LERADO
LERADO FINANCIAL GROUP
隆 成 金 融 集 團

Lerado Financial Group Company Limited

(Incorporated in Bermuda with limited liability)
Stock Code : 1225

2017 Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS

CHEN Chun Chieh
LAI Kin Chung, Kenneth
HO Kuan Lai

INDEPENDENT NON-EXECUTIVE DIRECTORS

YE Jianxin
YU Tat Chi Michael
YANG Haihui

AUDIT COMMITTEE

YU Tat Chi Michael *(Chairman)*
YE Jianxin
YANG Haihui

REMUNERATION COMMITTEE

YU Tat Chi Michael *(Chairman)*
LAI Kin Chung, Kenneth
HO Kuan Lai
YE Jianxin
YANG Haihui

NOMINATION COMMITTEE

HO Kuan Lai *(Chairlady)*
CHEN Chun Chieh
YE Jianxin
YU Tat Chi Michael
YANG Haihui

COMPANY SECRETARY

MAN Yun Wah

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

22/F
The Wellington
184-198 Wellington Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 22 Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 1225

COMPANY WEBSITE

www.lerado.com

PRINCIPAL BANKERS

Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Elite Partners CPA Limited

Financial Highlights

	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**224,221**	221,811	176,731
(Loss)/profit before interest expenses and tax	**(611,959)**	(225,280)	364,470
As a percentage of revenue	**(272.9%)**	(101.6%)	206.2%
EBITDA	**(560,273)**	(206,782)	370,458
As a percentage of revenue	**(249.9%)**	(93.2%)	209.6%
(Loss)/profit attributable to owners of the company	**(534,962)**	(246,457)	586,815
As a percentage of revenue	**(238.6%)**	(111.1%)	322%
Total assets	**2,292,224**	2,496,189	2,418,080
Total capital employed*	**2,134,142**	2,237,061	1,786,170
Equity attributable to owners of the company	**1,296,838**	1,824,799	1,774,721
(Loss)/earnings per share (HK cents)	**(23.23)**	(21.04)	53.16
Return on average shareholders' equity	**(34.3%)**	(13.7%)	48.7%
Current ratio	**13.5**	10.4	3.7
Gearing ratio	**64.5**	22.6	0.65
Medical and Plastic Toys Business and Tradings of Garments			
Average inventory turnover *(days)*	**78**	79	88
Average trade debtor turnover *(days)*	**116**	98	84

* Total capital employed includes shareholders' equity and interest-bearing debts.

Management Discussion and Analysis

BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products like mobility aid and other medical equipment.

Medical Products and Plastic Toys Business

For the medical products and plastic toy business, Europe represented the largest export market of this segment. Sales revenue from European customers decreased by 28.8% for the year ended 31 December 2017 to HK$34.6 million, representing 52.0% of the total revenue from medical products and plastic toys business. Revenue from US customers decreased by 61.0% for the year ended 31 December 2017 to HK$10.2 million, accounting for 15.4% of the total revenue from medical and plastic toys business. Revenue from the PRC customers decreased by 18.4% for the year ended 31 December 2017 to HK$10.0million, accounting for 15.0% of the total revenue from medical and plastic toys business. In terms of products, sales revenue from medical products for the year ended 31 December 2017 was HK$46.7 million, representing a decrease of 40.6% over last period and accounted for 70.3% of the total revenue from medical products and plastic toys business. The decrease was mainly due to keen market competition for both powered and manual products. Sales revenue from plastic toys decreased by 22.7% for the year ended 31 December 2017 to HK$19.8 million mainly due to keen market competition.

Securities Brokerage, Margin Financing, Underwriting and Placements

Black Marble Securities Limited, a wholly-owned subsidiary of the Company ("**Black Marble Securities**") has generated HK$27.3 million revenue for the year ended 31 December 2017 and has decreased 54.6% over last period, representing 12.2% of the total revenue of the Group. It was because the weak market condition led the underwriting and placing income has been significantly dropped by HK$34.5 million as compared to last year. However, the interest income generated from the margin client has been increased from HK$17.5 million for the year 31 December 2016 to HK$22.3 million for the year ended 31 December 2017.

Assets Management Business

The Group wishes to provide a full range of financing services to its clients other than only securities brokerage, underwriting and placements services and money lending business. The Group has started to develop assets management business and wishes to launch different type of fund to attract new investors for scaling up the portfolio size and the Group will receive management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. The use of proceed from the rights issue in September 2016 of approximately HK$150 million has been injected to the Black Marble Global Investment Fund SPC as seed capital. However, the assets management business has not yet generated any revenue during the year ended 31 December 2017 due to the said business is still in an early stage.

Management Discussion and Analysis

Money Lending and Finance Leasing

For the year ended 31 December 2017, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations and commenced its finance lease business in the PRC. The Group has generated HK$101.7 million interest income for the year and has increased HK$71.9 million as compared to last year, representing 45.4% of the total revenue of the Group. The increase in revenue was mainly contributed by the Group's effort in expanding its loan portfolio from HK$625.4 million to HK$1,241.6 million. Directors are of the view that such business will keep contribute the income stream of the Group and has become one of the main sources of income for the Group.

Sales of Garment Accessories

Since June 2015, the Group diversified into the business of the sales of garment accessories and it has generated HK$28.2 million revenue for the period which indicated an increase of HK$0.7 million as compared to last year and representing 12.6% of the total revenue of the Group. The business of trading of garment accessories continuously generated a stable income stream to the Group during the year.

PROSPECTS

The Group has kept expanding in the securities market and has endeavoured to develop and expand the money lending business in Hong Kong and PRC, as a result the securities brokerage, margin financing, underwriting and placement services and the money lending business has become the main income stream of the Group, and representing 57.5% of the total revenue of the Group for the year. The Directors believe that by taking a proactive approach in developing and diversifying the financial business sector of the Group will generate promising returns to the shareholders of the Company (the "**Shareholders**") in the future. In order to further expand the business, the Company will focus on the existing businesses and wish to participate in providing other financial services, including but not limited to providing corporate finance, asset management, financial planning services, which can leverage with the Group's existing financial sectors and aim at extending our financial businesses to the market of Mainland China. As such, Black Marble Securities has entered into the joint venture agreement with China Kweichow Moutai (Group) Distillery Co., Ltd, Huakang Insurance Agency Co., Ltd, First Shanghai Financial Holding Limited and Shijiazhuang Changshan Textile Co., Ltd in relation to the proposed joint venture formation under the CEPA framework for the purpose of establishing a licensed corporation to provide full range of securities and financial services in the PRC. The joint venture company, with its proposed name of Guangdong Silk Road Securities Co., Ltd, will be established as a limited liability company, with its office to be established in the Nansha District, Guangzhou City, Guangdong Province, the PRC. The Directors consider that through the joint venture company, the Group will be able to tap into the financial services market in the PRC and capture any opportunities arising from the increasing investment and fund raising demand in the PRC. The joint venture can bring synergy effects to the Group's existing securities brokerage business and leverage with the Group's other financial businesses in the future. Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will keep expanding the existing business and look for potential investment opportunities to diversify its business scope and leverage with the Group's financial sectors. We are committed to strengthen the corporate governance of the Group, and will continue to facilitate the resumption of trading of the Company and create the greatest possible value for all the Shareholders.

Management Discussion and Analysis

FINANCIAL REVIEW

Consolidated revenue of the Group for the year ended 31 December 2017 was HK$224.2 million (2016: HK$221.8 million), representing an increase of 1.1% over last year. Although, the revenue from securities brokerage, underwriting and placements services and medical products and plastic toys business has decreased by HK$70.6 million, the increase in the consolidated revenue was mainly due to the increase of money lending and finance leasing business, of which the increment was HK$71.9 million.

Gross profit margin of the Group for the period was 64.3%, representing an increase of approximately 23.1 percentage points as compared to the gross profit margin of 41.2% in the last year. It was mainly due to the revenue generated from securities brokerage business and the money lending business and other financial services shared a higher gross profit ratio than the medical products and plastic toys businesses. The revenue from securities brokerage business and the money lending business represented 57.5% of the total revenue of the Group for the year, representing an increase of approximately 16.9 percentage points as compared to the last year.

Loss of the Group for the year ended 31 December 2017 was HK$535 million (2016: HK$246.5 million) and loss for the year attributable to owners of the Company was HK$535 million (2016: HK$246.5 million). The decrease was mainly due to the loss on fair value changes of held-for-trading investments of HK$592.2 million for the year ended 31 December 2017 (2016: HK$78 million).

ACQUISITIONS OF ASSETS AND SUBSIDIARIES

On 11 October 2017, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party of the Group to purchase 80% of the issued share capital of Genuine Oriental Wealth Management Limited ("**GEOWML**") for a cash consideration of HK$13,000,000. The principal activities of GEOWML is providing insurance broker service. The acquisition was completed on 18 October 2017.

DISPOSALS OF ASSETS

On 15 March 2017, a wholly-owned subsidiary of the Company entered into the provisional agreements with an independent third party of the Group to sell a property at total cash consideration of approximately HK$61,020,000. The transaction was completed in May 2017. Details refer to the announcement of the Company dated 15 March 2017.

On 27 June 2017, the Group disposed on-market of a total of 1,479,225,000 shares of China Jicheng Holdings Limited ("**China Jicheng Share**"), at an average price of HK$0.0169 per China Jicheng Share for a gross sale proceeds of approximately HK$24.96 million. Details refer to the announcement of the Company dated 27 June 2017.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position. Cash and cash equivalents of the Group as at 31 December 2017 decreased by HK$65.8 million to HK$366.0 million as compared to HK$431.9 million as at 31 December 2016. The Group has bank borrowings of HK$4.3 million (2016: HK$5.5 million), bank overdrafts of HK$5.1 million (2016: HK$5.0 million) and bond payable of HK$827.7 million (2016: HK$361.8 million) and has repaid all the term loans (2016: HK$40.0 million) as at 31 December 2017. As at 31 December 2017, the Group had net current assets of HK$1,957.8 million (2016: HK$2,009.8 million) and a current ratio of 13.5 (2016: 10.4). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business and trading of garments for the year ended 31 December 2017 were 116 days (2016: 98 days) and 78 days (31 December 2016: 79 days) respectively. The Group's gearing ratio as at 31 December 2017 was 64.5% (2016: 22.6%).

SIGNIFICANT INVESTMENTS

Since there was no held-for-trading investments and other investments held by the Group valued more than 5% of the total assets of the Group as at 31 December 2017, there were no significant investments held by the Group. Details of the held-for-trading investments held by the Group and the fair value changes of the held-for-trading investments for the period are set out in note 26 to the financial statements.

RESULT OF RIGHTS ISSUE

On 29 June 2016, the Company proposed to raise gross proceeds of not less than approximately HK$307.1 million before expenses and not more than approximately HK$309.6 million before expenses, by way of rights issue of not less than 1,535,482,758 rights shares and not more than 1,547,952,006 rights shares at the subscription price of HK$0.20 per rights share on the basis of two rights shares for every one Consolidated Share held on the record date (the "**Rights Issue**"). On 21 September 2016, 1,535,482,758 ordinary shares were allotted and issued pursuant to the Rights Issue. The net proceeds for the Rights Issue were approximately HK$301 million. Up to the date of this announcement, proceeds from the Rights Issue (i) for the HK$150 million seed capital investment and operation in the asset management company, the Group has fully injected into the fund and operation in the asset management company; (ii) for the HK$80 million in developing the finance lease business in the PRC, the Group has utilised HK$19.8 million and the remaining will be utilised as planned; and (iii) remaining balance of HK$71 million for general working capital of the Company has been utilised HK$30 million and HK$41 million in securities brokerage business and money lending business respectively.

PLEDGE OF ASSETS

The bank borrowings were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment properties of approximately HK$9.4 million (2016: HK$10.5 million). As at 31 December 2016, the margin financing payables of HK$26.5 million are secured by held-for-trading investment of approximately HK$418.8 million. There was no margin financing payables are secured by held-for-trading investment as at 31 December 2017.

EXCHANGE RISK EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in United States dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. In the event that Renminbi appreciates, the Group will be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

EQUITY PRICE RISK EXPOSURE

The Group is exposed to equity price risk through its investments in listed securities. Although, the Group currently does not maintain any hedging policy to hedge against the equity price risk, the management team manages this exposure by monitoring the price movements and the changes in market conditions that may affect the value of the investments and will consider taking appropriate actions to minimize the risk.

CONTINGENT LIABILITY

As at 31 December 2017, the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed a total workforce of around 270 staff members, of which about 200 worked in the PRC, about 5 in Taiwan and the remaining in Hong Kong. Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance.

Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. CHEN Chun Chieh, aged 42, was appointed an Executive Director of the Company on 3 April 2008. Mr. Chen has been working for the Group since 2002. He obtained a master's degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

Mr. LAI Kin Chung, Kenneth, aged 48, has over 20 years of solid investment background specializing in property investment, social service, and technology sectors in Taiwan and the PRC. Mr. Lai graduated from Curtin University of Technology with a Bachelor of Commerce (Marketing & Management) in Australia. He initially worked as a floor trader with Bank of China Group Securities Limited and worked for various investment banks as a dealer including Lippo Securities Holdings Limited, Dresdner Bank and Charles Schwab Hong Kong Securities Limited from 1994 to 2002 and acted as Head of Dealing and Sales Trading at SBI E2 – Capital Asia Securities Limited during 2003-2006. He continued his career in sales desks from 2006 to 2013 working for DBS Vickers (Hong Kong) Ltd., CCB International Securities Ltd., Agricultural Bank of China and Core Pacific-Yaimaichi International (HK) Ltd. From September 2013 to August 2014, he worked in a fund management company specialized in portfolio management and risk management. In addition, Mr. Lai has all-rounded experiences in securities advisory, corporate finance, corporate management and fund management.

Ms. Ho Kuan Lai, aged 46, is currently an associate member of the Singapore Institute of Chartered Secretarial & Administrator. She had been a non-executive director of Laura Ashley Holdings (a company listed on the main board of the London Stock Exchange, stock code: ALY) between 17 June 2013 and 3 August 2014, and an executive director of Morning Star Resources Limited (a company listed on the main board of the Stock Exchange, stock code: 542) between 1 February 2010 and 7 October 2010 and previously held senior management position of a sizable group of companies in Malaysia and United Kingdom. Ms. Ho has abundant experience in management of sizable group of companies.

Directors' Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YE Jianxin, aged 63, has over 3 decades of experience acting as department head and general manager in different companies engaging in sales and marketing. He has extensive experience in managing large enterprises especially in the area of sales and marketing. Mr. Ye graduated from high school in China.

Mr. Yu Tat Chi Michael, aged 53. Mr. Yu holds a bachelor of commerce degree from the University of New South Wales, Australia. He is a fellow member of the CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu is also a founding member of The Hong Kong Independent Non-Executive Director Association. Mr. Yu has many years of experience in accounting, corporate finance and asset management. He had held senior management positions in several listed companies in Hong Kong. He is currently an independent non-executive director of Golden Resources Development International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 677) since 30 August 2012, EVOC Intelligent Technology Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2308) since 30 May 2016, Applied Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 519) since 14 September 2016, and China Netcom Technology Holdings Limited (a company listed on Growth Enterprise Market of the Stock Exchange, stock code: 8071) since 31 August 2017. Mr. Yu has extensive experience in the field of accounting. The Company considers that Mr. Yu can provide independent and comprehensive advice to the Company.

Mr. Yang Haihui, aged 26. Mr. Yang holds a bachelor of software engineering from the Beijing Normal University, Zhuhai. He currently serves managerial position of Jinshang Capital Investment Management Co. Ltd., primarily responsible for risk management in terms of investment, lending and product portfolio. He has extensive experience in risk management. The Company considers that Mr. Yang can provide independent advice to the Company and enhance the risk management of the Company.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of Lerado Financial Group Company Limited (the "Company") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2017.

CORPORATE GOVERNANCE CODE

For the year under review, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the deviations set out below:

Under the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer ("**CEO**") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the CEO of the Company should be clearly established and set out in writing.

During the period from 1 January 2017 to 22 December 2017, the roles of the chairman of the Board and the CEO were not separated and were performed by Mr. Mak Kwong Yiu. The Directors met regularly to consider major matters affecting the operations of the Group. As such, the Directors considered that this structure of having the roles of both the chairman of the Board and the CEO performed by the same individual would not impair the balance of power and authority between the Directors and the management of the Group. The Directors believed that this structure would enable the Group to make and implement decisions promptly and efficiently.

Following the resignation of Mr. Mak Kwong Yiu as an executive Director, chairman of the Board and the CEO with effect from 22 December 2017, the Company has no chairman of the Board and CEO and has been looking for suitable candidates to fill the vacancies.

The Company will review its corporate governance practices regularly to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objective of enhancing shareholders' value including setting and approving the Company's strategic plan, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policies and practices on corporate governance. The Board has delegated to the CEO, of which the directors also undertake, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

Corporate Governance Report

Board Composition

As at the date of this Annual Report, the Board comprises 6 members in total, with 3 executive Directors and 3 independent non-executive Directors.

The composition of the Board during the year ended 31 December 2017 and up to the date of this Annual Report is set out below:

Executive Directors

MAK Kwong Yiu, *Chairman and CEO* (resigned on 22 December 2017)
HUANG Ying Yuan, *Honorary Chairman* (resigned on 31 August 2017)
CHEN Chun Chieh
HUANG Shen Kai (resigned on 6 April 2018)
LAI Kin Chung, Kenneth
HO Kuan Lai (appointed on 22 December 2017)

Independent Non-Executive Directors

LAM Chak Man (resigned on 6 February 2018)
YE Jianxin
CHERN Shyh Feng (resigned on 6 February 2018)
HSU Hong Te (resigned on 6 February 2018)
YU Tat Chi Michael (appointed on 6 February 2018)
YANG Haihui (appointed on 6 February 2018)

The biographical details of the current Board members are set out under the section headed "**Directors' Profile**" on pages 9 to 10 of this report. Each of the independent non-executive Directors is appointed for a term of three years.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Appointment and Re-election of Directors

In accordance with the Company's bye-laws, all Directors are subject to retirement by rotation at least once every three years and any new director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by the shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. The Nomination Committee of the Company is responsible for reviewing the board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management of the Company where necessary.

The senior management, including CEO and company secretary of the Company (the "**Company Secretary**") attend all regular board meetings and where necessary, other board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

The Company's bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2017, 4 regular board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the board meetings and the annual general meeting for the year 2017 (the "**2017 AGM**") during the year ended 31 December 2017 are set out below:

Name of Director	Attendance/Number of Meetings	
	Board Meetings	2017 AGM
Mak Kwong Yiu (resigned on 22 December 2017)	4/4	1/1
Huang Ying Yuan (resigned on 31 August 2017)	3/3	0/1
Chen Chun Chieh	2/4	0/1
Huang Shen Kai (resigned on 6 April 2018)	2/4	0/1
Lai Kin Chung, Kenneth	4/4	1/1
Ho Kuan Lai (appointed on 22 December 2017)	–/–	–/–
Lam Chak Man (resigned on 6 February 2018)	4/4	1/1
Ye Jianxin	4/4	0/1
Chern Shyh Feng (resigned on 6 February 2018)	4/4	0/1
Hsu Hong Te (resigned on 6 February 2018)	4/4	0/1
Yu Tat Chi Michael	–/–	–/–
Yang Haihui	–/–	–/–

Directors' Training

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed director or alternative director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company has provided information related to the changes in the Listing Rules to the directors to update and refresh the directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the directors' awareness of good corporate governance practices.

Corporate Governance Report

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2017.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that board procedures and all applicable laws and regulations are followed. Each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the CEO and the senior management for the discharge of its responsibilities.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with defined written terms of reference which are available for the reference of the shareholders and the public on the websites of the Company and the Stock Exchange. Each of the Nomination Committee, Remuneration Committee and Audit Committee is provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Nomination Committee

As at the date of this report, the Nomination Committee comprises 5 members, namely Mr. YU Tat Chi Michael, Mr. LAI Kin Chung, Kenneth, Ms. HO Kuan Lai, Mr. YE Jianxin and Mr. YANG Haihui, the majority of which are independent non-executive Directors, with Mr. YU Tat Chi Michael acting as the chairman.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive Directors.

During the year ended 31 December 2017, the Nomination Committee was primarily responsible:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify individuals suitably qualified to become board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive directors, having regard to the requirements under the applicable laws, rules and regulations;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and, in particular, the chairman and the CEO of the Company; and
- to review the policy on board diversity and any measurable objectives for implementing such policy.

The terms of reference of the Nomination Committee and the authority delegated by the Board is available on the Stock Exchange and the Company's website.

The Nomination Committee will meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year under review, details of attendance are set out below:

Nomination Committee Members	**Attendance/ Number of Meeting**
Mak Kwong Yiu (resigned on 22 December 2017)	1/1
Lai Kin Chung, Kenneth	1/1
Ho Kuan Lai (appointed 22 December 2017)	–/–
Lam Chak Man (resigned on 6 February 2018)	1/1
Ye Jianxin	1/1
Chern Shyh Feng (resigned on 6 February 2018)	1/1
Hsu Hong Te (resigned on 6 February 2018)	1/1
Yu Tat Chi Michael (appointed on 6 February 2018)	–/–
Yang Haihui (appointed on 6 February 2018)	–/–

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises 5 members, namely Ms. HO Kuan Lai, Mr. CHEN Chun Chieh, Mr. YE Jianxin, Mr. YU Tat Chi Michael and Mr. YANG Haihui, the majority of which are independent non-executive Directors, with Ms. HO Kuan Lai acting as the chairlady.

The Remuneration Committee is responsible for making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation is reasonable. Its written terms of reference are in line with the provisions of the CG Code.

During the year ended 31 December 2017, the Remuneration Committee was primarily responsible for:

- making recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;

- recommending to the Board the specific remuneration packages of all executive directors and senior management members of the Company; and

- reviewing and proposing performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board is available on the Stock Exchange and the Company's website.

The Remuneration Committee held one meeting during the year ended 31 December 2017 and the details of attendance are set out below:

Remuneration Committee Members	**Attendance/ Number of Meeting**
Mak Kwong Yiu (resigned on 22 December 2017)	1/1
Chen Chun Chieh	1/1
Ho Kuan Lai (appointed 22 December 2017)	–/–
Lam Chak Man (resigned on 6 February 2018)	1/1
Ye Jianxin	1/1
Chern Shyh Feng (resigned on 6 February 2018)	1/1
Hsu Hong Te (resigned on 6 February 2018)	1/1
Yu Tat Chi Michael (appointed on 6 February 2018)	–/–
Yang Haihui (appointed on 6 February 2018)	–/–

Audit Committee

As at the date of this report, the Audit Committee comprises 3 members, namely Mr. YU Tat Chi Michael, Mr. YE Jianxin and Mr. YANG Haihui, all of whom are independent non-executive Directors, with Mr. YU Tat Chi Michael acting as the chairman.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system and to provide advice and comments to the Board.

During the year ended 31 December 2017, the Audit Committee was primarily responsible:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- to monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and to review significant financial reporting judgements contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to discuss with management the system of internal controls and risk management and ensure that management has discharged its duty to have an effective internal control system and risk management;
- to review the Group's financial and accounting policies and practices; and
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of internal controls and risk management and management's response, and to ensure that the Board provides a timely response to the issues raised.

The Audit Committee held 2 meetings during the year ended 31 December 2017 and the details of attendance are set out below:

Audit Committee Members	**Attendance/ Number of Meeting**
Lam Chak Man (resigned on 6 February 2018)	2/2
Ye Jianxin	2/2
Chern Shyh Feng (resigned on 6 February 2018)	2/2
Hsu Hong Te (resigned on 6 February 2018)	2/2
Yu Tat Chi Michael (appointed on 6 February 2018)	–/–
Yang Haihui (appointed on 6 February 2018)	–/–

Corporate Governance Functions

During the period under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Risk Management and Internal Controls

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

The Company has also engaged an external professional firm for the purpose of conducting internal audit function, who has conducted a review of the Group's operational control and risk management.

COMPANY SECRETARY

Mr. Man Yun Wah has been nominated by RHT Corporate Advisory (HK) Limited to act as the Company Secretary, who has complied with the requirements of the Listing Rules. He has been contacting with the Board of the Company directly in respect of company secretarial matters.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "**Independent Auditor's Report**" on page 31.

During the year ended 31 December 2017, the remunerations paid/payable to the Company's external auditors, Elite Partners CPA Limited are set out below:

Type of Services	**Fees Paid/ Payable** *(HK$)*
Audit Services	
– Audit of annual financial statements	950,000
Total	950,000

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent board committee, are available to answer questions at shareholders' meetings.

The annual general meeting regarding the financial results for the year ended 31 December 2017 (the "**AGM**") will be held on 31 May 2018. The notice of the AGM will be sent to shareholders at least 20 clear business days before the AGM.

Corporate Governance Report

SHAREHOLDER RIGHTS

Convening a special general meeting by shareholders

Procedures for shareholders to convene a special general meeting (including making proposals/moving a resolution at the special general meeting)

- Any one or more shareholders 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 (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at a special general meeting.

- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at a special general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene a special general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a special general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to 22/F, The Wellington, 184-198 Wellington Street, Central, Hong Kong or email to public@lerado.com.hk.

Corporate Governance Report

Investors Relationship

Bye-laws

There has not been any significant change to the Company's bye-laws during the year ended 31 December 2017.

Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at www.lerado.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted are available for public access.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	(852) 2868 9918
By post:	22/F The Wellington 184-198 Wellington Street Central, Hong Kong
Attention:	Investor Relations Department
By email:	public@lerado.com.hk

Disclaimer

The contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims all liabilities and losses incurred by its shareholders in reliance on any contents of this section headed "Shareholders' Rights".

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

Descriptions and reviews of principal risks and uncertainties that the Group may be facing are set out on pages 102 to 108 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 35 and 36 of the annual report.

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

PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at 31 December 2017. The revaluation resulted in gain of HK$3,996,000 which was credited to property revaluation reserve at 31 December 2017.

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at the end of the reporting period were as follows:

	2017	2016
	HK$'000	*HK$'000*
Contributed surplus	**244,461**	244,461
Accumulated profits/(loss)	**22,566**	3,231
	267,027	247,692

Directors' Report

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The directors of the Company during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors:

Mr. Mak Kwong Yiu *(Chairman and Chief Executive Officer)* (resigned on 22 December 2017)
Mr. Huang Ying Yuan *(Honorary Chairman)* (resigned on 31 August 2017)
Mr. Chen Chun Chieh
Mr. Huang Shen Kai (resigned on 6 April 2018)
Mr. Lai Kin Chung, Kenneth
Ms. Ho Kuan Lai (appointed on 22 December 2017)

Independent non-executive Directors

Mr. Lam Chak Man (resigned on 6 February 2018)
Mr. Ye Jianxin
Mr. Chern Shyh Feng (resigned on 6 February 2018)
Mr. Hsu Hong Te (resigned on 6 February 2018)
Mr. Yu Tat Chi Michael (appointed on 6 February 2018)
Mr. Yang Haihui (appointed on 6 February 2018)

In accordance with clauses 86 and 87 of the Company's bye-laws, Mr. Lai Kin Chung, Kenneth, Ms. Ho Kuan Lai, Mr. Yu Tat Chi Michael and Mr. Yang Haihui will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other directors will continue in office.

The terms of office of all independent non-executive Directors are subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

No director has entered into service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, none of the Directors, Supervisors or the chief executive of the Company had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) held by the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") which shall be recorded and maintained in the register pursuant to section 352 of the SFO, or which shall be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**").

SHARE OPTIONS

Particulars of the share option schemes and the movements in the share options of the Company are set out in note 32 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the interests of shareholders below are extracted from the latest disclosure of interests forms filed by the respective shareholders.

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Mak Kwong Yiu	Beneficial owner	217,072,320	9.40%
Mr. Lai Shu Fun, Francis Alvin *(Note 1)*	Beneficial owner	180,000,000	7.82%

Note:

(1) Mr. Lai Shu Fun, Francis Alvin owns shares through his wholly owned Opus Platinum Growth Fund.

Other than as disclosed above, the Company has not been notified of any other relevant interest or short position in the issued share capital of the Company as at 31 December 2017.

Directors' Report

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS

Other than those disclosed in note 35 to the consolidated financial statements, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 35, no contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end or at any time during the year ended 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 16.7% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 4.8% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 20.1% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 8.0%.

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

PRE-EMPTIVE RIGHTS

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

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are decided by the board of directors, who are authorised by the shareholders in the annual general meeting, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of these schemes are set out in note 32 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group endeavors to monitor and minimize impact to the environment. For the purpose of disclosing the information in relation to environmental, social and governance ("**ESG**") in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules, an ESG report of the Company will be published within three months after the publication of the annual report of the Company.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2017.

AUDITOR

Deloitte Touche Tohmatsu, who acted as the auditor of the Company for the past three years, resigned with effect on 15 December 2017 and Elite Partners CPA Limited was appointed as the auditor of the Company with effect from 5 January 2018. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Elite Partners CPA Limited as the auditor of the Company.

On behalf of the board

Lai Kin Chung, Kenneth
Executive Director

29 March 2018

Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE MEMBERS OF LERADO FINANCIAL GROUP COMPANY LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Lerado Financial Group Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 33 to 117, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the valuation of goodwill as a key audit matter due to the complexity and significant judgments involved in the management's impairment assessment process. As detailed in the notes 4 and 18 to the consolidated financial statements, in determining the amount of impairment for goodwill requires an estimation of the recoverable amount, which is the value in use of the cash-generating unit ("CGU") to which goodwill has been allocated and the Group engages an independent external valuer to perform such valuation. The value in use is based on cash flow forecast of each CGUs of the Group and take into account the key assumptions used by management which including discount rate, growth rate, budgeted sales, gross margin and inventories price inflation. For the year ended 31 December 2017, as the recoverable amount of the securities brokerage business CGU based on value in use calculation is less than the carrying of amount, an impairment loss of goodwill of HK$1,600,000 was recognised in profit or loss in the current year. Besides, no impairment loss was recognised in goodwill for trading garment and other financial services CGU as the recoverable amount of both segment based on value in use calculation is more than the carrying of amount.	Our procedures in relation to impairment assessment of goodwill included: • Understanding how the management perform impairment assessment including the preparation of cash flow forecast and assumptions estimation; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Engaging our internal valuation expert to evaluate the appropriateness of the value in use valuation model and checking its mathematical accuracy; • Evaluating the appropriateness of the key assumptions in the cash flow forecast, including growth rate, budgeted sales, gross margin and inventories price inflation, by discussing with the management with reference to their expectations for market development and comparing with the most recent financial performance available; • Assessing the appropriateness of the discount rate used, and performing sensitivity analyses on discount rate and assessing the impact on the value in use; and • Evaluating the historical accuracy of the cash flow forecast and actual performance for the year and future prospect from the CGU.

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of loans receivables	
We identified the estimated impairment of loans receivables arising from the money lending business as a key audit matter due to significance of the carrying amount and significant estimation required by the management on determining the amount of impairment of loans receivables. In determining the impairment of loans receivables from money lending business, the management considers the settlements subsequent to maturity of the relevant loans receivables and the estimated recoverable amount of the corresponding pledged assets of each borrower less cost to sell. As disclosed in notes 4 and 24 to the consolidated financial statement, the carrying amount of the Group's loans receivables was HK$1,225,364,000 and represented approximately 53% of total assets of the Group as at 31 December 2017.	Our procedures in relation to estimated impairment of loans receivables arising from the money lending business included: • Understanding of the key controls over the granting of the loan and the management's impairment assessment in relation to the recoverability of loans receivables; • Reviewing pledged asset agreements for loans receivables; • Tracing settlements subsequently to maturity to settlement details; and • Evaluating the recoverable amount of the pledged assets.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yip Kai Yin, with Practising Certificate number P05131.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
29 March 2018

10/F., 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue		**224,221**	221,811
Gross proceeds from sale of held-for-trading investments		**143,640**	51,162
		367,861	272,973
Revenue	5	**224,221**	221,811
Cost of inventories and services		**(79,970)**	(130,417)
		144,251	91,394
Other income	6	**12,856**	22,737
Other gains and losses	7	**(600,264)**	(187,804)
Marketing and distribution costs		**(8,813)**	(4,721)
Research and development expenses		**(899)**	(1,026)
Administrative expenses		**(107,613)**	(124,130)
Share of loss of an associate		**(5,907)**	(9,632)
Finance costs	8	**(45,570)**	(12,098)
Loss before taxation		**(611,959)**	(225,280)
Income tax credit (expense)	9	**76,959**	(21,177)
Loss for the year	10	**(535,000)**	(246,457)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Gain (loss) on revaluation of land and buildings		**3,996**	(2,256)
Recognition of deferred tax asset (liability) arising on revaluation of land and buildings		**–**	1,126
		3,996	(1,130)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation		**3,005**	(3,236)
Other comprehensive income (expense) for the year		**7,001**	(4,366)
Total comprehensive expense for the year		**(527,999)**	(250,823)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTE	2017 HK$'000	2016 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(534,962)**	(246,457)
Non-controlling interests		**(38)**	–
		(535,000)	(246,457)
Total comprehensive expense attributable to:			
Owners of the Company		**(527,961)**	(250,823)
Non-controlling interests		**(38)**	–
		(527,999)	(250,823)
Loss per share	*14*		
– Basic		**(HK23.23 cents)**	(HK21.04 cents)
– Diluted		**(HK23.23 cents)**	(HK21.04 cents)

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**36,242**	97,122
Prepaid lease payments	16	**14,408**	13,439
Investment properties	17	**71,676**	88,491
Goodwill	18	**35,315**	31,600
Investment in an associate	19	**–**	5,907
Available-for-sale investments	20	**1,000**	28,990
Deposit paid for acquisition of additional interest in an available-for-sale investment	20	**–**	5,977
Deposits paid for forming of an associate	21	**10,028**	–
Statutory deposits placed with clearing house		**230**	243
Finance lease receivables	25	**9,315**	–
		178,214	271,769
Current assets			
Inventories	22	**19,022**	13,296
Trade and other receivables and prepayments	23	**378,058**	437,768
Finance lease receivables	25	**6,881**	–
Loans receivables	24	**1,225,364**	625,440
Prepaid lease payments	16	**420**	392
Contingent consideration	33	**10,249**	–
Held-for-trading investments	26	**68,604**	679,594
Bank balances (trust and segregated accounts)	27	**39,374**	36,060
Bank balances (general accounts) and cash	27	**366,038**	431,870
		2,114,010	2,224,420
Current liabilities			
Trade and other payables and accruals	28	**130,200**	142,555
Taxation payable		**16,578**	21,543
Borrowings	29	**9,384**	50,501
		156,162	214,599
Net current assets		**1,957,848**	2,009,821
		2,136,062	2,281,590

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	31	**690,968**	690,968
Reserves		**606,070**	1,133,831
Total equity		**1,297,038**	1,824,799
Non-current liabilities			
Bonds	29	**827,720**	361,761
Deferred tax liabilities	30	**11,304**	95,030
		839,024	456,791
		2,136,062	2,281,590

The consolidated financial statements on pages 33 to 118 were approved and authorised for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Lai Kin Chung, Kenneth
DIRECTOR

Ho Kuan Lai
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Property revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2016	383,871	358,858	38,510	66,150	6,771	3,341	1,270	915,950	1,774,721	(91)	1,774,630
Loss for the year	–	–	–	–	–	–	–	(246,457)	(246,457)	–	(246,457)
Exchange differences arising from translation	–	–	–	–	(3,236)	–	–	–	(3,236)	–	(3,236)
Revaluation loss on land and buildings classified as property, plant and equipment	–	–	–	(2,256)	–	–	–	–	(2,256)	–	(2,256)
Recognition of deferred tax asset arising on revaluation gain on land and buildings	–	–	–	1,126	–	–	–	–	1,126	–	1,126
Total comprehensive expense for the year	–	–	–	(1,130)	(3,236)	–	–	(246,457)	(250,823)	–	(250,823)
Issue of shares upon rights issue, net of transaction costs *(Note 31)*	307,097	(6,105)	–	–	–	–	–	–	300,992	–	300,992
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(91)	(91)	91	–
At 31 December 2016	690,968	352,753	38,510	65,020	3,535	3,341	1,270	669,402	1,824,799	–*	1,824,799
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(534,962)**	**(534,962)**	**(38)**	**(535,000)**
Exchange differences arising from translation	**–**	**–**	**–**	**–**	**3,005**	**–**	**–**	**–**	**3,005**	**–**	**3,005**
Revaluation gain on land and buildings classified as property, plant and equipment	**–**	**–**	**–**	**3,996**	**–**	**–**	**–**	**–**	**3,996**	**–**	**3,996**
Total comprehensive expense for the year	**–**	**–**	**–**	**3,996**	**3,005**	**–**	**–**	**(534,962)**	**(527,961)**	**(38)**	**(527,999)**
Transfer of property revaluation reserve upon disposal of land and buildings	**–**	**–**	**–**	**(45,131)**	**–**	**–**	**–**	**45,131**	**–**	**–**	**–**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**238**	**238**
Lapsed of share options	**–**	**–**	**–**	**–**	**–**	**(3,341)**	**–**	**3,341**	**–**	**–**	**–**
At 31 December 2017	**690,968**	**352,753**	**38,510**	**23,885**	**6,540**	**–**	**1,270**	**182,912**	**1,296,838**	**200**	**1,297,038**

* Less than HK$1,000

The special reserve of the Group represents the difference between the nominal value of shares of Lerado Group Limited, a subsidiary of the Company, together with its share premium and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company are required to maintain two statutory reserves, being the "statutory surplus reserve fund" and the "enterprise expansion fund", both of which are not distributable. Appropriations to such reserves are made out of the profit for the year as per the statutory financial statements of relevant PRC subsidiaries. The amount and allocation basis are decided by the respective board of directors annually.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	NOTE	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		(611,959)	(225,280)
Adjustments for:			
Amortisation of prepaid lease payments		404	410
Depreciation of property, plant and equipment		5,712	5,990
Finance costs		45,570	12,098
Impairment loss recognised on trade and other receivables		4,733	9,685
Impairment loss on deposits paid for acquisition of an associate		5,977	–
Bank interest income		(201)	(970)
Fair value changes of:			
– investment properties		(4,161)	(4,873)
– held-for-trading investments		592,150	78,007
– contingent consideration		(3,516)	–
Loss on disposal of property, plant and equipment		3,025	–
Loss on disposal of available-for-sale investment		5,189	–
Share of loss of an associate		5,907	9,632
Reversal of allowance for inventories		(2,677)	13,231
Impairment loss on deposits paid for acquisition of property, plant and equipment		–	103,352
Impairment loss of goodwill		1,600	11,318
Operating cash flows before movements in working capital		47,753	12,600
(Increase) decrease in inventories		(1,928)	6,536
Decrease (increase) in trade and other receivables and prepayments		55,773	(286,854)
Increase in loan receivables		(599,924)	(625,440)
Decrease in finance lease receivables		(15,610)	–
Decrease (increase) in held-for-trading investments		18,840	(245,836)
(Increase) decrease in bank balances – trust and segregated accounts		(3,314)	426,955
Decrease in derivative financial instruments		–	(285)
Decrease in trade and other payables and accruals		(14,362)	(379,349)
Cash used in operations		(512,772)	(1,091,673)
Hong Kong Profits Tax paid		(12,207)	(10,842)
Interest paid		(40,735)	(1,062)
NET CASH USED IN OPERATING ACTIVITIES		(565,714)	(1,103,577)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Acquisition of assets through acquisition of subsidiaries	34	–	(38,673)
Purchase of available-for-sale investment	20	(1,000)	(23,400)
Capital injection in an associate		–	(8,000)
Deposit paid for forming an associate		(10,028)	–
Deposit paid for acquisition of additional interest in an available-for-sale investment	20	–	(5,977)
Purchase of property, plant and equipment		(1,574)	(5,683)
Purchase of an investment property		–	(3,379)
Settlement of bank balance held in escrow account		–	34,998
Acquisition of additional interest in a subsidiary		–	91
Interest received		201	970
Withdraw (placement) of statutory deposit		13	29
Proceeds from disposal of property, plant and equipment		61,020	20
Proceeds from disposal of investment properties		15,435	–
Proceeds from disposal of available-for-sale investment		23,801	–
Acquisition of subsidiaries	35	(11,727)	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		76,141	(49,004)
FINANCING ACTIVITIES			
Proceeds from issue of bonds, net of issue cost		470,247	350,725
Repayment of bonds		(9,123)	–
Proceeds from issue of shares upon rights issue, net of transaction costs	31	–	300,992
New term loan raised		–	40,000
Repayment of term loan		(40,000)	–
Repayment of bank loans		(1,124)	(1,068)
NET CASH FROM FINANCING ACTIVITIES		420,000	690,649
NET DECREASE IN CASH AND CASH EQUIVALENTS		(69,573)	(461,932)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		426,875	889,968
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		3,733	(1,161)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by			
Bank balances (general accounts) and cash		366,038	431,870
Bank overdrafts		(5,003)	(4,995)
		361,035	426,875

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report. Trading in the shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended at the direction of the Securities and Futures Commission since 6 June 2017. As at the date of approval of these financial statements, the trading of shares of the Company remains suspended.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time.

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Amendments to HKAS 7 Disclosure Initiative

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group's financing liabilities are disclosed in Notes 28 to the consolidated financial statements. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements.

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

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

HKFRS 9 "Financial instruments"

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

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

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

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

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year when HKFRS 9 is mandatory effective and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

Under HKAS 17, the Group has already recognised prepaid lease payments on land use rights where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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

Furthermore, extensive disclosures are required by HKFRS 16.

For other amendments to HKFRSs, the Directors anticipate that their application will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

For investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries *(continued)*

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

Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than its carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(Continued)*

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in associate *(continued)*

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

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

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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

Revenue from the sale of goods is recognised when goods are delivered and the titles have passed.

Revenue and income arising from securities brokerage business are recognised on the following basis:

- commission income for broking business is recorded as income on a trade date basis;
- underwriting commission income, sub-underwriting income and placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed; and
- interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Other commission income is recognised when services are provided.

Interest income from a financial asset or money lending business and other financial services is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

The Group's accounting policy for recognitions of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recognised at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

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

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

Foreign currencies

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

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

The functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the group entity. The group entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change. At the date of the change, the group entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Borrowing costs

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Construction in progress are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages; together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Group's financial assets at FVTPL are derivatives that are not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

AFS financial assets are non-derivatives that are neither classified as financial assets at fair value through profit or loss nor loans and receivables.

Since the Group's AFS equity investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loans receivables, bank balances held in an escrow account and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

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

For AFS investments measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Financial liabilities and equity instruments

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

Equity instrument

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

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

Derecognition

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

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

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

Share-based payment arrangement

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share option reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangement *(continued)*

Share options granted to consultants

Equity-settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods and services quality for recognition as assets.

Impairment losses

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

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other 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 within the next financial year.

Impairment assessment of goodwill allocated to the trading of garment segment

In determining where goodwill is impaired requires an estimation of the value in use of cash-generating units 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. The value in use has also taken into account the key assumptions used by management including growth rate, budgeted sales, gross margin and inventories price inflation. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill is HK$35,315,000 (net of accumulated impairment of HK$12,918,000) (2016: HK$31,600,000 (net of accumulated impairment of HK$11,318,000)). Details of the recoverable amount calculation are disclosed in note 18.

Impairment on loans receivables

The management periodically reviews its loans receivables to assess whether impairment losses exist by taking into consideration the settlements subsequent to maturity of the relevant loans receivables. When there is objective evidence of impairment loss, the management estimates the recoverable amount on the corresponding pledged assets of each borrower less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amounts and the recoverable amount of the corresponding pledged assets less cost to sell estimated by the management. Where the actual outcome of the recoverability of loans receivables is different from the original estimate, a material impairment loss may arise. As at 31 December 2017, the carrying amount of loans receivables are HK$1,225,364,000 (2016: HK$625,440,000).

5. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments", which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segment and to assess its performance. The Group's Executive Directors are the CODM for the purposes of HKFRS 8 as it collectively makes strategic decisions in allocating the Group's resources and assessing performance.

For the segment reporting purpose to the CODM, the Group is currently organised into the following five operating and reportable segments:

Medical products and plastic toys business	Manufacturing and distribution of medical care products and plastic toys
Trading of garments	Trading of garments accessories, such as nylon type, polyester and polyester string
Securities brokerage business	Securities brokerage, margin financing and underwriting and placements
Money lending business and other financial services	Provision of loan services and other financial services
Assets management service	Provision of asset management services

Revenue

An analysis of the Group's revenue by major products and services categories for the year are as follows:

	2017	2016
	HK$'000	*HK$'000*
Medical products	**46,738**	78,701
Plastic toys	**19,792**	25,608
Sales of garment accessories	**28,193**	27,518
Fee and commission income	**27,760**	60,106
Interest income from loans receivables and finance lease receivables	**101,738**	29,878
	224,221	221,811

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results

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

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Consolidated HK$'000
For the year ended 31 December 2017						
Segment revenue – external	66,530	28,193	27,760	101,738	–	224,221
Segment results	(8,500)	1,983	(50,082)	98,050	(1,670)	39,781
Change in fair value of:						
– investment properties						4,161
– held-for-trading investments						(592,150)
– contingent consideration						3,516
Property rental income						4,166
Impairment loss on deposit paid for acquisition of additional interest in an available-for-sale investment						(5,977)
Loss on disposal of available-for-sale investment						(5,189)
Loss an disposal of property, plant and equipment						(3,025)
Impairment of goodwill						(1,600)
Share of loss of an associate						(5,907)
Unallocated corporate income						138
Unallocated corporate expenses						(49,873)
Loss before taxation						(611,959)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Consolidated HK$'000
For the year ended 31 December 2016						
Segment revenue – external	104,309	27,518	60,106	29,878	–	221,811
Segment results	(29,756)	(14,590)	14,008	28,905	(4,545)	(5,978)
Change in fair value of:						
– investment properties						4,873
– held-for-trading investments						(70,434)
Property rental income						2,231
Impairment loss on deposits paid for acquisition of property, plant and equipment						(103,352)
Share of loss of an associate						(9,632)
Unallocated corporate income						154
Unallocated corporate expenses						(43,142)
Loss before taxation						(225,280)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by/loss from each segment without allocation of change in fair value of investment properties/certain held-for-trading investments not included in securities business and asset management segments/derivative financial instruments, property rental income, impairment loss on deposits paid for acquisition of property, plant and equipment, share of loss of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purpose of resources allocations and performance assessment.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	Medical products and plastic toys business	Trading of garments	Securities brokerage business	Money lending business and other financial services	Assets management service	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017						
Segment assets	90,628	50,801	406,181	1,337,460	67,101	1,952,171
Investment properties						71,676
Available-for-sale investments						1,000
Deposit paid for forming of an associate						10,028
Held-for-trading investments						68,604
Contingent consideration						10,249
Other unallocated assets						178,496
Total assets						2,292,224
Segment liabilities	(20,349)	(16,341)	(97,600)	(4)	(9,598)	(143,892)
Bonds						(827,720)
Other unallocated liabilities						(23,574)
Total liabilities						(995,186)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Consolidated HK$'000
As at 31 December 2016						
Segment assets	219,365	50,783	451,259	695,093	145,829	1,562,329
Investment properties						88,491
Investment in an associate						5,907
Available-for-sale investments						28,990
Deposit paid for acquisition of additional interest in available-for-sale investment						5,977
Held-for-trading investments						542,024
Other unallocated assets						262,471
Total assets						2,496,189
Segment liabilities	(56,757)	(19,466)	(70,719)	(90,390)	(8,025)	(245,357)
Bonds						(361,761)
Other unallocated liabilities						(64,272)
Total liabilities						(671,390)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets, other than investment properties, investment in an associate, available-for-sale investments, deposits paid for acquisition of property, plant and equipment, deposit paid for acquisition of additional interest in available-for-sale investment, deposits paid for forming of an associate, held-for-trading investments and contingent consideration not included in securities brokerage business and assets management service segments and assets of the investment holding companies, are allocated to reportable and operating segments; and

- all liabilities, other than bonds and liabilities of the investment holding companies, are allocated to reportable and operating segments.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2017							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	844	–	–	–	–	730	1,574
Loss on disposal of property, plant and equipment	–	–	–	–	–	(3,025)	(3,025)
Depreciation of property, plant and equipment	1,371	–	1,519	–	–	272	3,162
Impairment loss on goodwill	–	–	1,600	–	–	–	1,600
Reversal of allowance for inventories	(2,677)	–	–	–	–	–	(2,677)
Reversed of impairment loss recognised on trade receivables	(8)	(2,019)	–	–	–	–	(2,027)
Impairment loss recognised on trade receivables	–	–	6,760	–	–	–	6,760

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Assets management service HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2016							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	1,757	–	3,926	–	–	–	5,683
Depreciation of property, plant and equipment	4,754	–	1,148	–	–	88	5,990
Impairment loss on goodwill	–	11,318	–	–	–	–	11,318
Allowance for inventories	13,231	–	–	–	–	–	13,231
Impairment loss recognised on trade receivables	592	5,000	4,093	–	–	–	9,685

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are principally located in the People's Republic of China ("PRC") and Hong Kong.

Information about the Group's revenue from external customers is presented based on the locations of the customers.

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**150,896**	109,109
Europe*	**34,586**	48,596
The United States of America	**10,246**	26,269
The PRC (excluding Hong Kong)	**14,921**	18,422
Australia	**1,712**	2,772
South America	**455**	601
Others*	**11,405**	16,042
	224,221	221,811

* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

Majority of the non-current assets are located in the PRC and Hong Kong.

Information about major customers

The Group's revenue from external customers is mainly derived from the PRC and Hong Kong. For the year ended 31 December 2017, there was no customer which amounted for more than 10% of total revenue. For the year ended 31 December 2016, revenue for the largest customer of medical and plastic toys business amounted to HK$24,051,000 which contributed more than 10% of the Group's total revenue.

6. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**201**	970
Rental income	**4,162**	2,231
Other commission income	**3,709**	11,993
Others	**4,784**	7,543
	12,856	22,737

7. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Impairment loss on goodwill	**(1,600)**	(11,318)
Impairment loss on deposits paid for acquisition of property, plant and equipment	**–**	(103,352)
Loss on disposal of property, plant and equipment	**(3,025)**	–
Loss on disposal of avaliable-for-sale investment	**(5,189)**	–
Impairment loss on deposit paid for acquisition of an associate	**(5,977)**	–
Fair value changes of:		
– investment properties	**4,161**	4,873
– held-for-trading investments	**(592,150)**	(78,007)
– contingent consideration	**3,516**	–
	(600,264)	(187,804)

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interests on		
– Bank overdrafts and loans	**869**	1,062
– Bonds	**44,701**	11,036
	45,570	12,098

9. INCOME TAX (CREDIT) EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**8,089**	6,018
The PRC Enterprise Income Tax ("EIT")	**548**	718
Other jurisdictions	**–**	123
	8,637	6,859
Overprovision in prior years:		
Hong Kong Profits Tax	**(1,400)**	(631)
The PRC EIT	**–**	–
Other jurisdictions	**–**	–
	(1,400)	(631)
Deferred taxation:		
Current year	**(84,196)**	14,949
	(76,959)	21,177

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Corporate Income Tax in Taiwan is charged at 17% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

9. INCOME TAX (CREDIT) EXPENSE *(continued)*

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

	2017 *HK$'000*	2016 *HK$'000*
Loss before taxation	**(611,959)**	(225,280)
Tax (credit) charge at Hong Kong Profits Tax rate of 16.5%	**(100,973)**	(37,171)
Tax effect of share of loss of an associate	**974**	1,589
Tax effect of expenses not deductible for tax purposes	**19,981**	27,690
Tax effect of income not taxable for tax purposes	**(1,300)**	(1,160)
Tax effect of tax losses not recognised	**5,546**	30,823
Overprovision in prior years	**(1,400)**	(631)
Effect of different tax rates of subsidiaries operate in other jurisdictions	**213**	37
Income tax expense	**(76,959)**	21,177

Details of movements in deferred taxation are set out in note 30.

10. LOSS FOR THE YEAR

	2017 *HK$'000*	2016 *HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Salaries, allowances and bonuses, including those of directors	**47,350**	44,255
Contributions to retirement benefit schemes, including those of directors	**2,146**	1,409
Total employee benefits expense, including those of directors	**49,496**	45,664
Amortisation of prepaid lease payments	**404**	410
Auditor's remuneration	**950**	1,800
Cost of inventories recognised as an expense	**74,845**	110,204
Depreciation of property, plant and equipment	**5,712**	5,990
Impairment loss recognised on trade receivables	**4,733**	9,685
(Reversal of allowance) allowance for inventories	**(2,677)**	13,231
Bank interest income	**(201)**	(970)
Property rental income net of negligible outgoing expenses	**(4,163)**	(2,231)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive are as follows:

2017

	Chief Executive and executive director	Other executive directors					Independent non-executive directors				
	Mak Kwong Yiu *(note 1)* *HK$'000*	Huang Ying Yuan *(note 2)* *HK$'000*	Chen Chun Chieh *HK$'000*	Huang Shen Kai *HK$'000*	Lai Kin Chung Kenneth *HK$'000*	Ho Kuan Lai *(note 3)* *HK$'000*	Ye Jianxin *HK$'000*	Chern Shyh Feng *HK$'000*	Lam Chak Man *HK$'000*	Hsu Hong Te *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	–	–	120	180	120	180	600
Salaries and allowances	5,855	120	1,278	120	642	17	–	–	–	–	8,032
Contribution to retirement benefits scheme	–	–	39	–	36	–	–	–	–	–	75
Total emoluments	5,855	120	1,317	120	678	17	120	180	120	180	8,707

2016

	Chief Executive and executive director	Other executive directors				Independent non-executive directors				
	Mak Kwong Yiu *(note 1)* *HK$'000*	Huang Ying Yuan *HK$'000*	Chen Chun Chieh *HK$'000*	Huang Shen Kai *HK$'000*	Lai Kin Chung Kenneth *HK$'000*	Ye Jianxin *HK$'000*	Chern Shyh Feng *HK$'000*	Lam Chak Man *HK$'000*	Hsu Hong Te *(note 4)* *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	–	120	120	120	90	450
Salaries and allowances	4,500	1,682	1,379	1,104	660	–	–	–	–	9,325
Contribution to retirement benefits scheme	–	–	39	–	36	–	–	–	–	75
Total emoluments	4,500	1,682	1,418	1,104	696	120	120	120	90	9,850

Notes:

1. Mr. Mak Kwong Yiu was appointed as chairman of the Board, chief executive and executive Director on 1 April 2016 and resigned as chairman of the Board, chief executive and executive Director on 22 December 2017.

2. Mr. Huang Ying Yuan resigned as an executive Director and honorary chairman on 31 August 2017.

3. Ms. Ho Kuan Lai was appointed as an executive Director on 22 December 2017.

4. Mr. Hsu Hong Te was appointed as an independent non-executive Director on 1 April 2016.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive Directors' emoluments shown above were mainly for their services as directors of the Company.

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived any remuneration during the years ended 31 December 2017 and 2016.

12. EMPLOYEES' EMOLUMENTS

Among the five individuals with the highest emoluments in the Group for the year ended 31 December 2017, two (2016: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2016: two) individuals are as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**4,209**	2,600
Contribution to retirement benefits scheme	**108**	72
	4,317	2,672

Their emoluments were within the following bands:

	2017	2016
Below HK$1,000,001	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	–

13. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

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 data:

	2017	2016
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company, for the purpose of basic and diluted loss per share	**(534,962)**	(246,457)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,303,224,137**	1,171,276,841

The computation of diluted loss per share for the year ended 31 December 2017 and 2016 does not assume the exercise of the Company's share option as the exercise would result in an decrease in loss per share for the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Land & Building *HK$'000*	Leasehold Improvement *HK$'000*	Plant & Machinery *HK$'000*	Office Equipment *HK$'000*	Motor Vehicles *HK$'000*	Total *HK$'000*
COST OR VALUATION						
At 1 January 2016	104,586	858	23,051	4,091	1,324	133,910
Exchange realignment	(2,116)	–	(1,487)	(123)	(62)	(3,788)
Additions	–	3,984	52	955	692	5,683
Disposals	–	–	(1,094)	(218)	–	(1,312)
Transfer to investment properties	(9,733)	–	–	–	–	(9,733)
Adjustment on valuation	(4,300)	–	–	–	–	(4,300)
At 31 December 2016 and at 1 January 2017	88,437	4,842	20,522	4,705	1,954	120,460
Exchange realignment	3,696	76	1,280	131	92	5,275
Additions	–	–	112	439	1,023	1,574
Disposal	(61,020)	(616)	(107)	(1,673)	–	(63,416)
Adjustment on valuation	(1,923)	–	–	–	–	(1,923)
At 31 December 2017	29,190	4,302	21,807	3,602	3,069	61,970
DEPRECIATION AND IMPAIRMENT						
At 1 January 2016	–	767	20,073	2,218	842	23,900
Exchange realignment	(1,799)	–	(1,298)	(70)	(49)	(3,216)
Provided for the year	3,843	754	589	581	223	5,990
Eliminated on disposals	–	–	(1,079)	(213)	–	(1,292)
Adjustment on valuation	(2,044)	–	–	–	–	(2,044)
At 31 December 2016 and at 1 January 2017	–	1,521	18,285	2,516	1,016	23,338
Exchange realignment	3,193	191	1,009	415	97	4,905
Provided for the year	2,726	1,148	598	768	472	5,712
Disposals	–	(616)	(64)	(1,628)	–	(2,308)
Adjustment on valuation	(5,919)	–	–	–	–	(5,919)
At 31 December 2017	–	2,244	19,828	2,071	1,585	25,728
NET BOOK VALUE						
At 31 December 2017	29,190	2,058	1,979	1,531	1,484	36,242
At 31 December 2016	88,437	3,321	2,237	2,189	938	97,122

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

During the year ended 31 December 2016, an owner-occupied property was reclassified to an investment property because its use had been changed as evidenced by end of owner-occupation in accordance with HKAS 40 "Investment Property". The fair value of the property at the date of transfer was HK$9,733,000. There was no transfer during the year ended 31 December 2017.

The above items of property, plant and equipment other than construction in progress and freehold land are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	2% or the remaining period of the leases, if shorter
Leasehold improvements	10-20% or the remaining period of the leases, if shorter
Plant and machinery	10-20%
Furniture, fixtures and equipment	20-33$^{1}/_{3}$%
Motor vehicles	20-50%

The Group revalued its land and buildings at 31 December 2017 and 31 December 2016. The revaluation gain for the year ended 31 December 2017 amounting to HK$3,996,000 which were debited directly to the property revaluation reserve (2016: revaluation loss of HK$2,256,000).

At 31 December 2017, the land and buildings in Hong Kong and certain buildings in the PRC of carrying value are nil (2016: HK$60,600,000 and nil, respectively) were valued under direct comparison approach. The remaining buildings in the PRC amounting to HK$29,190,000 (2016: HK$27,837,000) were valued under depreciated replacement costs approach.

Fair value measurement of the Group's buildings

The fair values of the Group's land and buildings were revalued at 31 December 2017 and 2016 by independent property valuers not connected to the Group.

The fair values of the land and buildings in Hong Kong and certain buildings in the PRC were determined based on direct comparison approach by reference to the market transaction prices of similar properties in the neighbourhood, and then adjusted based on the nature, location and condition of the property. The fair values of the remaining buildings in the PRC were determined by using the depreciated replacement cost approach that reflects the cost to a market participant to construct asset of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

In estimating of the fair values of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's land and buildings were categorised into Level 3.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value measurement of the Group's buildings *(continued)*

Reconciliation of Level 3 fair value measurements

	Buildings *HK$'000*
At 1 January 2016	104,586
Transfer to investment properties	(9,733)
Exchange realignment	(317)
Depreciation	(3,843)
Revaluation	(2,256)
At 31 December 2016 and at 1 January 2017	88,437
Disposals	(61,020)
Exchange realignment	503
Depreciation	(2,726)
Revaluation	3,996
At 31 December 2017	29,190

The following table shows the valuation techniques used in the determination of fair values for land and buildings and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December 2017 *HK$'000*	Fair value as at 31 December 2016 *HK$'000*	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs of fair value
Properties located in the PRC					
Industrial office units	**29,190**	27,837	Depreciated replacement cost approach	Adjusted building construction cost after taking into account the difference in individual factor	An increase in the building construction cost would result in the increase in the comparable fair value and vice versa.
Property located in Hong Kong					
Commercial office units	–	60,600	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square feet used would result in an increase in the fair value and vice versa.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value measurement of the Group's buildings *(continued)*

If the land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at HK$4,923,000 (2016: HK$14,057,000).

16. PREPAID LEASE PAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current assets	**420**	392
Non-current assets	**14,408**	13,439
	14,828	13,831

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2016	32,542
Change in fair value recognised in profit or loss	4,873
Addition	3,379
Acquired on an acquisition of assets through acquisition of a subsidiary *(Note 34)*	38,800
Transfer from property, plant and equipment	9,733
Exchange realignment	(836)
At 31 December 2016 and at 1 January 2017	88,491
Change in fair value recognised in profit or loss	4,161
Disposal	(18,372)
Exchange realignment	(2,604)
At 31 December 2017	71,676

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

17. INVESTMENT PROPERTIES *(continued)*

The fair values of the Group's investment properties at 31 December 2017 and 2016 have been arrived at on the basis of a valuation carried out on the respective dates by independent qualified professional valuers not connected to the Group.

The fair values of commercial office units located in the PRC and residential unit and residential parking space located in Hong Kong of residential unit were determined based on direct comparison approach by reference to the market transaction prices of similar properties in the neighbourhood, and adjusted based on the nature, location and condition of the property. For the commercial office units located in Hong Kong, fair value was determined based on the income approach, which was arrived at by reference to market yield expected by investors for similar type of properties and the net income derived from existing tenancies which due allowance for reversionary income potential of the properties on a recurring basis.

In estimating of the fair value of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's investment properties were categorised into Level 3.

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December 2017 *HK$'000*	31 December 2016 *HK$'000*	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Property located in Hong Kong					
Commercial office units	**7,410**	6,490	Income capitalisation approach	Capitalisation rate of 2.9% and reversionary yield (derives from monthly market rate)	An increase in the capitalisation rate would result in a decrease in the fair value and vice versa.
Residential unit and residential car parking space	**45,500**	42,000	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value and vice versa.
Property located in the PRC					
Commercial office units	**18,766**	40,001	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	An increase in the price per square meter used would result in an increase in the fair value and vice versa.

18. GOODWILL

	HK$'000
COST	
At 1 January 2016 and 31 December 2016	42,918
Arising on acquisition of subsidiaries *(Note 33)*	5,315
At 31 December 2017	48,233
IMPAIRMENT	
At 1 January 2016	–
Impairment loss recognised	11,318
At 31 December 2016 and at 1 January 2017	11,318
Impairment loss recognised	1,600
At 31 December 2017	12,918
CARRYING AMOUNTS	
At 31 December 2017	35,315
At 31 December 2016	31,600

For the purposes of impairment testing, goodwill with indefinite useful lives has been allocated to three individual cash generating units (CGUs), comprising one subsidiary engaged in trading of garments, one subsidiary engaged in securities brokerage business and one subsidiary engaged in money lending business and other financial service. The carrying amounts of goodwill allocated to these units are as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Trading of garments *(Note)*	**30,000**	30,000
Securities brokerage business	**–**	1,600
Money lending business and other financial service	**5,315**	–
	35,315	31,600

For the year ended 31 December 2017, as the financial performance of securities brokerage business CGU are worse than previously forecasted, the management considered that the growth rate and expected gross margin of garment business is declining as a result of severe competition in the market. The management of the Group assessed the cash flow projections of the securities brokerage business CGU and adjusted downward the estimated cash flows of the trading of garments CGU, taking into account the actual performance in the year ended 31 December 2017 as well as the future prospect from the CGU. As the recoverable amount of the securities brokerage business CGU based on value in use calculation is less than the carrying amount, an impairment loss of HK$1,600,000 was recognised in goodwill in the current year.

18. GOODWILL *(continued)*

Note:

The basis of the recoverable amounts of the CGU from trading of garments containing goodwill and the major underlying assumptions are summarised below:

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 11% (2016: 12.6%). The cash flows beyond the 5-year period are extrapolated growth rate of 3% (31 December 2016: 4%). Cash flow projection during the 5-year budget period is based on the budgeted sales and expected gross margins and the inflation on cost of sales and expenses during the projection period. Expected cash inflows/outflows, which include budgeted sales, gross margin and inventories price inflation have been determined based on past performance and management's expectations for the market development.

19. INVESTMENT IN AN ASSOCIATE

	2017	2016
	HK$'000	*HK$'000*
Cost of unlisted investment	**16,000**	16,000
Share of post-acquisition losses	**(16,000)**	(10,093)
	–	5,907

Details of the Group's associate as at 31 December 2017 and 2016 are as follows:

Name of associate	Form of business structure	Place of incorporation	Issued and fully paid share capital **2017**	Issued and fully paid share capital 2016	Effective interest in the issued share capital **2017**	Effective interest in the issued share capital 2016	Principal activity
Fullsino Management Limited* ("Fullsino")	Incorporated	Hong Kong	**HK$40,000,000**	HK$40,000,000	**40%**	40%	Provision of beauty and wellness services

19. INVESTMENT IN AN ASSOCIATE *(continued)*

Summarised financial information of Fullsino is set out below:

	2017 *HK$'000*	2016 *HK$'000*
Total assets	**9,070**	25,211
Total liabilities	**(27,483)**	(10,444)
Net (liabilities) assets	**(18,413)**	14,767
Group's share of net (liabilities) assets	**(7,365)**	5,907
Revenue	**41,455**	7,972
Loss for the year and total comprehensive expenses	**(33,180)**	(24,080)
Group's share of loss of the associate for the year	**(13,272)**	(9,632)
Unrecognised share of loss of an associate for the year	**7,365**	–
Cumulative unrecognised share of loss of an associate	**7,365**	–

20. AVAILABLE-FOR-SALE INVESTMENTS/DEPOSIT PAID FOR ACQUISITION OF ADDITIONAL INTEREST IN AN AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investments

The Group's available-for-sale investments at 31 December 2017 and 2016 represent investments in unlisted equity securities issued by private entities established in the PRC and Samoa which do not have quoted market price in an active market. As the range of reasonable fair value estimates is so significant, the corresponding fair values cannot be measured reliably. Accordingly, the investments are measured at cost less impairment at the end of reporting period.

As at 31 December 2017, the Group invested in one unlisted equity investment incorporated in British Virgin Islands, with a carrying amounts of HK$1,000,000. This investment represent 5% holdings of the ordinary shares of the unlisted equity investments.

20. AVAILABLE-FOR-SALE INVESTMENTS/DEPOSIT PAID FOR ACQUISITION OF ADDITIONAL INTEREST IN AN AVAILABLE-FOR-SALE INVESTMENT *(continued)*

Deposit paid for acquisition of additional interest in an available-for-sale investment

On 31 March 2016, the Company entered into the various agreements (the "Agreements") with the vendors to purchase 20,500,000 registered capital, representing 10% of the registered capital of 杭州錢內助金融信息服務有限公司 ("錢內助"), at the consideration of RMB32,800,000 (equivalent to HK$38,376,000), the Group has paid a deposit of RMB5,000,000 (equivalent to HK$5,977,000).

On 11 August 2017, the Company and the vendors entered into the termination agreements, pursuant to which the Company and the vendors mutually agree to terminate the acquisition of 20,500,000 shares of the target company. Impairment loss on the deposit of approximately HK$5,977,000 has been recognised during the year ended 31 December 2017.

21. DEPOSITS PAID FOR FORMING OF ASSOCIATE

On 29 December 2016, an indirect wholly-owned subsidiary of the Company, Black Marble Securities Limited, entered into an agreement (the "Agreement") with various independent third parties to set up an unlisted company, Guandong Silk Road Securities Co., Ltd* ("廣東絲路証券股份有限公司") in the PRC. Pursuant to the agreement, the Company will subscribe 19% of the share capital of the associate, and is entitled to nominate a director to the board.

In the current year, the formation of the associate is not yet completed. For the year ended 31 December 2017, the Company had paid a consideration of RMB8,740,000 (equivalent to approximately HK$10,028,000) as a deposit for forming of the associate. Up to the date of this report, the associate has not yet been set up.

* *For identification purpose only*

22. INVENTORIES

	2017 *HK$'000*	2016 *HK$'000*
Raw materials	**11,557**	7,644
Work in progress	**2,158**	1,665
Finished goods	**5,307**	3,987
	19,022	13,296

During the year, a reversal of allowance of HK$2,677,000 (2016: allowance of HK$13,231,000) was recognised in cost of sales for obsolete and slow-moving inventory items identified.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017 *HK$'000*	2016 *HK$'000*
Trade receivables arising from:		
Medical products and plastic toys business and trading of garments *(Note a)*	**38,707**	40,297
Less: allowance for doubtful debts	**(6,594)**	(8,555)
	32,113	31,742
Securities brokerage business *(Note b)*:		
– Cash clients	**–**	–
– Margin clients	**188,067**	346,493
– Clearing house	**–**	–
Less: allowance for doubtful debts	**(10,853)**	(4,093)
	177,214	342,400
Money lending and other financial services	**98,106**	29,832
Total trade receivables	**307,433**	403,974
Purchase deposits, other receivables and deposits	**43,621**	30,886
Prepayments	**27,004**	2,908
Total trade and other receivables and prepayments	**378,058**	437,768

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

Notes:

(a) The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts from medical products and plastic toys business and trading of garment presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**6,484**	11,998
31 to 90 days	**6,674**	8,408
Over 90 days	**18,955**	11,336
	32,113	31,742

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

Included in the trade receivable balance are debtors with aggregate carrying amount of HK$4,587,000 (2016: HK$15,272,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss after consideration of the credit quality of those individual customers, the ongoing relationship with the Group, the aging of these receivables and their subsequently settlement pattern. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**599**	9,182
31 to 90 days	**1,153**	3,936
Over 90 days	**2,835**	2,154
Total	**4,587**	15,272

Movement in the allowance for trade receivables

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**8,555**	3,185
Impairment loss (reversed) recognised on trade receivables	**(2,027)**	5,592
Amounts written off as uncollectible	**–**	(222)
Exchange realignment	**66**	–
Balance at end of the year	**6,594**	8,555

Included in allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$6,594,000 (2016: HK$8,555,000). The directors of the Company take into consideration the current financial position of the counterparties and their repayment history and consider that the chances of collection of the outstanding amounts are remote.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

Notes: (continued)

(b) The normal settlement terms of trade receivables from cash clients and securities clearing house are two days after trade date.

Margin loan receivables from margin clients, net of individually impaired receivables, amounting to HK$183,974,000 (2016: HK$342,400,000) as at 31 December 2017 are secured by clients' pledged securities with fair value of HK$210,247,000 (2016: HK$1,210,000,000). All of the pledged securities are listed equity securities in Hong Kong. The margin loans are repayable on demand subsequent to settlement date and carry interest at Hong Kong Prime rate plus margin that ranges from 8% to 15% (2016: ranges from 3% to 8%) per annum. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

Movement in the allowance for trade receivables

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,093**	–
Impairment loss recognised on trade receivables	**6,760**	4,093
Balance at end of the year	**10,853**	4,093

The Group has concentration of credit risk as 55% (2016: 45%) of the total loans to margin clients was due from the Group's five largest margin clients. The whole amount is secured by clients' pledged securities with the fair value of HK$64,794,000 (2016: HK$416,803,000) as at 31 December 2017. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

In determining the allowances for impaired margin loans to margin clients, the management of the Group considers the margin shortfall by comparing the market value of stock portfolio and the outstanding balance of margin loan to securities margin clients individually. Impairments are made for those clients with margin shortfall as at year end and with no settlement after the year end.

In addition to the individually assessed allowances for impaired margin loan, the management of the Group has also assessed, on a collective basis, a margin loan impairment allowance for margin loan receivable arising from the business of dealing in securities with margin clients that are individually insignificant or accounts receivable where no impairment has been identified individually. Objective evidence of collective impairment could include the Group's past experience of collecting payments, internal credit rating and observable changes in national or local economic conditions that correlate with default on receivables.

24. LOANS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Loans receivables	**1,225,364**	625,440
	1,225,364	625,440
Analysed as:		
Secured	**427,919**	328,100
Unsecured	**797,445**	297,340
	1,225,364	625,440

The total amounts are repayable within one year from the end of the reporting period. Interest rate on the fixed rate loans receivables as at 31 December 2017 is at a range of 5% to 19% per annum.

In determining the impairment of loans receivables from money lending business, the management considers the settlements subsequent to maturity of the relevant loans receivables and the estimated recoverable amount of the corresponding pledged assets of each borrower less cost to sell.

Included in loans receivables are debtors of secured loans receivables with the aggregate carrying amount of HK$35,000,000 (2016: HK$84,100,000) which have been past due but the directors of the Company consider that no impairment is required as there are no default in repayment for loans receivables. In respect of loans receivables which are past due but not impaired at the end of the reporting period are all aged within 180 days (from maturity date).

The remaining amounts that are neither past due nor impaired at the end of the reporting period and the directors of the Company are of the opinion that the amounts are recoverable.

25. FINANCE LEASE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Finance lease receivables presented as:		
– Current asset	**9,315**	–
– Non-current assets	**6,881**	–
	16,196	–

25. FINANCE LEASE RECEIVABLES *(continued)*

Details of leasing arrangements

The Group has entered into a finance lease arrangement to lease out certain of its production machinery and equipment with the remaining lease terms from 1 to 2 years. At the end of the lease term of these finance leases, the lessee has the option to buy the machinery and equipment at nominal consideration. None of the lease contains contingent rentals. The contractual interest rates in the lease arrangements are fixed rate 7% per annum.

Amount receivable under finance leases

	Minimum lease payments		Present value of Minimum lease payments	
	2017	2016	**2017**	2016
	HK$000	*HK$000*	***HK$000***	*HK$000*
Not later than one year	**7,842**	–	**6,881**	–
Later than one year and no later than five years	**9,803**	–	**9,315**	–
Later than five years	**–**	–	**–**	–
	17,645	–	**16,196**	–
Less: unearned finance income	**(1,449)**	–	**–**	–
Present value of minimum lease payments receivables	**16,196**	–	**16,196**	–

The finance lease receivables at the end of the reporting period are neither past due not impaired.

26. HELD-FOR-TRADING INVESTMENTS

	2017	2016
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**62,604**	672,294
Debt securities traded in Hong Kong	**6,000**	7,300
	68,604	679,594

The Group has recorded a loss on fair value changes of held-for-trading investments for the year ended 31 December 2017 of HK$592.2 million (2016: loss on fair value of HK$78 million) which was mainly arise from the realised loss on fair value change of investment in CJHL of approximately HK$254.6 million and SOHL of approximately HK$74.8 million.

CJHL is principally engaged in the manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. Sing On Holdings Limited ("SOHL") is principally engaged in the provision of concrete demolition services in Hong Kong and Macau mainly as subcontractor.

The fair value of measurement of the Group's held-for-trading investments were categorised into Level 1 and fair values have been determined by reference to the quoted market bid prices available on the Stock Exchange.

27. BANK BALANCES AND CASH

Bank balances-trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has also recognised the corresponding trade payables to respective clients and other respective clients and other institutions (note 28). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amount comprises balances and cash held by the Group and short term bank deposits with original maturity within 3 months. At 31 December 2017, bank balances and short term bank deposits carried interest at market rates ranging from 0.01% to 3% (2016: 0.01% to 3%) per annum.

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Trade payables arising from:		
Medical products and plastic toys business and trading of garments	**23,448**	24,750
Securities brokerage business		
– Cash clients	**15,167**	23,953
– Margin clients	**24,129**	10,670
– Clearing house	**69**	2,223
Total trade payables	**62,813**	61,596
Accrued expenses	**854**	1,414
Other payables	**66,533**	79,545
	130,200	142,555

Included in other payables of HK$95,000 (2016: HK$26,515,000) represents the margin financing payable to an independent broker for investment trading, which is secured by held-for-trading investment of HK$Nil (2016: HK$418,785,000).

28. TRADE AND OTHER PAYABLES AND ACCRUALS *(continued)*

The following is an aged analysis of trade payables from medical products and plastic toys business and trading of garments presented based on the invoice date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**9,960**	19,045
31 to 90 days	**3,241**	3,479
Over 90 days	**10,247**	2,226
	23,448	24,750

The average credit period on purchases of goods from medical products and plastic toys business and trading of garments is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The settlement terms of trade payable arising from the securities brokerage business are two days after trade date or at specific terms agreed with clearing house. Trade payables to cash and margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

As at 31 December 2017, the trade payables amounting to HK$39,374,000 (2016: HK$36,060,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

29. BORROWINGS AND BONDS

	2017 HK$'000	2016 HK$'000
Bank overdrafts	**5,003**	4,996
Bank loans	**4,381**	5,505
Term loan	**–**	40,000
	9,384	50,501
Bonds	**827,720**	361,761
	837,104	412,262
Analysed as:		
Secured	**9,003**	9,585
Unsecured	**828,101**	402,677
	837,104	412,262
Carrying amount repayable for borrowings that contain a repayable on demand clause:*		
Within one year	**5,985**	45,925
More than one year but not more than two years	**191**	2,807
More than two years but not more than five years	**573**	151
More than five years	**2,635**	1,618
	9,384	50,501
Less: Amounts due within one year shown under current liabilities	**9,384**	(50,501)
Amounts shown under non-current liabilities	**–**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Movement of bank loans is as follows:

	2017 HK$'000
As at 1 January 2017	**45,505**
Repayment of the principal	**(41,124)**
As at 31 December 2017	**4,381**

29. BORROWINGS AND BONDS *(continued)*

The carrying amounts of bonds are repayable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	–	–
More than one year but not more than two years	181,456	51,428
More than two years but not more than five years	–	–
More than five years	646,264	310,333
	827,720	361,761
Less: Amounts due within one year shown under current liabilities	–	–
Amounts shown under non-current liabilities	827,720	361,761

Movement of the bonds is as follows:

	2017 HK$'000
At 1 January 2017	361,761
Proceeds from the bond issue (cash flow)	536,616
Accrued interests	44,701
Interest paid (cash flow)	(39,866)
Repayments (cash flow)	(9,123)
Transaction cost	(66,369)
At 31 December 2017	827,720

As at 31 December 2016, the Group had aggregate outstanding borrowings comprising (i) bank borrowings of HK$2,180,000 (2016: HK$2,718,000) and bank overdrafts of HK$1,995,000 (2016: HK$2,005,000) secured by a property of the Group and guaranteed by a director of a subsidiary of the Group, (ii) bank borrowing of HK$1,821,000 (2016: HK$1,871,000) and bank overdrafts of HK$3,008,000 (2016: HK$2,991,000) secured by properties owned by and guaranteed by a director of a subsidiary of the Group, and (iii) bank borrowings of HK$381,000 (2016: HK$916,000) unsecured and guaranteed by a director of a subsidiary of the Group and guarantee provided by the government of Hong Kong.

The Group's borrowings were at variable-rate interest ranged from Hong Kong Prime rate plus 2.20% to 4.50% (2016: 2.20% to 4.50%) per annum.

During the year ended 31 December 2017, the Group and a wholly owned subsidiary of the Company issued bonds with an aggregate principal amount of HK$854,493,000 (2016: HK$327,000,000) and HK$52,000,000 (2016: HK$52,000,000), respectively. Transaction costs attributable to the issuance of the bond amounted to approximately HK$66,369,000 (2016: HK$26,908,000) and HK$1,560,000 (2016: HK$1,560,000), respectively. The bonds are unsecured with maturity date falling on the eighth and second anniversary of the issue date, respectively. The interest rate of the bonds is fixed at 6% and 4% per annum, respectively, and the interest is paid annually. The Company may at any time before the maturity date to redeem the bond in respective to the principal amount of HK$52,000,000, while an additional coupon of 0.5% will be given to the bond holder if the Company exercise the rights of early redemption option. In the opinion of the directors of the Company, the value of the early redemption option is insignificant.

30. DEFERRED TAX LIABILITIES

The followings are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Difference between accounting and tax depreciation	**Revaluation of properties**	**Fair value change on held-for-trading investments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	(4,185)	19,253	66,139	81,207
(Credit) charge to profit or loss	(105)	–	15,054	14,949
Credit to other comprehensive income	–	(1,126)	–	(1,126)
At 31 December 2016	(4,290)	18,127	81,193	95,030
(Credit) charge to profit or loss	4,376	(7,379)	(81,193)	(84,196)
Exchange realignment	–	470	–	470
At 31 December 2017	86	11,218	–	11,304

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$7,053,000 (2016: HK$5,024,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2017, the Group had unused tax losses of HK$228,014,000 (2016: HK$210,115,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. The unused tax losses of HK$215,766,000 (2016: HK$182,340,000) may be carried forward indefinitely and the unused tax losses of HK$12,248,000 (2016: HK$27,775,000) will expire in the following years ended 31 December:

	2017	2016
	HK$'000	*HK$'000*
2017	**–**	16,654
2018	**439**	439
2019	**1,338**	1,338
2020	**6,397**	6,397
2021	**2,947**	2,947
2022	**1,127**	–
	12,248	27,775

31. SHARE CAPITAL

	Par value per share *HK$*	Number of ordinary shares	Amount *HK$'000*
Authorised:			
At 1 January 2016	0.1	10,000,000,000	1,000,000
Effect of share consolidation *(i)*		(8,000,000,000)	–
Increase of share capital	0.5	8,000,000,000	4,000,000
At 31 December 2016 and 31 December 2017	0.5	10,000,000,000	5,000,000
Issued and fully paid:			
At 1 January 2016		3,838,706,896	383,871
Share consolidation *(i)*		(3,070,965,517)	–
		767,741,379	383,871
Issued and partially paid:			
Issue of shares upon rights issue *(ii)*		1,535,482,758	307,097
At 31 December 2016 and 31 December 2017		2,303,224,137	690,968

The shares issued during the year ended 31 December 2016 rank pari passu with the existing shares in all respects.

(i) With effect from 15 August 2016, the Company consolidated its shares on the basis that every five issued and unissued shares of HK$0.1 each into one Consolidated Share of HK$0.5 each. On the same date, the Company increased the total authorised share capital by 8,000,000,000 ordinary shares with par value of HK$0.5 per share. These authorised share capital remained unissued as at 31 December 2016. Further details were set out in the circular dated 26 July 2016.

(ii) In August 2016, a total of 1,535,482,758 ordinary shares were issued at a subscription price of HK$0.20 per share by way of rights issue on the basis of two rights shares for every one share held on 15 August 2016. Details were set out in the announcement of the Company dated 24 August 2016. Transaction costs attributable to the rights issue amounted to HK$6,105,000 are debited to share premium.

32. SHARE OPTIONS

2002 Scheme

The Company adopted a share option scheme, which was approved at the Company's annual general meeting held on 30 May 2002 (the "2002 Scheme"), for the primary purpose of providing incentives to directors and eligible participants. According to the 2002 Scheme, the board of directors of the Company may offer to grant share options to eligible employees, including directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contribution to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Any offer to grant share options should be accepted within 30 days from the date of offer. The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option scheme of the Company at any time shall not exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which share options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Share options granted to substantial shareholders or any of its associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The directors may at its absolute discretion determine the period during which a share option may be exercised, such period to expire not later than 10 years from the date of grant of the share option. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the Board's meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's shares on the date on which the share option is offered, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of offer, and (iii) the nominal value of the share.

On 18 January 2012, the Company granted share options to certain eligible employees (excluding directors) to subscribe for a total of 15,000,000 shares in the Company (equally divided into two batches, namely Batch I and Batch II) at an exercise price of HK$0.77 per share under the 2002 Scheme. These eligible employees have rights to exercise their respective share options at any time during the period from the date after the share options have been vested (i.e. 18 January 2013 for Batch I and 18 January 2014 for Batch II) to the expiry date (i.e. 17 January 2017 for both batches).

32. SHARE OPTIONS *(continued)*

2012 Scheme

The 2002 Scheme was expired on 31 May 2012. The Company adopted a new share option scheme (the "2012 Scheme"), which was approved in the Company's annual general meeting on 28 May 2012 with the view to motivate the eligible participants.

As a result of all granted options have lapsed and no further options may be granted under the 2002 Scheme subsequent to its expiration, the 2002 Scheme has ceased to be in force.

According to the 2012 Scheme, the board of directors of the Company may offer to grant an option to any full-time employees, executives or officers, directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

In general, the maximum number of shares in respect of which options may be granted under the 2012 Scheme and under any other share option scheme of the Company must not exceed 10% of the total number of shares in issue, excluding for this purpose shares which would have been issuable pursuant to option which have lapsed in accordance with the terms of the 2012 Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2012 Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant without prior approvals of the shareholders. Share options granted to connected persons in excess of 0.1% of the shares in issue or having a value in excess of HK$5 million must be approved in advance by the Company's shareholders in general meeting.

The directors may in its absolute discretion determine the period during which an option may be exercised, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2012 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors, the 2012 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2012 Scheme. The exercise price shall be determined by the board of directors and must not be less than the highest of (i) the official closing price of the Company's shares on the date of grant, (ii) the average of the official closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share.

32. SHARE OPTIONS *(continued)*

2012 Scheme *(continued)*

The following table discloses movements in the Company's share options during the years ended 31 December 2017 and 2016:

		Number of share options									
	Date of grant	Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment due to right issue	Outstanding at 31 December 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2017
Employees	18 January 2012 (Batch I)	34,560	–	–	–	(25,625)	9,295	–	–	(9,295)	–
Employees	18 January 2012 (Batch I)	34,560	–	–	–	(25,625)	9,295	–	–	(9,295)	–
Employees and consultants*	12 February 2015	31,104,000	–	–	–	(22,738,206)	8,365,794	–	–	(8,365,794)	–
		31,173,210	–	–	–	(22,738,206)	8,384,384	–	–	–	–
Exercisable at the end of the year		31,173,210					8,384,384				–
Weighted average exercise price		0.514					1,912				N/A

* The consultants are not connected parties of the Group and have provided business relations services to the Group for the years ended 31 December 2017 and 2016.

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercisable period	Original exercise price *HK$*	Adjusted exercise price with effect to open offer, share consolidation and rights issue *HK$*
18 January 2012 (Batch I)	12 months	18 January 2013-17 January 2017	0.77	2.484
18 January 2012 (Batch II)	24 months	18 January 2014-17 January 2017	0.77	2.484
12 February 2015	N/A	12 February 2015-11 February 2017	0.592	1.911

During the year, no share options were exercised (2016: nil).

For the year ended 31 December 2016 and 2017, the Group had not recognised any share-based payment expenses (included in administrative expenses) in relation to share options granted by the Company.

32. SHARE OPTIONS *(continued)*

During the year ended 31 December 2015, the Company repriced of its outstanding options with the effect of open offer. The exercise price of share options granted on 18 January 2012 adjusted from HK$0.770 to HK$0.668 and the exercise price of share options granted on 12 February 2015 adjusted from HK$0.592 to HK$0.514. The directors of the Company are in the opinion that the change of fair value has no significant impact to these consolidated financial statements.

During the year ended 31 December 2016, the Company repriced of its outstanding options with the effect of Rights Issue and share consolidation. The exercise price of share options granted on 18 January 2012 was adjusted from HK$0.770 to HK$2.484 and the exercise price of share options granted on 12 February 2015 was adjusted from HK$0.592 to HK$1.911. The directors of the Company are in the opinion that the incremental fair value has no significant impact to these consolidated financial statements.

33. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2017

On 11 October 2017, the Company entered into an agreement (the "Acquisition Agreement") with GE Oriental Financial Group Limited ("GOFG"), an independent third party of the Group, to purchase the 80% issued share capital of Genuine Oriental Wealth Management Limited ("GOWM"), by paying cash consideration of HK$13,000,000. The transaction was completed on 18 October 2017 (the "Acquisition Date").

GOWM is principally engaged in providing insurance brokerage service.

Pursuant to the Acquisition Agreement, GOFG warrants ("Warrants") and represents to the Group that for the period from 1 April 2017 to 31 March 2018, that the net profit after tax of GOWM shall not be less than HK$2 million ("Profit Guarantee"). In the event the Profit Guarantee is not achieved, GOFG will make compensation payment amounted to 6.5 times of the shortfall amount (i.e. the difference between actual profit and profit as per Profit Guarantee). At the date of acquisition, the fair value of the contingent consideration receivable is approximately HK$6,733,000, which was estimated by applying the discounted cash flow approach. The fair value estimates are based on a discount factor of 16.0%. This is a level 3 fair value measurement.

As at 31 December 2017, the fair value of contingent consideration receivable is approximately HK$10,249,000. The fair value are estimated based on the valuation performed by independent qualified professional valuers not connected to the Group.

33. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017 *(continued)*

Assets and liabilities recognised at the date of acquisition:

	HK$'000
Current assets	
Trade and other receivables	102
Bank balances and cash	1,273
	1,375
Current liabilities	
Trade and other payables	185
	185
Net assets acquired	1,190

Goodwill arising on acquisition:

	HK$'000
Total consideration	
– Cash	13,000
– Contingent consideration arrangement	(6,733)
	6,267
Add: Non-controlling interest (20% in GOWM)	238
Less: recognised amount of identifiable net assets acquired	(1,190)
Goodwill arising on acquisition	5,313
Net cash inflow arising on acquisition	
Cash consideration	13,000
Bank balances and cash acquired	(1,273)
	11,727

Goodwill arose on the acquisition of GOWM because of expected synergies, revenue growth and future market development in the other financial services business.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the loss for the year is profit of HK$191,000 attributable to the addition business generated by GOWM. Revenue for the year includes HK$459,000 generated from GOWM.

33. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2017 *(continued)*

Had the acquisition been completed on 1 January 2017, Group's revenue for the year would have been HK$225,809,000, and loss for the year would have been HK$534,672,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 *HK$'000*	2016 *HK$'000*
Financial assets		
Held-for-trading investments	**68,604**	679,594
Loans and receivables (including cash and cash equivalents)	**1,984,610**	1,524,821
Available-for-sale financial assets	**1,000**	28,990
Financial liabilities		
Amortised cost	**965,456**	551,939
Derivative financial instruments	**–**	–

(b) Financial risk management objectives and policies

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

34. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk

The Group's principal financial assets include held-for-trading investments, trade and other receivables, loans receivables and bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The exposure of credit risk on held-for-trading investments is limited as they are issued by companies listed on the Stock Exchange.

In order to minimise the credit risk of trade receivables from medical products and plastic toys business and trading of garments, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to trade customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to trade customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's exposure to bad debts and concentration risk is minimal.

In order to minimise the credit risk on securities brokerage business and money lending business and other financial services, the directors of the Company compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the directors of the securities brokerage business review the recoverable amount of margin loans derived from margin client with pledged equity securities listed in Hong Kong. As disclosed in Note 23, the review are based on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amount. In this regards, the directors of the Company considered that the Group's credit risk is significantly reduce.

In respective of loan receivable from money lending business, the directors of the Company has delegate a team responsible for determination of credit limits, credit approvals and other monitoring procedures for granting the loans and to ensure that follow-up action is taken to recover overdue loans receivables, if any. In addition, the Group reviews the recoverable amount of each individual loan receivable periodically to ensure that adequate impairment losses are made for irrecoverable loans. In this regard, the directors of the Company consider that the Group's loans receivables credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group does not have any other significant concentration of credit risk.

34. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

(i) Currency risk

Foreign currency risk management

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of relevant group entities, including Renminbi (RMB), US dollar (US$), Hong Kong dollar (HK$), EURO (EURO) and New Taiwan dollar (NTD).

The functional currencies of the Group's principal subsidiaries are HK$, US$ and RMB. While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain sales and purchase transactions denominated in US$, HK$ and EURO. Hence, exposures to exchange rate fluctuations arises. The Group currently does not formulate any hedging policies against its exposure to currency risk. The Group will manage its foreign currency risk by closely monitoring the movement of the foreign currency rate and buying foreign currency forward contracts if it considers the risk to be significant.

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in currencies other than the functional currency of relevant group entity are as follow:

	2017	2016
	HK$'000	*HK$'000*
Monetary Assets		
RMB	**559**	1,659
US$	**10,138**	48,122
HK$	**2,811**	3,818
EURO	**–**	967
Monetary Liabilities		
HK$	**–**	319
NTD	**–**	290

34. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of RMB, US$, HK$, EURO and NTD.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. No sensitivity analysis is presented for HKD against USD as HKD is pegged to USD. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates. A negative (positive) number below indicates an increase (a decrease) in loss before tax for the year where the functional currency of the relevant group entity strengthen 5% (2015: 5%) against the relevant foreign currency. For a 5% (2016: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on loss before tax for the year.

	RMB impact		NTD impact		EURO impact	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Monetary assets and liabilities	**(28)**	(83)	**–**	14	**–**	(48)

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

(ii) Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to cash and margin clients receivables (see note 23), variable-rate borrowings (see note 28) and bank balances (general accounts) (see note 26).

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

34. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

***Market risk** (continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and margin clients receivables, variable-rate borrowings and bank balances (general accounts) at the end of the reporting period. The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2017, if the interest rate had been 10 basis points (2016: 10 basis points) higher/lower and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK$446,000 (2016: HK$638,000).

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bonds and term loan (see note 28 for details of these bonds).

(iii) Equity price risk

The Group is exposed to equity price risk through their held-for-trading investments. The Group's equity price risk is concentrated on equity instruments quoted on the Stock Exchange. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate at 20% is applied as a result of the volatile financial market.

If the price of the respective held-for-trading investments had been 20% (2016: 20%) lower, the Group's loss after taxation would increase by HK$11,457,000 (2016: the Group's profit after taxation would decrease by HK$113,492,000).

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

Liquidity risk

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

34. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

For derivative financial instruments settled on a net basis, undiscounted net cash flows are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	2-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
2017								
Non-derivative financial liabilities								
Trade and other payables	–	116,712	3,241	10,247	–	–	130,200	130,200
Variable rate – borrowings	2.90%	106	319	671	2,340	1,301	4,737	4,381
Bonds	5.34%	–	–	103,372	200,064	938,177	1,241,613	827,720
		116,818	3,560	114,290	202,404	939,478	1,376,550	962,301

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	2-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
2016								
Non-derivative financial liabilities								
Trade and other payables	–	133,972	3,479	2,226	–	–	139,677	139,677
Variable rate – borrowings	4.04%	10,501	–	–	–	–	10,501	10,501
Fixed rate-term loan	8.5%	283	40,707	–	–	–	40,990	40,000
Bonds	5.45%	1,625	–	7,634	133,916	396,946	540,121	361,761
		146,381	44,186	9,860	133,916	396,946	731,289	551,939

34. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Bank loans and a term loan with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2017 and 31 December 2016, the aggregate undiscounted principal amounts of these bank loans amounted to HK$9,384,000 and HK$50,501,000, respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and lender will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans and a term loan will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details at which are set out in below table:

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	2-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amounts *HK$'000*
2017								
Non-derivative financial liabilities								
Variable rate								
– borrowings	2.90%	107	319	671	2,340	1,301	4,738	4,381
2016								
Non-derivative financial liabilities								
Variable rate								
– borrowings	4.04%	5,350	160	718	4,692	–	10,920	10,501

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair values of financial assets and financial liabilities (excluding held-for-trading investments and derivative financial instruments) are determined in accordance with discounted cash flow analysis.

Foreign currency forward contracts were using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

34. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Fair value measurement of financial assets and financial liabilities

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2017	31 December 2016		
Contingent consideration	HK$10,249,000	Nil	Level 3	Discounted cash flow. Discount rate
Held-for-trading investments	HK$68,604,000	HK$679,594,000	Level 1	Quoted bid prices in an active market

There were no transfers between Levels 1 and 2 in the current year.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

34. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Financial asset and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

– offset in the Group's consolidated statement of financial position; or

– not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and the clearing house, the Group has a legal enforceable right to set off the money obligations receivable and payable with clearing house on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the trade receivables from and payables to securities brokerage business that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to the clearing house and trade receivables from and payables to securities brokerage business that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with clearing house do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

34. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Financial asset and financial liabilities offsetting *(continued)*

	Gross amounts of recognised as financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017						
Financial assets						
Amounts due from clearing house and trade receivables from securities brokerage business	178,098	(884)	177,214	–	(154,327)	22,887
Statutory deposits placed with clearing house	230	–	230	(230)	–	–

	Gross amount of recognised as financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017						
Financial liabilities						
Amounts due from clearing house and trade receivables from securities brokerage business	37,279	(884)	36,395	(39,379)	–	(2,984)

34. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Financial asset and financial liabilities offsetting *(continued)*

	Gross amounts of recognised as financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016						
Financial assets						
Amounts due from clearing house and trade receivables from securities brokerage business	352,482	(10,082)	342,400	–	(342,327)	73
Statutory deposits placed with clearing house	243	–	243	(243)	–	–

	Gross amount of recognised as financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in consolidated statement of financial position		Net amounts
				Financial instruments	Collateral received	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016						
Financial liabilities						
Amounts due from clearing house and trade receivables from securities brokerage business	46,928	(10,082)	36,846	(37,119)	–	(273)

Note: The cash and financial collateral received/pledged as at 31 December 2016 and 2015 represent their fair values.

35. RELATED PARTY DISCLOSURES

During the year, the Group had transactions with the directors of the Company or its related parties. The transactions during the year, are as follows:

(a) Transaction with its related party:

Name of party	Interested directors	Nature of transaction	2017 *HK$'000*	2016 *HK$'000*
Yojin Industrial Corporation	Mr. Huang Ying Yuan Mrs. Huang Chen Li Chu *(note i)*	Rental expenses paid by the Group *(note ii)*	–	8

(b) Compensation of key management personnel

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

	2017 *HK$'000*	2016 *HK$'000*
Short-term employee benefits	8,707	9,850

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

Notes:

i. Both Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu are the controlling shareholders of Yojin Industrial Corporation and have beneficial interests with significant influence in the Company.

ii. The rentals were charged in accordance with the terms of the relevant tenancy agreement agreed by both parties.

36. OPERATING LEASE COMMITMENTS AND ARRANGEMENTS

The Group as lessee

	2017	2016
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year	**4,686**	3,950

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

	2017	2016
	HK$'000	*HK$'000*
Within one year	**4,735**	4,664
In the second to fifth year inclusive	**1,050**	5,119
	5,785	9,783

Operating lease payments represent rentals payable by the Group for certain of its office premises, lease properties and staff quarters. Leases are negotiated for an average term of two (2016: two) years.

The Group as lessor

Property rental income earned during the year was HK$4,162,000 (2016: HK$2,231,000).

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

	2017	2016
	HK$'000	*HK$'000*
Within one year	**2,956**	3,797
In the second to fifth year inclusive	**6,494**	7,106
	9,450	10,903

37. COMMITMENT

At the end of both reporting periods, the Group had contracted for but not provided in the consolidated financial statements:

	2017	2016
	HK$'000	*HK$'000*
Capital expenditure for acquisition of an additional interest in an available-for-sale investment	**–**	31,079
Capital expenditure in respect of the formation of an investment	**414,790**	424,818
	414,790	455,897

38. RETIREMENT BENEFITS SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme.

The employees of the Company's subsidiaries in the PRC and Taiwan are members of the state-managed retirement benefit schemes and defined contribution plan operated by the PRC and Taiwan government, respectively. The PRC and Taiwan subsidiaries are required to contribute a certain percentage of payroll costs to the respective retirement benefit schemes and defined contribution plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes and defined contribution plan is to make the specified contributions.

The total cost of HK$1,899,000 (2016: HK$1,388,000) charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid or payable by the Group for the year.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2017 and 2016 are as follows:

	Notes	2017 HK$'000	2016 HK$'000
Non-current asset			
Investment in subsidiaries		**304,971**	353,556
Current assets			
Other receivables & prepayments		**1,690**	1,133
Amounts due from subsidiaries	*(a)*	**2,281,418**	1,619,477
Bank balances		**63,495**	167,120
		2,346,603	1,787,730
Current liabilities			
Other payables		**30,604**	86,428
Taxation payable		**404**	3,323
Amounts due to subsidiaries	*(a)*	**532,829**	448,501
		563,837	538,252
Net current assets		**1,782,766**	1,249,478
Total assets less current liabilities		**2,087,737**	1,603,034
Capital and reserves			
Share capital		**690,968**	690,968
Reserves	*(b)*	**621,050**	601,733
Total equity		**1,312,018**	1,292,701
Non-current liability			
Bonds		**775,719**	310,333
		2,087,737	1,603,034

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) *Amount(s) due from (to) subsidiaries*

The amounts are unsecured, interest-free and repayable on demand.

(b) *Reserves*

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2016	358,858	244,461	3,341	1,270	(15,210)	592,728
Profit for the year	–	–	–	–	18,441	18,441
Transaction costs attributable to the rights issue	(6,105)	–	–	–	–	(6,105)
At 31 December 2016	352,753	244,461	3,341	1,270	3,231	605,056
Profit for the year	–	–	–	–	15,994	15,994
Lapsed of share options	–	–	(3,341)	–	3,341	–
At 31 December 2017	352,753	244,461	–	1,270	22,566	621,050

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly 2017 %	Directly 2016 %	Indirectly 2017 %	Indirectly 2016 %	Principal activities *(note i)*
中山隆成啟航商貿有限公司	PRC	US$6,240,000 Registered Capital	–	–	100	100	Manufacturing and trading of medical products
Lerado H.K. Limited	HK	HK$5,000 Ordinary Share	–	–	100	100	Trading of medical products
BlackMarble Capital Limited	HK	HK$1 Ordinary Share	–	–	100	100	Money lending
Oriental Strategic Limited	BVI	US$50,000 Ordinary Share	100	100	–	–	Investment holding
Brilliant Summit Limited	HK	HK$10,000 Ordinary Share	–	–	100	100	Trading of garment accessories
Lerado Group Limited	BVI	HK$10,702 Ordinary Share	100	100	–	–	Investment holding
Wonder Time Holdings Limited	BVI	HK$1 Ordinary Share	–	–	100	100	Trading of held-for-trading investments
Shanghai Lerado Co. Ltd.	PRC	US$6,260,000 Registered Capital	–	–	100	100	Manufacturing and trading of nursery products

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly		Indirectly		Principal activities *(note i)*
			2017 %	2016 %	**2017** %	2016 %	
Guangzhou Kai Run Corporate Management Services Company Limited	PRC	US$5,000,000 Registered Capital	**–**	–	**100**	100	Providing corporate management advisory services
駿勝世紀科技(深圳)有限公司	PRC	RMB1,000,000 Registered Capital	**–**	–	**100**	100	Research and development for electric scooters, wheels
Black Marble Securities Limited	HK	HK$330,000,000 Ordinary Share	**–**	–	**100**	100	Securities brokerage, margin financing and underwriting and placements
Black Marble Global Investment Fund SPC *(note ii)*	Cayman Islands	N/A	**–**	–	**100**	100	Investment fund
Smart Success International Enterprises Limited	HK	HK$1 Ordinary Share	**–**	–	**100**	100	Investment holding
Lerado Finance Limited	HK	HK$1 Ordinary Share	**–**	–	**100**	100	Money lending
First Platform International Limited	BVI	HK$1 Ordinary Share	**100**	–	**–**	–	Investment holding
Genuine Oriental Wealth Management Limited	HK	HK$1 Ordinary Share	**–**	–	**80%**	–	Investment brokerage

Note:

(i) The principal activities of the subsidiaries are carried out in the place of incorporation/establishment.

(ii) The Group had consolidated a structured entity which includes asset management products. For the asset management products where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

Third-party interests in consolidated structured entities consist of third-party unit/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders. There is no third-party interests in the consolidated structured entities as at 31 December 2017.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Financial Summary

RESULTS

	Year ended 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
REVENUE	147,576	154,676	176,731	221,811	**224,221**
PROFIT (LOSS) BEFORE TAXATION	(25,606)	(17,307)	364,170	(225,280)	**(61,959)**
INCOME TAX EXPENSE	(593)	(373)	(68,970)	(21,177)	**76,959**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(26,199)	(17,680)	295,200	(246,457)	**(535,000)**
PROFIT (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATION	6,370	(128,316)	291,524	–	**–**
PROFIT (LOSS) FOR THE YEAR	(19,829)	(145,996)	586,724	(246,457)	**(535,000)**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	(19,829)	(145,996)	586,815	(246,457)	**(534,962)**
NON-CONTROLLING INTERESTS	–	–	(91)	–	**(38)**
	(19,829)	(145,996)	586,724	(246,457)	**(535,000)**

ASSETS AND LIABILITIES

	At 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	1,739,949	1,071,816	2,418,080	2,496,189	**2,292,224**
TOTAL LIABILITIES	(601,090)	(438,950)	(643,450)	(671,390)	**(995,186)**
	1,138,859	632,866	1,774,630	1,824,799	**1,297,038**
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	1,138,859	632,866	1,774,721	1,824,799	**1,296,838**
NON-CONTROLLING INTERESTS	–	–	(91)	–	**200**
	1,138,859	632,866	1,774,630	1,824,799	**1,297,038**

Note: The financial information for years ended 31 December 2013 and 2012 has been restated for the operation discontinued in 2014.