**Outstanding as at 31 December 2017**
Directors							
Mr. Wong Kui Shing, Danny	Executive Director	936,000	(936,000)	5,688,000	–	–	5,688,000
Mr. Tse Chi Wai	Executive Director	32,328,000	(32,328,000)	57,000,000	–	–	57,000,000
Mr. Takashi Togo	Executive Director	32,328,000	(32,328,000)	57,000,000	–	–	57,000,000
Mr. Wong King Shiu, Daniel	Executive Director	–	–	–	–	57,000,000	57,000,000
Mr. Chan Kai Leung	Executive Director	–	–	–	–	5,016,000	5,016,000
Mr. Wong Chi Yung	Non-executive Director	32,328,000	(32,328,000)	33,000,000	–	–	33,000,000
Mr. Hung Hing Man	Independent non-executive Director	2,016,000	(2,016,000)	2,016,000	–	–	2,016,000
Dr. Chen Shengrong	Independent non-executive Director	2,016,000	(2,016,000)	2,016,000	–	–	2,016,000
Mr. Wong Hoi Kuen	Independent non-executive Director	–	–	–	–	2,016,000	2,016,000
Former Directors							
Ms. Wu Jingjing	Executive Director	2,016,000	(2,016,000)	2,016,000	–	–	2,016,000
Mr. May Tai Keung, Nicholas	Independent non-executive Director	2,016,000	(2,016,000)	2,016,000	–	–	2,016,000
	Sub-total	105,984,000	(105,984,000)	160,752,000	–	64,032,000	224,784,000
Other staff and consultants		214,464,000	(214,464,000)	410,448,000	(1,488,000)	507,168,000	916,128,000
	Total	320,448,000	(320,448,000)	571,200,000	(1,488,000)	571,200,000	1,140,912,000

All the outstanding share options granted on 11 April 2017 are exercisable during the period from date of grant to 10 April 2027 at an exercise price of HK$0.153 per share. The closing price per share immediately before the date of grant on 11 April 2017 was HK$0.145.

All the outstanding share options granted on 27 September 2017 are exercisable during the period from date of grant to 26 September 2027 at an exercise price of HK$0.130 per share. The closing price per share immediately before the date of grant on 27 September 2017 was HK$0.130.

320,448,000 share options were lapsed on 10 April 2017. 1,488,000 share options were cancelled on 16 July 2017. Save as disclosed above, none of the outstanding share options were exercised or cancelled or lapsed during the year ended 31 December 2017.

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** *(Nature of Interest)*	**Percentage of the Company's issued share capital** *(Note b)*
Discover Wide Investments Limited		Directly beneficially owned	403,971,449 *(Registered Shareholder)*	7.07%
Mr. Wong Kui Shing, Danny	*(a)*	Through controlled corporation	403,971,449 *(Registered Shareholder)*	7.07%
		Directly beneficially owned	5,688,000 *(Underlying Interest)*	0.10%
Mr. Zhang Rong		Directly beneficially owned	509,824,000 *(Registered Shareholder)*	8.93%

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 shares.

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

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 or before June 2018.

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.

COMPETING INTERESTS

During the year and up to the date of this report, none of the Directors or the controlling 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.

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 29 to 39.

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 2018

Corporate Governance Report

INTRODUCTION

The Company has complied with the code provisions (the "Code Provision(s)") of the Corporate Governance Code and Corporate Governance Report) as set out in Appendix 15 of the GEM Listing Rules (the "Code") for the year ended 31 December 2017, 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.

Mr. Wong Kui Shing, Danny, the Chairman, and Mr. May Tai Keung, Nicholas, the chairman of Remuneration Committee, were unable to attend the annual general meeting on 30 June 2017 ("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.

BOARD OF DIRECTORS

The Board, which currently comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. The Board 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 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, implementation of adequate systems of risk management and internal controls procedures, and compliance with relevant statutory requirements and rules and regulations.

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.

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. The latest list of Directors setting out their roles and responsibilities is available and accessible at the websites of the Company (http://www.citd.com.hk) and the Stock Exchange (www.hkexnews.hk).

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 5.67 of the GEM Listing Rules. The Directors have confirmed that they have complied with the GEM Listing Rules throughout the year ended 31 December 2017.

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.

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 2017, the board held totally seven board meetings and two general meetings. The attendance of each Director are set out below:

Name of Director	**Attendance/Number of board meetings held**	**Attendance/Number of general meeting held**
Executive Directors:		
Mr. Wong Kui Shing, Danny *(Chairman and Chief Executive Officer)*	1/7	0/2
Mr. Tse Chi Wai	7/7	2/2
Mr. Takashi Togo	0/7	0/2
Mr. Wong King Shiu, Daniel *(appointed on 16 August 2017)*	2/2	1/1
Mr. Chan Kai Leung *(appointed on 16 August 2017)*	2/2	1/1
Ms. Wu Jingjing *(resigned on 5 January 2018)*	0/7	0/2

Name of Director	**Attendance/Number of board meetings held**	**Attendance/Number of general meeting held**
Non-executive Director:		
Mr. Wong Chi Yung	7/7	2/2

Name of Director	Attendance/Number of board meetings held	Attendance/Number of general meeting held
Independent non-executive Directors:		
Mr. Hung Hing Man	6/7	2/2
Dr. Chen Shengrong	5/7	0/2
Mr. Wong Hoi Kuen *(appointed on 16 August 2017)*	2/2	0/1
Mr. May Tai Keung, Nicholas *(resigned on 5 January 2018)*	5/7	0/2

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.

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 but not limited to 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 senor 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 he 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) (resigned as Director on 5 January 2018), Mr. Hung Hing Man, Dr. Chen Shengrong and Mr. Wong Hoi Kuen (appointed as a committee member on 16 August 2017 and committee chairman on 5 January 2018). All of the Remuneration Committee members are independent non-executive Directors.

Its main role and function included the determination of specific remuneration packages of all executive directors, 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 will 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 2017, three Remuneration Committee meetings were held. The attendance of each member is set out below:

Name of member	Attendance/Number of meetings held
Mr. May Tai Keung, Nicholas *(Committee Chairman during the year 2017 and resigned on 5 January 2018)*	2/3
Mr. Hung Hing Man	2/3
Dr. Chen Shengrong	3/3
Mr. Wong Hoi Kuen *(appointed on 16 August 2017 and appointed as Committee Chairman on 5 January 2018)*	N/A

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.

NOMINATION COMMITTEE

The Company established a nomination committee of the Company (the "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 (resigned as Director on 5 January 2018), Dr. Chen Shengrong and Mr. Wong Hoi Kuen (appointed as a committee member on 16 August 2017). All of the Nomination Committee members are independent non-executive Directors.

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 diversed 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 2017, one Nomination Committee meetings was held. The attendance of each member is set out below:

Name of member	Attendance/Number of meetings held
Mr. Hung Hing Man *(Committee Chairman)*	1/1
Mr. May Tai Keung, Nicholas *(resigned on 5 January 2018)*	0/1
Dr. Chen Shengrong	1/1
Mr. Wong Hoi Kuen *(appointed on 16 August 2017)*	N/A

AUDIT COMMITTEE

The Company established an audit committee of the Company (the "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 (resigned on 5 January 2018), Dr. Chen Shengrong and Mr. Wong Hoi Kuen (appointed as committee member on 16 August 2017). All of the Audit Committee members are independent non-executive Directors.

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 and risk management systems 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, four Audit Committee meetings were held. The attendance of each member is set out below:

Name of member	**Attendance/Number of meetings held**
Mr. Hung Hing Man *(Committee Chairman)*	4/4
Mr. May Tai Keung, Nicholas *(resigned on 5 January 2018)*	4/4
Dr. Chen Shengrong	3/4
Mr. Wong Hoi Kuen *(appointed on 16 August 2017)*	1/1

COMPANY SECRETARY

As at 31 December 2017, 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 2017 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 2017, 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 43.

AUDITORS' REMUNERATION

The Audit Committee 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$120,000, all of which was paid to ZHONGHUI ANDA CPA Limited in connection with the circular and issuance of comfort letter on capital sufficiency for disposal 21% equity interest in Faithful Asia Group Limited.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control 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 risk management and internal control 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.

INSIDE INFORMATION

Guidelines are provided to the Directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the Directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in the Model Code and the notification of the blackout period applicable to the publication of the annual and interim results of the Company respectively.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

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 2017.

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

中汇
ZHONGHUI

To the shareholders of
China Information Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

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 44 to 118, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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. We have determined the matters described below to be the key audit matters to be communicated in our 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$395,094,000 as at 31 December 2017 is 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.

Loan receivables

Refer to note 25 to the consolidated financial statements.

The Group tested the amount of loan receivables from borrowers for impairment. This impairment test is significant to our audit because the balance of loan receivables of approximately HK$111,750,000 as at 31 December 2017 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 borrowers;

– Evaluating the Group's impairment assessment;

– Obtaining confirmation from the borrowers;

– Assessing aging of the debts; and

– Checking subsequent settlements from the borrowers.

We consider that the Group's impairment test for the loan receivables 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.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

"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 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	*6&7*	**48,817**	14,221
Cost of sales and services		**(31,245)**	(11,056)
Gross profit		**17,572**	3,165
Other income and gains	*8*	**2,539**	1,385
Selling and distribution expenses		**(4,665)**	(5,442)
Administrative expenses		**(129,742)**	(55,166)
Other expenses		**(2,921)**	(4,434)
Gain on disposal of subsidiaries	*37(a) & (b)*	**9,019**	–
Fair value gain on financial assets at fair value through profit or loss		**1,479**	10,882
Change in fair value of investment properties		**–**	2,643
Change in fair value of derivative financial asset		**–**	(10,610)
Finance costs	*9*	**(5,071)**	(3,560)
Share of results of associates		**(309)**	(232)
Impairment loss on investment in an associate	*19*	**–**	(10,812)
Gain on deregistration of subsidiaries	*37(c)*	**1,970**	–
(Loss)/gain on disposal of an associate		**(7,154)**	22,827
LOSS BEFORE TAX	*10*	**(117,283)**	(49,354)
Income tax credit/(expenses)	*12*	**504**	(661)
LOSS FOR THE YEAR		**(116,779)**	(50,015)
Attributable to:			
Owners of the Company		**(112,456)**	(48,143)
Non-controlling interests		**(4,323)**	(1,872)
		(116,779)	(50,015)
LOSS PER SHARE	*14*		
Basic		**HK(1.97) cents**	HK(0.95) cent
Diluted		**HK(1.97) cents**	HK(0.95) cent

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
LOSS FOR THE YEAR		**(116,779)**	(50,015)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries	*37(a) & (b)*	**2,339**	–
Exchange differences reclassified to profit or loss on deregistration of subsidiaries	*37(c)*	**(1,981)**	–
Exchange differences on translation of foreign operations		**18,828**	(15,929)
Change in fair value of available-for-sale financial assets		**3,160**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		**22,346**	(15,929)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(94,433)**	(65,944)
Attributable to:			
Owners of the Company		**(89,987)**	(64,272)
Non-controlling interests		**(4,446)**	(1,672)
		(94,433)	(65,944)

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Investment properties	*15*	**395,094**	313,328
Property, plant and equipment	*16*	**12,384**	13,045
Goodwill	*17*	**3,865**	3,865
Other intangible assets	*18*	**7,485**	8,268
Investment in an associate	*19*	**–**	60,048
Available-for-sale financial assets	*20*	**15,036**	1,000
Prepayments, deposits and other receivables	*21*	**2,201**	36,252
Deferred tax assets	*22*	**2,386**	1,882
Total non-current assets		**438,451**	437,688
CURRENT ASSETS			
Inventories	*23*	**704**	464
Trade receivables	*24*	**3,178**	5,092
Gross amount due from customers for contract work		**195**	–
Prepayments, deposits and other receivables	*21*	**41,613**	83,293
Loan receivables	*25*	**111,750**	22,910
Financial assets at fair value through profit or loss	*26*	**61,974**	56,164
Bank and cash balances	*27*	**34,118**	80,329
Total current assets		**253,532**	248,252
CURRENT LIABILITIES			
Trade payables	*28*	**7,563**	7,734
Gross amount due to customers for contract work	*29*	**1,660**	1,394
Other payables and accruals	*30*	**77,356**	40,086
Current tax liabilities		**531**	8,293
Bank and other loans	*31*	**68,921**	81,435
Total current liabilities		**156,031**	138,942
NET CURRENT ASSETS		**97,501**	109,310

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**535,952**	546,998
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*22*	**661**	661
NET ASSETS		**535,291**	546,337
CAPITAL AND RESERVES			
Share capital	*32*	**571,215**	571,215
Reserves	*35*	**(32,144)**	(23,999)
Equity attributable to owners of the Company		**539,071**	547,216
Non-controlling interests		**(3,780)**	(879)
TOTAL EQUITY		**535,291**	546,337

Approved by the Board of Directors on 28 March 2018

Wong Kui Shing, Danny
Director

Tse Chi Wai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		Attributable to owners of the Company									
	Notes	Share Capital HK$'000	Share premium account HK$'000 *(note 35(a)(ii))*	Share-based payment reserve HK$'000 *(note 35(a)(v))*	Foreign currency translation reserve HK$'000 *(note 35(a)(iii))*	PRC reserve funds HK$'000 *(note 35(a)(iv))*	Accumulated losses HK$'000	Investment revaluation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 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 income/(loss) 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	*33*	–	–	19,625	–	–	–	–	19,625	–	19,625
Issue of new shares	*32*	183,079	54,924	–	–	–	–	–	238,003	–	238,003
Transaction costs attributable to issue of new shares	*32*	–	(6,161)	–	–	–	–	–	(6,161)	–	(6,161)
Capital injection from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	1,236	1,236
Acquisition of a subsidiary	*38(b)*	–	–	–	–	–	–	–	–	863	863
At 31 December 2016 and 1 January 2017		571,215	117,975*	19,625*	(13,114)*	844*	(149,329)*	–	547,216	(879)	546,337
Loss for the year		–	–	–	–	–	(112,456)	–	(112,456)	(4,323)	(116,779)
Other comprehensive income/(loss) for the year:											
– Exchange differences reclassified to profit or loss on disposal of subsidiaries	*37(a) & (b)*	–	–	–	2,339	–	–	–	2,339	–	2,339
– Exchange differences reclassified to profit or loss on deregistration of subsidiaries	*37(c)*	–	–	–	(1,981)	–	–	–	(1,981)	–	(1,981)
– Exchange differences on translation of foreign operations		–	–	–	18,951	–	–	–	18,951	(123)	18,828
– Change in fair value of available-for-sale financial assets		–	–	–	–	–	–	3,160	3,160	–	3,160
Total comprehensive loss for the year		–	–	–	19,309	–	(112,456)	3,160	(89,987)	(4,446)	(94,433)
Equity-settled share-based payment expenses	*33*	–	–	81,842	–	–	–	–	81,842	–	81,842
Lapsed of share option	*33*	–	–	(19,625)	–	–	19,625	–	–	–	–
Disposal of subsidiaries		–	(10,867)	–	–	(60)	10,927	–	–	–	–
Deregistration of subsidiaries		–	–	–	–	47	(47)	–	–	–	–
Capital injection from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	1,545	1,545
At 31 December 2017		571,215	107,108*	81,842*	6,195*	831*	(231,280)*	3,160*	539,071	(3,780)	535,291

Note:

* These reserve accounts comprise the consolidated reserve of approximately HK$(32,144,000) (2016: approximately HK$(23,999,000)) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(117,283)**	(49,354)
Adjustments for:		
Share of results of an associate	**309**	232
Impairment loss on investment in an associate	**–**	10,812
Impairment loss on inventories	**–**	366
Equity-settled share-base payment	**81,842**	19,625
Impairment loss on property, plant and equipment	**–**	802
Finance costs	**5,071**	3,560
Bank interest income	**(8)**	(15)
Change in fair value of investment properties	**–**	(2,643)
Investment income from financial assets at fair value through profit or loss	**–**	(320)
Loss/(gain) on disposal of an associate	**7,154**	(22,827)
Gain on disposal of subsidiaries	**(9,019)**	–
Loss on disposal of property, plant and equipment	**35**	–
Written off of property, plant and equipment	**3**	–
Impairment loss on other receivables	**949**	–
Fair value gain on financial assets at fair value through profit or loss	**(1,479)**	(10,882)
Change in fair value of derivative financial asset	**–**	10,610
Depreciation	**1,735**	1,465
Amortisation of other intangible assets	**783**	–
Written off of other receivables	**–**	701
Impairment loss on trade receivables	**1,660**	1,340
Reversal of impairment loss on trade receivables	**(387)**	–
Gain on deregistration of subsidiaries	**(1,970)**	–
Operating loss before working capital change	**(30,605)**	(36,528)
Change in inventories	**(240)**	6
Change in trade receivables	**816**	1,534
Change in loan receivables	**(88,840)**	(22,910)
Change in prepayments, deposits and other receivables	**(2,659)**	1,943
Change in financial assets at fair value through profit or loss	**(4,331)**	15,019
Change in trade payables	**39**	(168)
Change in other payables and accruals	**35,683**	32,622
Change in gross amount due to customers for contract work	**71**	–

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash used in operations	**(90,066)**	(8,482)
Loan interest paid	**(5,071)**	(3,525)
Net cash used in operating activities	**(95,137)**	(12,007)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,230)**	(2,081)
Proceeds from disposal of property, plant and equipment	**8**	452
Prepayment for construction works of investment properties	**–**	(34,818)
Payments for construction works of investment properties	**(22,153)**	(52,022)
Acquisition of subsidiaries	**–**	(174,603)
Loan to a company which subsequently became a subsidiary of the Group	**–**	(4,197)
Purchase of an available-for-sale financial asset	**(1,341)**	(1,000)
Proceeds from disposal of associates	**84,000**	–
Proceeds from disposal of subsidiaries	**2,544**	–
Increase in time deposits with maturity of more than three months when acquired	**–**	(50)
Bank interest received	**8**	15
Investment income from financial assets at fair value through profit or loss	**–**	320
Deregistration of subsidiaries	**(9)**	–
Net cash generated from/(used in) investing activities	**61,827**	(267,984)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection by non-controlling shareholders of a subsidiary	**1,545**	1,236
Other loans raised	**2,587**	17,053
Net proceeds from issue of new shares	**–**	231,842
Repayment of bank and other loans	**(19,519)**	(7,119)
Repayment of finance lease payables	**–**	(429)
Net cash (used in)/generated from financing activities	**(15,387)**	242,583
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(48,697)**	(37,408)
Cash and cash equivalents at beginning of year	**80,078**	119,028
Effect of foreign exchange rate changes	**2,486**	(1,542)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**33,867**	80,078
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances other than time deposits	**33,867**	80,078
Time deposits	**251**	251
Cash and cash equivalents as stated in the consolidated statement of financial position	**34,118**	80,329
Less: Time deposits with maturity of more than three months when acquired	**(251)**	(251)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**33,867**	80,078

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 KY1-1111, 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 GEM 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 36 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 2017. 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 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 GEM 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation *(Continued)*

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Customer relationships

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 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments *(Continued)*

(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.

Trade, loan and other receivables

Trade, loan 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, loan 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade, loan and other receivables *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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

Key sources of estimation uncertainty *(Continued)*

(b) Estimated impairment of available-for-sale investments

Management assessed the fair value of the unlisted available-for-sale investments based on the present value of the estimated future cash flows expected to arise from the investments and discounted at the appropriate rates of return. Estimation of future cash flows may be adversely affected by the deterioration in financial position of the investees, industry and sector performances, changes in technology, and operational and financing cash flows. Variation in the estimated future cash flows and the discount rates used may result in adjustment to the fair value and may give rise to the recognition of an impairment loss.

(c) Provision for impairment of trade, loan and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loan 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, loan 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.

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.

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 2017, if the share prices of the investments increase/decrease by 10%, loss after tax for the year would have been HK$5,175,000 (2016: HK$4,690,000) 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, loan 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.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales and loans 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.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(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:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017				
Trade payables	**7,563**	**–**	**–**	**–**
Other payables and accruals	**75,830**	**–**	**–**	**–**
Bank and other loans	**30,703**	**12,250**	**33,371**	**–**
	114,096	**12,250**	**33,371**	**–**
At 31 December 2016				
Trade payables	7,734	–	–	–
Other payables and accruals	37,940	–	–	–
Bank and other loans	36,302	12,420	32,608	9,819
	81,976	12,420	32,608	9,819

(e) Interest rate risk

At 31 December 2017, the Group's bank deposits of approximately HK$251,000 (2016: approximately HK$251,000), bank and other loans of approximately HK$16,198,000 (2016: approximately HK$16,948,000) bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk *(Continued)*

At 31 December 2017, the Group's exposure to interest-rate risk arises from its bank deposits of approximately HK$33,867,000 (2016: approximately HK$80,078,000) and bank and other loans of approximately HK$52,723,000 (2016: approximately HK$64,487,000). These deposits and bank and other loans bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2017, 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$252,000 (2016: approximately HK$310,000) lower (2016: lower), 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$94,000 (2016: approximately HK$78,000) higher (2016: lower), arising mainly as a result of higher interest expenses on bank loans (2016: higher interest income on bank deposits).

(f) Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets:		
Available-for-sale financial assets	**15,036**	1,000
Financial assets at fair value through profit or loss		
– Held for trading	**61,974**	56,164
Loans and receivables (including bank and cash balances)	**189,869**	191,624
Financial liabilities:		
Financial liabilities at amortised costs	**152,314**	127,109

(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:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

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 2017				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	**61,974**	**–**	**–**	**61,974**
Available-for-sale financial assets				
Private equity investments	**–**	**–**	**15,036**	**15,036**
Investment properties	**–**	**–**	**395,094**	**395,094**
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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

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

At 31 December 2017

Description	**Available-for-sale financial assets HK$'000**	**Investment properties HK$'000**	**Total HK$'000**
At beginning of year	**1,000**	**313,328**	**314,328**
Total gains/(losses) recognised in			
– consolidated profit or loss (#)	**–**	**–**	**–**
– other comprehensive income	**3,160**	**–**	**3,160**
Additions	**10,876**	**58,176**	**69,052**
Exchange realignment	**–**	**23,590**	**23,590**
At end of year	**15,036**	**395,094**	**410,130**
(#) Include gains for assets held at end of reporting period	**N/A**	**–**	**–**

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

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.

As at 31 December 2017

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	RMB36,000 per square meter	Increase	395,094
		Market price of commercial	RMB41,000 per square meter	Increase	
		Market price of carpark	RMB200,000 per unit	Increase	
		Unexpended construction cost	RMB9,146,000	Decrease	
Private equity investments classified as available-for-sale financial assets	Discounted cash flow	Weighted average cost of capital	12.3%	Decrease	9,535
		Revenue growth rate	6%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as available-for-sale financial assets	Discounted cash flow	Weighted average cost of capital	14%	Decrease	1,341
		Revenue growth rate	17 – 323%	Increase	
		Marketability discount	21%	Decrease	
Private equity investments classified as available-for-sale financial assets	Discounted cash flow	Weighted average cost of capital	16.3%	Decrease	4,160
		Revenue growth rate	1 – 6%	Increase	
		Marketability discount	21%	Decrease	

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 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	
		Unexpended construction cost	RMB30,731,000	Decrease	

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

6. OPERATING SEGMENT INFORMATION

The Group has four 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;

– 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.

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		IT solutions and maintenance		Money lending		Securities investments		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**4,543**	12,153	**34,385**	–	**9,889**	2,068	**–**	–	**48,817**	14,221
Segment (loss)/profit	**(4,829)**	(14,061)	**(3,233)**	–	**9,534**	2,068	**1,467**	11,187	**2,939**	(806)
Reconciliation:										
Bank interest income									**8**	15
Change in fair value of investment properties									**–**	2,643
Change in fair value of derivative financial asset									**–**	(10,610)
Gain on disposal of subsidiaries									**9,019**	–
Gain on deregistration of subsidiaries									**1,970**	–
Share of results of associates									**(309)**	(232)
Impairment loss on investment in of an associate									**–**	(10,812)
(Loss)/gain on disposal of an associate									**(7,154)**	22,827
Unallocated gains									**908**	370
Corporate and other unallocated expenses									**(119,593)**	(49,189)
Finance costs									**(5,071)**	(3,560)
Loss before tax									**(117,283)**	(49,354)

6. OPERATING SEGMENT INFORMATION *(Continued)*

	Software development and system integration		IT solutions and maintenance		Money lending		Securities investments		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Segment assets	**2,995**	4,961	**21,217**	21,648	**118,258**	23,360	**62,643**	94,534	**205,113**	144,503
Reconciliation:										
Corporate and other unallocated assets									**486,870**	541,437
Total assets									**691,983**	685,940
Segment liabilities	**(9,267)**	(8,612)	**(8,491)**	(13,588)	**–**	–	**(13,305)**	(15,823)	**(31,063)**	(38,023)
Reconciliation:										
Corporate and other unallocated liabilities									**(125,629)**	(101,580)
Total liabilities									**(156,692)**	(139,603)
Other segment information:										
Depreciation on:										
Segment assets	**–**	192	**189**	–	**40**	–	**–**	–	**229**	192
Corporate and other unallocated assets									**1,506**	1,273
									1,735	1,465
Amortisation of other intangible assets on: Segment assets	**–**	–	**783**	–	**–**	–	**–**	–	**783**	–
Bank interest income#	**1**	2	**1**	–	**–**	–	**–**	–	**2**	2
Impairment loss on trade receivables	**1,660**	1,340	**–**	–	**–**	–	**–**	–	**1,660**	1,340
Income tax (credit)/expenses									**(504)**	661
Capital expenditure* on:										
Segment assets									**291**	344
Corporate and other unallocated assets									**59,115**	331,144
									59,406	331,488

* 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.

Geographical information

	Revenue		Non-current assets	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Hong Kong	**43,146**	2,068	**23,172**	83,778
PRC except Hong Kong	**5,671**	12,153	**396,804**	349,361
Japan	**–**	–	**169**	233
Consolidated total	**48,817**	14,221	**420,145**	433,372

6. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

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

Information about major customers

The Group had no transaction with external customers of the software development and system integration segment during the year ended 31 December 2017 (2016: four) 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:

	2017	2016
	HK$'000	HK$'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; (3) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges; and (4) loan interest income are as follows:

	2017	2016
	HK$'000	HK$'000
Provision of software development and system integration services	**505**	10,685
Sale of computer hardware and software	**34,111**	93
Provision of technical support and maintenance services	**4,312**	1,375
Loan interest income	**9,889**	2,068
	48,817	14,221

8. OTHER INCOME AND GAINS

	2017 HK$'000	2016 HK$'000
Bank interest income	**8**	15
Investment income from financial assets at fair value through profit or loss	–	320
Government grants	**127**	315
Waiver of other payables	**661**	–
Reversal of impairment loss on trade receivables	**387**	–
Foreign exchange differences, net	**1**	–
Others	**1,355**	735
	2,539	1,385

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on other loans	**1,997**	870
Interest on bank loans	**3,074**	2,655
Interest on finance lease payables	**–**	35
	5,071	3,560

10. LOSS BEFORE TAX

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

	2017	2016
	HK$'000	HK$'000
Cost of inventories sold	**23,370**	3,975
Cost of services provided	**7,875**	7,081
Depreciation	**1,735**	1,465
Amortisation of other intangible assets	**783**	–
Minimum lease payments under operating leases in respect of land and buildings	**5,840**	3,707
Auditors' remuneration	**580**	580
Employee benefit expense (including directors' remuneration – note 11):		
Salaries, allowances and benefits in kind	**22,565**	16,048
Pension schemes contribution	**1,548**	1,729
Equity-settled share-based payment	**57,191**	12,370
	81,304	30,147
Equity-settled share-based payment to consultants	**24,651**	7,255
Impairment loss on inventories	**–**	366
Impairment loss on trade receivables	**1,660**	1,340
Impairment loss on other receivables	**949**	–
Impairment loss on property, plant and equipment	**–**	802
Written off of other receivables	**–**	701
Written off of property, plant and equipment	**3**	–
Foreign exchange differences, net	**(1)**	73
Loss on disposal of property, plant and equipment	**35**	–
Reversal of impairment loss trade receivables	**(387)**	–

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

(a) Directors' emoluments

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension schemes contribution HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
Year ended 31 December 2017						
Executive directors:						
Mr. Wong Kui Shing, Danny		120	1,836	18	431	2,405
Mr. Tse Chi Wai		240	845	18	4,316	5,419
Ms. Wu Jingjing	*(iv)*	120	300	–	153	573
Mr. Takashi Togo		120	657	–	4,316	5,093
Mr. Wong King Shiu, Daniel	*(i)*	45	316	8	3,851	4,220
Mr. Chan Kai Leung	*(i)*	45	370	8	339	762
		690	4,324	52	13,406	18,472
Non-Executive director:						
Mr. Wong Chi Yung	*(ii)*	120	240	12	2,498	2,870
Independent non-executive directors:						
Dr. Chen Shengrong		120	–	–	152	272
Mr. Hung Hing Man		120	–	–	152	272
Mr. May Tai Keung, Nicholas	*(v)*	120	–	–	152	272
Mr. Wong Hoi Kuen	*(iii)*	45	–	–	136	181
		405	–	–	592	997
Total		1,215	4,564	64	16,496	22,339

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

(a) Directors' emoluments *(Continued)*

	Note	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension schemes contribution HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
Year ended 31 December 2016						
Executive directors:						
Mr. Wong Kui Shing, Danny		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		120	741	–	1,980	2,841
		480	3,470	36	4,140	8,126
Non-Executive director:						
Mr. Wong Chi Yung	*(ii)*	120	240	12	1,980	2,352
Independent non-executive directors:						
Dr. Chen Shengrong		120	–	–	123	243
Mr. Hung Hing Man		120	–	–	123	243
Mr. May Tai Keung, Nicholas		120	–	–	123	243
		360	–	–	369	729
Total		960	3,710	48	6,489	11,207

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

(a) Directors' emoluments *(Continued)*

Notes:

(i) Appointed as an executive director on 16 August 2017.

(ii) Re-designated as a non-executive director on 8 July 2016.

(iii) Appointed as an independent non-executive director on 16 August 2017.

(iv) Resigned as an executive director on 5 January 2018.

(v) Resigned as an independent non-executive director on 5 January 2018.

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 two (2016: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2016: two) individuals are set out below:

	2017	2016
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,502**	195
Pension schemes contribution	**43**	10
Equity settled share-based payment	**12,947**	3,674
	14,492	3,879

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

(b) Employees' emoluments *(Continued)*

Their emoluments were within the following band:

	Number of individuals	
	2017	2016
HK$1,501,001 – HK$2,000,000	**–**	2
HK$4,000,001 – HK$4,500,000	**1**	–
HK$5,000,001 – HK$5,500,000	**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.

12. INCOME TAX CREDIT/(EXPENSES)

	2017	2016
	HK$'000	HK$'000
Current tax – Hong Kong	**–**	–
Deferred tax (credit)/charge *(note 22)*	**(504)**	661
	(504)	661

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2017 (2016: 16.5%).

No provision for PRC corporate income tax is required since the Group has no assessable profit for the year ended 31 December 2017 (2016: Nil).

No provision for Japan corporate income tax for the year ended 31 December 2017 (2016: Nil) 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.

12. INCOME TAX CREDIT/(EXPENSES) *(Continued)*

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:

	2017	2016
	HK$'000	HK$'000
Loss before tax	**(117,283)**	(49,354)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	**(19,210)**	(9,740)
Tax effect of income that is not taxable	**(4,463)**	(3,923)
Tax effect of expenses that are not deductible	**16,590**	8,890
Tax effect of temporary differences not recognised	**22**	(314)
Tax effect of tax losses not recognised	**6,607**	5,659
Tax effect of utilisation of tax losses not previously recognised	**–**	(1,733)
Tax effect of share of results of associates	**(50)**	38
Tax effect of impairment loss of an associate	**–**	1,784
Tax (credit)/charge for the year	**(504)**	661

13. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2017 and 2016.

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:

	2017 **HK$'000**	2016 HK$'000
Loss for the year attributable to owners of the Company	**112,456**	48,143

	2017	2016
Weighted average number of ordinary shares for basic and diluted loss per share	**5,712,151,908**	5,066,872,760

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 years ended 31 December 2017 and 2016.

15. INVESTMENT PROPERTIES

	2017 **HK$'000**	2016 HK$'000
At 1 January	**313,328**	–
Additions on acquisition of subsidiaries *(note 38(a))*	**–**	277,385
Additions	**58,176**	52,022
Fair value gains	**–**	2,643
Exchange differences	**23,590**	(18,722)
At 31 December	**395,094**	313,328

Investment properties were revalued at 31 December 2017 and 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 2017, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to approximately HK$51,033,000 (2016: approximately HK$56,951,000).

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
COST:					
At 1 January 2016	9,156	478	4,390	5,104	19,128
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
At 31 December 2016 and 1 January 2017	**9,156**	**1,857**	**4,598**	**4,447**	**20,058**
Exchange realignment	**–**	**45**	**266**	**172**	**483**
Additions	**–**	**296**	**934**	**–**	**1,230**
Disposal	**–**	**–**	**(69)**	**–**	**(69)**
Written off	**–**	**(15)**	**(6)**	**–**	**(21)**
Disposal of subsidiaries	**–**	**–**	**(449)**	**(2,875)**	**(3,324)**
At 31 December 2017	**9,156**	**2,183**	**5,274**	**1,744**	**18,357**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS:					
At 1 January 2016	15	464	3,542	2,191	6,212
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)
At 31 December 2016 and 1 January 2017	**198**	**681**	**3,607**	**2,527**	**7,013**
Exchange realignment	**–**	**45**	**255**	**117**	**417**
Provided during the year	**183**	**403**	**358**	**791**	**1,735**
Impairment loss	**–**	**–**	**–**	**–**	**–**
Eliminated on disposals	**–**	**–**	**(26)**	**–**	**(26)**
Written off	**–**	**(13)**	**(5)**	**–**	**(18)**
Disposal of subsidiaries	**–**	**–**	**(400)**	**(2,748)**	**(3,148)**
At 31 December 2017	**381**	**1,116**	**3,789**	**687**	**5,973**
CARRYING AMOUNTS:					
At 31 December 2017	**8,775**	**1,067**	**1,485**	**1,057**	**12,384**
At 31 December 2016	8,958	1,176	991	1,920	13,045

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

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

As at 31 December 2017 and 2016, 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$nil (2016: HK$802,000), that has been recognised in consolidated profit or loss.

17. GOODWILL

	2017	2016
	HK$'000	HK$'000
Cost		
At 1 January	**3,865**	–
Additions on acquisition of a subsidiary *(note 38(b))*	**–**	3,865
At 31 December	**3,865**	3,865
Carrying amount:		
At 31 December	**3,865**	3,865

	2017	2016
The carrying amount of goodwill had been allocated as follows:	**HK$'000**	HK$'000
IT solutions and maintenance	**3,865**	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 14.86% (2016: 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% (2016: 2%) annual growth rate.

18. OTHER INTANGIBLE ASSETS

	Customer relationships HK$'000 (note (a))	Money lending licence HK$'000 (note (b))	Total HK$'000
COST:			
At 1 January 2016	–	–	–
Acquisition of subsidiaries	7,828	440	8,268
At 31 December 2016, 1 January 2017 and 31 December 2017	**7,828**	**440**	**8,268**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS:			
At 1 January 2016, 31 December 2016 and 1 January 2017	**–**	**–**	**–**
Provided during the year	**783**	**–**	**783**
At 31 December 2017	**783**	**–**	**783**
CARRYING AMOUNTS:			
At 31 December 2017	**7,045**	**440**	**7,485**
At 31 December 2016	7,828	440	8,268

Notes:

(a) The customer relationship arose from the acquisition of 84% equity interest in Macro China Holding Limited. The average remaining amortization period of the customer relationship is 7 years (2016: 8 years).

(b) The Group's money lending license of HK$440,000 (2016: HK$440,000) at 31 December 2017 is assessed as having indefinite useful life because the Group can renew the money lending license without substantial costs.

19. INVESTMENT IN AN ASSOCIATE

	Note	**2017** **HK$'000**	2016 HK$'000
Unlisted investment in the British Virgin Islands			
Share of net assets		–	16,210
Goodwill		–	54,650
		–	70,860
Impairment losses	*(d)*	–	(10,812)
		–	60,048

Notes:

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

Company name	**Principle place of business/country of incorporation**	**Percentage of ownership interest/ voting power/ profit sharing** **2017**	2016	**Principal activities**
Faithful Asia Group Limited ("Faithful Asia")	Hong Kong/ British Virgin Islands ("BVI")	**0%***	40%	Business intelligence, big data, facilities management, financial technology solutions consulting and implementation

* on 26 September 2017, the Company entered into an agreement with Double Luck Limited, pursuant to which the Company had conditionally agreed to sell 21% equity interest in Faithful Asia at a consideration of HK$43,050,000. The disposal was completed on 30 November 2017 and Faithful Asia ceased to be an associate of the Group and became an available-for-sale financial asset. More details on the disposal had been disclosed in the announcement of the Company dated 26 September 2017 and 30 November 2017 and the circular of the Company dated 9 November 2017.

19. INVESTMENT IN AN ASSOCIATE *(Continued)*

Notes: (Continued)

(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 HKFRSs financial statements of the associates.

	Wise Visual	Faithful Asia	
	2016	**2017**	2016
	HK$'000	**HK$'000**	HK$'000
At 31 December			
Non-current assets	–	**–**	37,748
Current assets	–	**–**	10,707
Current liabilities	–	**–**	(1,702)
Non-current liabilities	–	**–**	(6,228)
Net assets	–	**–**	40,525
Group's share of net assets	–	**–**	16,210
Goodwill	–	**–**	54,650
Group's share of carrying amount of interests	–	**–**	70,860
Year/Period ended 31 December:			
Revenue	812	**8,354**	12,660
(Loss)/profit and total comprehensive (loss)/income for the period/year	(8,980)	**(772)**	5,033

(c) Wise Visual Holdings Limited ("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 ASSETS

	2017	2016
	HK$'000	HK$'000
Unlisted equity investment, at cost	**–**	1,000
Unlisted equity investments, at fair value	**15,036**	–
	15,036	1,000

(a) Unlisted equity investment was 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 2017 and 2016, the Group had 19% equity interest in Quality Partner Enterprises Limited ("Quality Partner"), which wholly-owned a licensed company specializing in corporate finance advisory services and a secretarial services company.

The unlisted equity security of approximately HK$1,000,000 as at 31 December 2016 which was measured at cost have been measured at fair value as at 31 December 2017 because the directors of the Company are able to obtain sufficient financial information to measure the fair value of the unlisted equity security. As at 31 December 2017, Quality Partner was measured at fair value of approximately HK$4,160,000.

(b) On 30 January 2017, the Group invested approximately HK$1,341,000 in a company incorporated in Japan, FULLPAY K.K. (FULLPAY 株式會社) ("Fullpay"). The Group then owns 16.67% equity interests of Fullpay. As at 31 December 2017, it was measured at fair value of approximately HK$1,341,000. Fullpay is principally engaged in sourcing and provision of electronic fund transfer at point of sale (EFT-POS) terminals and peripheral devices which support WeChat Pay, as well as the provision of relevant EFT-POS installation and system support services, to vendors in Japan.

(c) On 30 November 2017, the Group disposed 21% equity interest of Faithful Asia. The Group's equity interest in Faithful Asia changed from 40% to 19%, which was reclassified from an associate to an available-for-sales financial asset (note 19(a)). As at 31 December 2017, it was measured at fair value of approximately HK$9,535,000. Faithful Asia involved in business intelligence, big data, facilities management, financial solutions consulting and implementation.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Prepayments	*(a)*	**2,991**	36,253
Deposits and other receivables	*(b)*	**42,096**	85,916
		45,087	122,169
Impairment	*(c)*	**(1,273)**	(2,624)
		43,814	119,545
Analysed as:			
Non-current portion			
Prepayments	*(a)*	**1,317**	34,818
Deposits and other receivables		**884**	1,434
		2,201	36,252
Current portion			
Prepayments		**1,674**	1,435
Deposits and other receivables	*(b)*	**39,939**	81,858
		41,613	83,293
		43,814	119,545

Notes:

(a) As at 31 December 2017, included in prepayments is an amount of HK$nil (2016: approximately HK$34,818,000) prepayment for construction works of investment properties of the Group.

(b) As at 31 December 2017, included in the other receivables of approximately HK$39,050,000 is receivable from the purchaser of Faithful Asia.

As at 31 December 2016, included in other receivable was 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))*.

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

Notes: (Continued)

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

	2017 **HK$'000**	2016 HK$'000
At 1 January	**2,624**	6,817
Written off of impairment	**–**	(4,011)
Provided during the year	**949**	–
Disposal of subsidiaries	**(2,537)**	–
Exchange realignment	**237**	(182)
At 31 December	**1,273**	2,624

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:

	Change in fair value of investment properties HK$'000	**Other intangible assets** HK$'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 and 1 January 2017	**(661)**	**(1,292)**	**3,174**	**1,221**
Credited to consolidated profit or loss	**–**	**129**	**375**	**504**
At 31 December 2017	**(661)**	**(1,163)**	**3,549**	**1,725**

22. DEFERRED TAX *(Continued)*

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

	2017	2016
	HK$'000	HK$'000
Deferred tax liabilities	**(661)**	(661)
Deferred tax assets	**2,386**	1,882
	1,725	1,221

The Group has tax losses arising in Hong Kong of approximately HK$87,829,000 (2016: approximately HK$67,377,000) that are available indefinitely, in Mainland China of approximately HK$59,011,000 (2016: approximately HK$60,610,000) that are available for a maximum of five years, and in Japan of approximately HK$4,527,000 (2016: approximately HK$1,660,000) 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 certain 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 for which deferred tax liabilities have not been recognised (2016: HK$nil).

23. INVENTORIES

	2017	2016
	HK$'000	HK$'000
Finished goods and merchandises	**704**	464

24. TRADE RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade receivables	**8,481**	9,941
Impairment	**(5,303)**	(4,849)
	3,178	5,092

Notes:

(a) The Group has granted credit terms to its customers within 30 to 90 days (2016: ranging from 30 to 90 days). The Group seeks to maintain strict control over its outstanding balances by imposing 2% (2016: nil) monthly interest charge upon them and requesting payment in advances from certain customers. Overdue balances are reviewed by the directors. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	2017	2016
	HK$'000	HK$'000
Within 1 month	**1,252**	1,287
1 to 2 months	**295**	1,232
2 to 3 months	**–**	220
Over 3 months	**1,631**	2,353
	3,178	5,092

24. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(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:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**1,252**	2,518
Less than 1 month past due	**120**	251
1 to 3 months past due	**187**	133
Over 3 months to 1 year past due	**1,126**	2,183
Over 1 year past due	**493**	7
	3,178	5,092

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.

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

	2017 HK$'000	2016 HK$'000
At 1 January	**4,849**	3,815
Impairment during the year recognised in consolidated profit or loss	**1,660**	1,340
Amount written off as uncollectible	**(1,236)**	–
Reversal of impairment loss	**(387)**	–
Exchange realignment	**417**	(306)
At 31 December	**5,303**	4,849

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

	2017	2016
	HK$'000	HK$'000
Loan receivables	**111,750**	22,910

Notes:

(a) As at 31 December 2017, loan receivables of approximately HK$3,583,000 (2016: approximately HK$3,200,000) are guaranteed by an independent third party.

(b) As at 31 December 2017, loan receivables of approximately HK$13,285,000 and HK$98,465,000 carried at fixed effective interest at 9% and 12% per annum respectively and with the terms ranging from 2 months to 2 years. As at 31 December 2016, all loan receivables carried at fixed effective interest at 9% per annum and with the terms ranging from 2 months to 1 year.

(c) The directors of the Company monitored the collectability of the loan receivables closely with reference to their respective current creditworthiness and repayment records. The management believes that no impairment allowance is necessary in respect of these receivables as they are considered fully recoverable. Upon its original maturity and up to the approval date of the consolidated financial statements, approximately HK$48,117,000 were fully settled.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**61,974**	56,164

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

Held for trading	**61,974**	56,164

The investments included above as at 31 December 2017 and 2016 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. BANK AND CASH BALANCES

	2017 HK$'000	2016 HK$'000
Cash and bank balances other than time deposits	**33,867**	80,078
Time deposits	**251**	251
	34,118	80,329

Notes:

(a) As at 31 December 2017, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$3,325,000 (2016: approximately HK$3,041,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

(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.

28. 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:

	2017 HK$'000	2016 HK$'000
Within 1 month	**1,673**	1,050
1 to 2 months	**2,257**	1,281
2 to 3 months	**335**	393
Over 3 months	**3,298**	5,010
	7,563	7,734

29. GROSS AMOUNT DUE TO CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	**1,902**	2,173
Less: Progress billings	**(3,562)**	(3,567)
	(1,660)	(1,394)
Gross amount due to customers for contract work	**(1,660)**	(1,394)

Advances received in respect of construction contracts amounted to HK$nil at 31 December 2017 (2016: approximately HK$10,000) and are included in accruals and other payables.

30. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Accruals	**13,535**	5,073
Receipts in advance	**1,526**	2,146
Other payables	**62,295**	32,867
	77,356	40,086

At 31 December 2017, other payables of HK$nil (2016: approximately HK$335,000) is due to a director, Mr. Wong Kui Shing, Danny.

31. BANK AND OTHER LOANS

	Notes	2017 HK$'000	2016 HK$'000
Bank loans:			
Mortgage loan	*(i)*	**51,033**	56,951
Revolving loan	*(ii)*	**–**	5,000
Installment loan	*(iii)*	**–**	708
Bank overdrafts	*(iv)*	**–**	1,228
		51,033	63,887
Others loans:			
Loan from a company controlled by former management of a subsidiary	*(v)*	**744**	692
Loan from a management of a subsidiary	*(v)*	**1,251**	1,033
Loan from a shareholder of a subsidiary	*(vi)*	**1,387**	–
Margin loans	*(vii)*	**13,305**	15,823
Loan secured by shares of a subsidiary	*(viii)*	**1,201**	–
		17,888	17,548
		68,921	81,435

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% (2016: 5.39%).

The mortgage loan is secured by a charge over the Group's investment properties with fair value of approximately HK$395,094,000 (2016: approximately HK$313,328,000), and personal guarantee by former shareholders of a subsidiary.

(ii) As at 31 December 2016, the revolving loan was charged at Hong Kong prime rate per annum, which was 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.

(iii) As at 31 December 2016, the installment loan was charged at 4.8% per annum, guaranteed by a director and a former director of a subsidiary and repayable on demand.

(iv) As at 31 December 2016, the bank overdrafts was 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) As at 31 December 2017 and 2016, 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) Loan from a shareholder of a subsidiary is unsecured, interest bearing at 0.5% per annum and repayable on 30 September 2018.

(vii) As at 31 December 2017, the margin loans are secured by the Group's equity securities listed in Hong Kong with fair value of approximately HK$37,219,000 (2016: approximately HK$50,984,000) and repayable on demand. As at 31 December 2017, included in the loans of approximately HK$11,615,000 (2016: approximately HK$14,515,000) and approximately HK$1,690,000 (2016: approximately HK$1,308,000) are charged at a fixed interest rate of 11% (2016: 8%) per annum and at 3% (2016: 3%) per annum over the Hong Kong prime rate respectively.

(viii) Loan secured by shares of a subsidiary is interest bearing at 6% per annum and repayable on 31 March 2018.

32. SHARE CAPITAL

	Note	Number of shares 2017	Number of shares 2016	Share capital 2017 HK$'000	Share capital 2016 HK$'000
Authorised:					
Ordinary shares of HK$0.10 (2016: HK$0.10) each					
At the beginning of the year		**8,000,000,000**	8,000,000,000	**800,000**	800,000
Increase in authorised share capital	*(a)*	**4,000,000,000**	–	**400,000**	–
At the end of the year		**12,000,000,000**	8,000,000,000	**1,200,000**	800,000

	Note	Number of shares 2017	Number of shares 2016	Share capital 2017 HK$'000	Share capital 2016 HK$'000
Issued and fully paid:					
Ordinary shares of HK$0.10 (2016: HK$0.10) each					
At the beginning of the year		**5,712,151,908**	3,881,359,908	**571,215**	388,136
Placing of new shares	*(b)*	**–**	1,830,792,000	**–**	183,079
At the end of the year		**5,712,151,908**	5,712,151,908	**571,215**	571,215

Notes:

(a) By an ordinary resolution passed on 30 June 2017, the authorised ordinary share capital of the Company was increased from HK$800,000,000 to HK$1,200,000,000 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.

(b) 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.

32. SHARE CAPITAL *(Continued)*

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.

33. 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.

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 share options in excess of this limit is subject to shareholders' approval in a general meeting.

33. SHARE OPTION SCHEME *(Continued)*

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.

Details of the specific categories of options are as follows:

Date of grant	**Vesting period**	**Exercise period**	**Exercise price** HK$
11 April 2016	11 April 2016	11 April 2016 – 10 April 2017	0.185
11 April 2017	11 April 2017	11 April 2017 – 10 April 2027	0.153
27 September 2017	27 September 2017	27 September 2017 – 26 September 2027	0.130

For options granted on 11 April 2016, if the options remain unexercised after a period of 1 year from the date of grant, the options expired. For options granted on 11 April 2017 and 27 September 2017, if the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

33. SHARE OPTION SCHEME *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**320,448,000**	**0.185**	–	–
Granted during the year	**1,142,400,000**	**0.1415**	323,448,000	0.185
Expired during the year	**(320,448,000)**	**0.185**	–	–
Forfeited during the year	**(1,488,000)**	**0.1415**	(3,000,000)	0.185
Outstanding at the end of the year	**1,140,912,000**	**0.1415**	320,448,000	0.185

The estimated fair values of the options granted on 11 April 2017 and 27 September 2017 are approximately HK$43,246,000 and HK$38,596,000 respectively. The estimated fair values of the options granted on 11 April 2016 are approximately HK$19,625,000.

These fair values were calculated using Binominal pricing model. The inputs into the model are as follows:

	27 September 2017	**11 April 2017**	**11 April 2016**
Share price at the date of grant	**HK$0.129**	**HK$0.145**	**HK$0.177**
Exercise price	**HK$0.130**	**HK$0.153**	**HK$0.185**
Expected volatility	**78.84%**	**78.96%**	**98.56%**
Expected life	**10 years**	**10 years**	**1 year**
Risk free rate	**1.56%**	**1.48%**	**0.34%**
Expected dividend yield	**0%**	**0%**	**0%**
Expected Early Exercise Multiple	**2.2**	**2.2**	**2.2**

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years (2016: 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.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of Financial Position of the Company

	2017	2016
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,498**	1,338
Available-for-sale financial asset	**1,341**	–
Total non-current assets	**2,839**	1,338
CURRENT ASSETS		
Due from subsidiaries	**285,696**	320,555
Loan receivables	**13,285**	22,910
Prepayments, deposits and other receivables	**283**	285
Cash and bank balances	**20,161**	26,112
Total current assets	**319,425**	369,862
CURRENT LIABILITIES		
Other payables and accruals	**1,823**	1,465
Current tax liabilities	**531**	531
Total current liabilities	**2,354**	1,996
NET CURRENT ASSETS	**317,071**	367,866
NET ASSETS	**319,910**	369,204
CAPITAL AND RESERVES		
Share capital	**571,215**	571,215
Reserves	**(251,305)**	(202,011)
TOTAL EQUITY	**319,910**	369,204

35. 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 2017 and 2016 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 directors, 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.

35. RESERVES *(Continued)*

(b) Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 January 2017	**107,108**	**19,625**	**(328,744)**	**(202,011)**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**(131,136)**	**(131,136)**
Lapsed of share option	**–**	**(19,625)**	**19,625**	**–**
Equity-settled share-based payment expenses	**–**	**81,842**	**–**	**81,842**
At 31 December 2017	**107,108**	**81,842**	**(440,255)**	**(251,305)**

36. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2017 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 system integration and maintenance services in Hong Kong
Macro Systems (Guangzhou) Co., Ltd.	PRC	HK$1,300,000	84%	Provision of system integration and maintenance services in the PRC
DateCube Research Centre Limited	Hong Kong	HK$1	100%	Big data application
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

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

37. DISPOSAL AND DEREGISTRATION OF SUBSIDIARIES

(a) Disposal of Surfing Platform Software International Limited ("Surfing Platform")

On 3 November 2017, the Group disposed the 100% equity interest in Surfing Platform.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	176
Prepayments, deposits and other receivables	107
Bank and cash balances	1,732
Trade payables	(576)
Accruals and other payables	(371)
Current tax liabilities	(8,159)
Net liabilities disposed of	(7,091)
Release of foreign currency translation reserve	2,399
Gain on disposal of subsidiaries	8,692
Total consideration – satisfied by cash	4,000
Net cash inflow arising on disposal:	
Cash consideration received	4,000
Cash and cash equivalents disposed of	(1,732)
	2,268

37. DISPOSAL AND DEREGISTRATION OF SUBSIDIARIES *(Continued)*

(b) Disposal of CITD Research Institute Limited ("CITD Research")

On 14 August 2017, the Group disposed the 100% equity interest in CITD Research.

Net assets at the date of disposal were as follows:

	HK$'000
Prepayments, deposits and other receivables	531
Bank and cash balances	24
Accruals and other payables	(522)
Net assets disposed of	33
Release of foreign currency translation reserve	(60)
Gain on disposal of subsidiaries	327
Total consideration – satisfied by cash	300
Net cash inflow arising on disposal:	
Cash consideration received	300
Cash and cash equivalents disposed of	(24)
	276

(c) Deregistration of subsidiaries

During the year ended 31 December 2017, the Group deregistered Go Good Holdings Limited and Proud Stars Limited. Net assets at the date of deregistration were as follows:

	HK$'000
Prepayment and other receivables	2
Bank and cash balances	9
Net assets disposed of	11
Release of foreign currency translation reserve	(1,981)
Gain on deregistration of subsidiaries	1,970
Total consideration – satisfied by cash	–
Net cash outflow arising on deregistration:	
Cash and cash equivalents disposed of	(9)

38. 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
Net assets acquired:	
Investment properties	277,385
Property, plant and equipment	464
Prepayments	1,535
Bank and cash balances	944
Bank loan	(68,013)
	212,315
Consideration, satisfied by:	
Cash	212,315
Net cash outflow arising on acquisition:	
Cash consideration paid	212,315
Cash and cash equivalents acquired	(944)
	211,371

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

38. 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)
Other payables and accruals	(2,381)
Trade payables	(2,877)
Gross 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.

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	HK$'000
Net cash outflow arising on acquisition	
Cash consideration paid	8,400
Cash and cash equivalent acquired	(3,983)
	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 approximately 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.

39. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Bank and other loans	**Total liabilities from financing activities**
	HK$'000	HK$'000
At 1 January 2016	495	495
Changes in cash flows	9,934	9,934
Non-cash changes		
– acquisitions of subsidiaries	74,949	74,949
– exchange differences	(3,943)	(3,943)
At 31 December 2016 and 1 January 2017	**81,435**	**81,435**
Changes in cash flows	**(16,932)**	**(16,932)**
Non-cash changes		
– exchange differences	**4,418**	**4,418**
At 31 December 2017	**68,921**	**68,921**

40. OPERATING LEASE COMMITMENTS

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**4,914**	5,513
In the second to fifth year inclusive	**2,074**	8,291
	6,988	13,804

40. 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 (2016: two years) and rentals are fixed over the lease terms and do not include contingent rentals.

41. EVENTS AFTER REPORTING PERIOD

(a) On 9 January 2018, the Company entered into a sale and purchase agreement with an independent third party to dispose a wholly-owned subsidiary, which owns a property situated in Hong Kong, at a consideration of HK$10,000,000. The transaction was completed on 12 February 2018.

(b) On 8 February 2018, a wholly-owned subsidiary of the Company and two independent third parties entered into two sale and purchase agreements individually to acquire totally 10% equity interests (5% from each of the independent third party) of a company incorporated in the PRC which is principally engaged in operation of data center in the PRC. The consideration to each individual is RMB5,000,000 and thus the total consideration is RMB10,000,000. The transaction was completed on 22 February 2018.

42. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018.

43. COMPARATIVE FIGURES

Loan Interest income in relation to money lending have been reclassified from other income to revenue to conform to current year's presentation. In the opinion of the Directors, the new classification was considered to provide a more appropriate presentation of financial statements of the Group.

Five Year Financial Summary

31 December 2017

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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**48,817**	14,221	27,793	23,097	18,333
Loss before tax from continuing operations	**(117,283)**	(49,354)	(105,155)	(11,615)	(20,345)
Income tax credit/(expenses)	**504**	(661)	(531)	–	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(116,779)**	(50,015)	(105,686)	(11,615)	(20,345)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	–	–	12,976	10,636
(Loss)/profit for the year	**(116,779)**	(50,015)	(105,686)	1,361	(9,709)
Attributable to:					
Owners of the Company	**(112,456)**	(48,143)	(105,462)	1,049	(9,066)
Non-controlling interests	**(4,323)**	(1,872)	(224)	312	(643)
	(116,779)	(50,015)	(105,686)	1,361	(9,709)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**691,983**	685,940	379,124	319,909	143,666
TOTAL LIABILITIES	**(156,692)**	(139,603)	(20,409)	(16,941)	(24,104)
NET ASSETS	**535,291**	546,337	358,715	302,968	119,562
Equity attributable to:					
Owners of the Company	**539,071**	547,216	360,021	304,038	120,538
Non-controlling interests	**(3,780)**	(879)	(1,306)	(1,070)	(976)
	535,291	546,337	358,715	302,968	119,562

Particulars of Property Interests

Particulars of property interests held by the Group as at 31 December 2017 are as follows:

Location	Use	Tenure	Attributable interest of the Group
Investment properties			
A composite building situated in No. 123 Lu Jing Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	Office	Medium	100%