Yuxing InfoTech Investment Holdings Limited
裕 興 科 技 投 資 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)
Stock Code: 8005

Annual Report 2016

* for identification purposes only

Yuxing InfoTech Investment Holdings Limited

Annual Report 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

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Corporate Profile

Yuxing InfoTech Investment Holdings Limited and its subsidiaries (collectively the "Group") are currently mainly engaged in information home appliances ("IHA"), investing and leasing. The Company was incorporated in Bermuda as an exempted company on 6th October 1999 and was listed on GEM on 31st January 2000.

The Group is a conglomerate which combines commercial enterprise with investments. In terms of commercial business, the Group places the broadband internet digital audio and video products as leading products and focuses on exploring markets for the three businesses of IHA, digital electronic consumable products and original equipment manufacturer, while accommodating comprehensive capabilities, including software and hardware development, mass-scale production, marketing and customer service capabilities, etc. On a global stage, the Group is an outstanding solutions provider and customized product manufacturer in the field of broadband digital audio and video technological products. In terms of investment business, the Group follows the principle of value investment, and persists with the characteristics of sound investment and team work to achieve stable increase in asset value on the basis of retaining value through methods such as financial innovation.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Qiang *(Chairman)* (appointed as co-chairman and executive Director on 10th June 2016 and re-designated as chairman on 8th March 2017)
Mr. Shi Guangrong
Mr. Zhu Jiang
Mr. Gao Fei (appointed on 20th June 2016)
Mr. Zhu Weisha *(Chairman)* (retired on 8th March 2017)
Mr. Chen Furong *(Deputy Chairman)* (resigned on 20th May 2016)
Mr. Kevin Choo (appointed on 25th May 2016 and resigned on 20th December 2016)
Mr. Wang Anzhong (resigned on 20th June 2016)

Independent Non-Executive Directors

Ms. Shen Yan
Mr. Zhong Pengrong
Mr. Wu Jiajun

CHIEF EXECUTIVE OFFICER

Mr. Kevin Choo

COMPANY SECRETARY

Dr. Liu Wei, Solicitor

QUALIFIED ACCOUNTANT

Ms. Wu Wai Ting, Wendy
Member of Hong Kong Institute of Certified Public Accountants
Certified Practising Accountant of CPA Australia

COMPLIANCE OFFICER

Mr. Shi Guangrong

AUTHORISED REPRESENTATIVES

Mr. Shi Guangrong
Mr. Gao Fei

AUDIT COMMITTEE

Ms. Shen Yan *(Chairman)*
Mr. Zhong Pengrong
Mr. Wu Jiajun

REMUNERATION COMMITTEE

Ms. Shen Yan *(Chairman)*
Mr. Zhu Jiang
Mr. Zhong Pengrong
Mr. Wu Jiajun
Mr. Kevin Choo (appointed on 20th June 2016 and resigned on 20th December 2016)
Mr. Wang Anzhong (resigned on 20th June 2016)

NOMINATION COMMITTEE

Mr. Li Qiang *(Chairman)* (appointed on 8th March 2017)
Ms. Shen Yan
Mr. Zhong Pengrong
Mr. Wu Jiajun
Mr. Zhu Weisha *(Chairman)* (retired on 8th March 2017)
Mr. Chen Furong (resigned on 20th May 2016)
Mr. Kevin Choo (appointed on 20th June 2016 and resigned on 20th December 2016)

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Industrial Bank Co., Ltd.
Shanghai Commercial Bank Limited
UBS AG
Xiamen International Bank Co., Ltd.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

PLACES OF BUSINESS

Hong Kong
Units 2107-8, 21/F, Exchange Tower
33 Wang Chiu Road, Kowloon Bay
Kowloon

Suites 3808-9, 38/F, ICBC Tower
Three Garden Road
Central

The PRC
7th Floor, Block B, Tiancheng Technology Building
No. 2, Xinfeng Street, De Shen Men Wai, Xicheng District
Beijing

Yuxing Industrial Park
Yanjiang Road East
Torch Hi-Tech Industrial Development Zone
Zhongshan

SHARE REGISTRARS AND TRANSFER OFFICES

Principal
Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Branch
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong

STOCK CODE

8005

WEBSITE ADDRESS

www.yuxing.com.cn

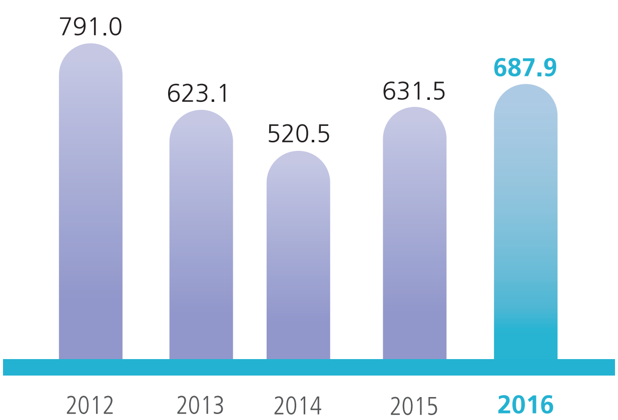
Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

	2016 HK$'000	2015 HK$'000
Revenue		
Revenue	**687,878**	631,522
Profitability		
Profit/(Loss) from operations	**62,986**	(155,641)
Profit/(Loss) attributable to owners of the Company	**54,016**	(188,155)
Net worth		
Total equity attributable to owners of the Company	**1,958,837**	2,122,719
	HK$	HK$
Per share		
Earnings/(Loss) per share – Basic	**0.03**	(0.10)
Net assets attributable to owners of the Company per share	**1.09**	1.18

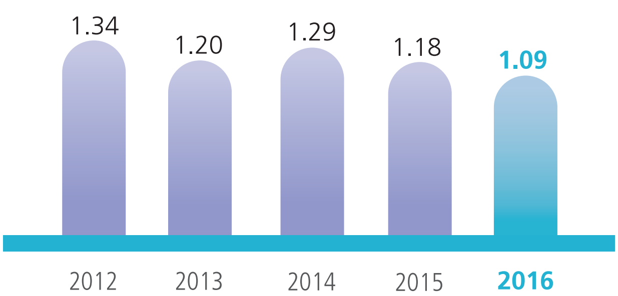
REVENUE

HK$ million



NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

HK$



FINANCIAL CALENDAR

Results for the year	Announcement on 21st March 2017
Annual report	Despatched to shareholders in late March 2017
Annual general meeting	29th May 2017

Chairman's Statement

It has been 16 years since the Company listed on the GEM Board of the Stock Exchange in 2000 and became the first private company to be listed on the GEM Board. The Group has been proactively carrying out its broadband internet digital products business for years not only as one of the leading enterprises in the industry in China, but also as one of the worldwide outstanding solutions providers in the field of broadband digital audio and video technological products. Though the competition in the broadband digital audio and video technological products industry is getting increasingly fierce, the Group never ceased to optimize its customer portfolio and enhance its marketing activities, resulting in a satisfying improvement in the Group's recent sales results.

I would like to express my sincere gratitude to the management and all employees of the Group for their contribution along the way, from the establishment and listing of the Company to what we achieve now, whose supports have driven the Group to thrive as a highly influential tech company with good reputation in China and even overseas. I feel deeply honored to be a part of this enterprise, to help turn a new page in the enterprise's future development.

I entered the Internet service field relatively early as a sort of pioneer in China with extensive experience, especially in the development of the Internet service industry in the establishment and operation of international data center and years of rich operational experience in cloud computing.

China has entered the Internet plus age, together with the development of the One Belt, One Road initiative. I am excited to work with the Group that possesses advanced technologies and international sales network and enjoys international credibility. With the Group's advantages, we will further expand the integrated service of international data center and cloud computing in both Greater China and overseas regions.

Looking ahead, the Group will leverage its abundant experience in the digital information field and seek broad cooperation in various aspects whether in domestic, Hong Kong or even overseas markets. We will strive to drive the Group to grow into an internationally recognized leading enterprise in China in this era of big data.

Meanwhile, I will adhere to the Group's commitment to the pursuit of sound corporate governance and the fulfillment of social responsibility and strive to enhance corporate transparency and investor relationships for the betterment of the shareholders, the management and all employees in the future.

Li Qiang
Chairman

Hong Kong, 21st March 2017

Group Financial Summary

CONSOLIDATED RESULTS

For the year ended 31st December

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	**687,878**	631,522	520,541	623,136	790,983
Profit/(Loss) before tax	**52,642**	(198,114)	52,742	2,339,240	(496,621)
Income tax credit/(expenses)	**1,337**	8,206	(22,050)	(174,276)	(3,543)
Profit/(Loss) for the year	**53,979**	(189,908)	30,692	2,164,964	(500,164)
Non-controlling interests	**37**	1,753	320	2,448	210
Profit/(Loss) attributable to owners of the Company	**54,016**	(188,155)	31,012	2,167,412	(499,954)

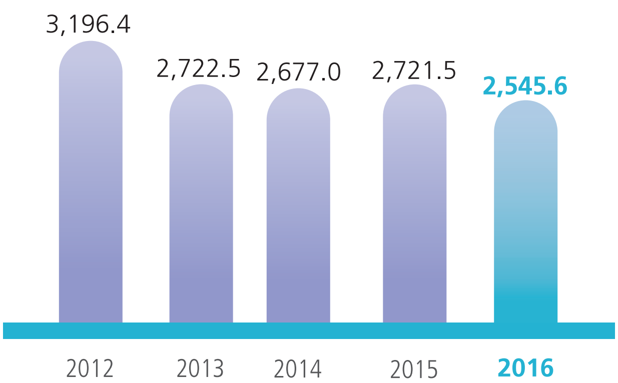
CONSOLIDATED ASSETS AND LIABILITIES

As at 31st December

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Total assets	**2,545,585**	2,721,454	2,677,017	2,722,508	3,196,402
Total liabilities	**(585,712)**	(597,662)	(350,323)	(566,443)	(838,445)
Non-controlling interests	**(1,036)**	(1,073)	(10,786)	(11,106)	(12,441)
Total equity attributable to owners of the Company	**1,958,837**	2,122,719	2,315,908	2,144,959	2,345,516

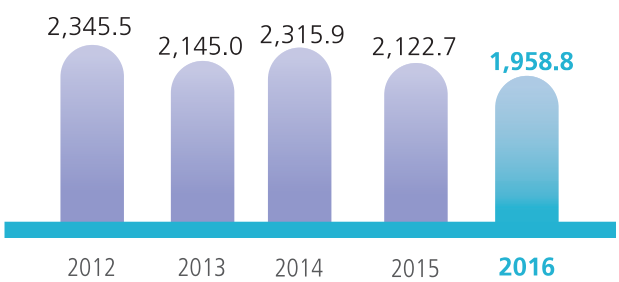
TOTAL ASSETS

HK$ million



TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK$ million



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and Gross Profit

During the year under review, the Group's overall revenue amounted to approximately HK$687.9 million for the year ended 31st December 2016 (the "Year"), representing an increase of 8.9% as compared with last year. Although the Group's revenue in the People's Republic of China (other than Hong Kong, Taiwan and Macau) (the "PRC") market for the Year significantly decreased by 48.4% to approximately HK$120.7 million as compared with last year, the Group's revenue in Hong Kong and overseas markets increased by 424.2% and 7.2% to approximately HK$176.9 million and HK$390.3 million respectively for the Year as compared with last year. However, due to the drop in the average gross profit margin of overseas markets and a significant decrease in the sales quantity of set-top boxes ("STB") in the PRC market as compared with last year, the overall gross profit of the Group in 2016 was decreased by 13.7% to approximately HK$91.3 million as compared with last year and the gross profit margin only reached 13.3% for the Year (2015: 16.8%).

Operating Results

Other Revenue and Net Income

The Group's other revenue and net income increased significantly by 11.4% to approximately HK$162.8 million for the Year (2015: approximately HK$146.1 million). This significant increase was mainly due to the recorded gains on disposal of totaling approximately 10.1 million A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An") under available-for-sale financial assets of approximately HK$157.9 million for the Year (2015: HK$Nil). This gains was the major contribution to the profit attributable to owners of the Company for the Year.

Change in Fair Value of Investment Properties

The Group recognised a net revaluation loss of approximately HK$465,000 on its investment properties for the Year (2015: a net revaluation gain of approximately HK$6,000).

Operating Expenses

With the increase of the Group's overall revenue, the Group's distribution and selling expenses for the Year increased by 17.1% to approximately HK$20.4 million as compared with last year. This was mainly due to the exploration of the overseas markets by the Group during the year under review. At the same time, the Group's general and administrative expenses significantly decreased to approximately HK$125.5 million for the Year (2015: approximately HK$319.3 million). This significant decrease in general and administrative expenses for the Year was mainly due to (1) the decrease in the non-cash expenses arising from the grant of share options and share awards by the Company to eligible participants totaling approximately HK$14.7 million (2015: approximately HK$137.4 million); and (2) there was no significant adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group for the Year (2015: approximately HK$67.3 million).

Other Operating Expenses

The Group's other operating expenses decreased significantly to approximately HK$44.7 million for the Year (2015: approximately HK$70.7 million) as the Group only recorded a net exchange loss resulting from depreciation in Renminbi ("RMB") against Hong Kong dollars ("HKD") of approximately HK$37.7 million for the Year (2015: approximately HK$60.3 million). However, due to the significant depreciation of the RMB against HKD during the fourth quarter of 2016, an exchange loss of approximately HK$23.1 million was recorded for the three months ended 31st December 2016, which negatively impacted the Group's 2016 annual results, as compared with the Group's results for the nine months ended 30th September 2016.

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Finance Costs

No convertible bond was issued and outstanding by the Company during the year, as a result, no imputed interest expenses was recorded for the Year (2015: approximately HK$31.3 million), which caused the finance costs of the Group to significantly decrease to approximately HK$10.3 million for the Year (2015: approximately HK$42.0 million).

Profit for the Year

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately HK$54.0 million for the Year (2015: a loss attributable to owners of the Company of approximately HK$188.2 million). This profit was mainly attributable to a gain on the disposal of available-for-sale financial assets of approximately HK$157.9 million for the Year (2015: HK$Nil).

Liquidity and Financial Resources

As at 31st December 2016, the Group had net current assets of approximately HK$881.4 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$603.5 million and HK$337.0 million respectively. The Group's financial resources were funded mainly by bank loans, term loans and its shareholders' funds. As at 31st December 2016, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 2.5 times and the gearing ratio, as measured by total liabilities divided by total equity, was 29.9%. Hence, as at 31st December 2016, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Charges on Group Assets

Details of charges on the Group assets are set out in note 31 to the consolidated financial statements.

Capital Structure

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company are set out in note 28 to the consolidated financial statements.

Significant Investments/Material Acquisitions and Disposals

Except for the investment in money market and private investment funds, equity and debt securities, the Group had no significant investment and no material acquisition or disposal during the year under review.

FINANCIAL REVIEW *(Continued)*

Segment Information

The Group's core business segment is IHA. The total revenue of the IHA segment for the Year increased by 9.1% to approximately HK$687.4 million as compared with last year. The Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on Over-the-Top TV ("OTT") service in the Hong Kong market in the first half of 2016. As a result, the overall revenue in the Hong Kong market increased significantly by 424.2% to HK$176.9 million for the Year as compared with last year. For the PRC market, due to the weakened procurement sentiment of the PRC customer in the second half of 2016 and keen market competition, this led to a remarkable decrease in the sales quantity of STB in the PRC as compared with last year. The revenue in the PRC market dropped by 48.2% to approximately HK$120.1 million as compared with last year. While for overseas markets, although there was an increase in purchase orders from a few overseas customers during the year under review, sales in Australian market for the Year only increased by 2.2% to approximately HK$362.1 million as compared with 2015. Due to the further market competition in Australian market, this led a significant decrease in the average selling price of STB to an Australian customer in 2016 and pulled down the overall profit margin of the Group during the year under review. Therefore, the overall revenue in the overseas market for the Year only increased by 7.2% to approximately HK$390.3 million as compared with last year. Consequently, the profit of the IHA segment for the Year decreased by 19.9% to approximately HK$32.0 million as compared with 2015 (2015: approximately HK$39.9 million).

The Group's investing segment is principally engaged in trading of securities and investing in financial instruments. This segment recorded a profit of approximately HK$88.9 million for the Year (2015: approximately HK$42.9 million). This significant increase was mainly due to the gains on disposal of totaling approximately 10.1 million A shares of Ping An under available-for-sale financial assets of approximately HK$157.9 million for the Year (2015: HK$Nil). This recorded gains on disposal was the major contribution to the profit of investing segment for the Year.

The leasing segment of the Group comprises leasing of properties. This segment recorded a profit of approximately HK$2.6 million for the Year (2015: approximately HK$2.7 million). The other operations segment of the Group mainly comprises trading, internet data processing and assets management. While for other operations segment, due to the lack of new breakthrough of trading business in recent years, and incurring certain exploration and development expenses in the new business of the Group during the year under review, the Group recorded a loss of approximately HK$12.2 million in this segment for the Year (2015: approximately HK$4.5 million).

Geographical markets of the Group were mainly located overseas during the year under review. Due to a significant decrease in the average selling price of the STB to an Australian customer, the overall revenue generated from the overseas markets for the Year increased by 7.2% to approximately HK$390.3 million as compared with last year. In the Hong Kong market, the Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on OTT service in the Hong Kong market in the first half of 2016. As a result, the overall revenue in the Hong Kong market increased significantly by 424.2% to HK$176.9 million for the Year as compared with last year. As to the PRC markets, the weakened procurement sentiment in the second half of 2016 and keen market competition had led to a remarkable decrease in the sales quantity of STB. The revenue in the PRC market significantly decreased by 48.4% to approximately HK$120.7 million as compared with last year. As such, the overall revenue of the Group only increased by 8.9% to approximately HK$687.9 million for the Year as compared with last year.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in RMB and in United States dollars ("USD"). The assets of the Group were mainly denominated in RMB and the remaining portions were denominated in HKD and in USD. The Group exposed to foreign exchange risk principally arises from change in exchange rate of USD and RMB against HKD. Due to the significant depreciation of the RMB against HKD and USD during the fourth quarter of 2016, an exchange loss of approximately HK$23.1 million was recorded for the three months ended 31st December 2016, which negatively impacted the Group's 2016 annual results. As at 31st December 2016, the Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will constantly monitor and manage its exposure to foreign exchange risk.

Human Resources and Relations with the Employees

As at 31st December 2016, the Group had over 580 (2015: over 690) full time employees, of which 28 (2015: 17) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK$114.3 million for the Year (2015: approximately HK$288.4 million). The decrease in the staff costs for the Year was mainly attributable to (1) the significant drop in the non-cash expenses of totaling approximately HK$13.7 million arising from the grant of share options and share awards by the Company to employees (2015: approximately HK$132.5 million); and (2) there was no significant adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group for the Year (2015: approximately HK$67.3 million). The employees of the Company's subsidiaries are employed and promoted based on their suitability for the position offered. The salary and benefit levels of the Group's employees are in line with the market rates. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits also include medical scheme, various insurance schemes, share option scheme and share award scheme.

BUSINESS REVIEW

After more than ten years of development and under the steady growth of the global Internet Protocol Television ("IPTV") market, the Group's IPTV STB business has entered into a period of market maturity. With the accumulation of technological expertise over the years and the Group's own intermediary software platform, the Group is able to meet the needs of different customers, finish the work of integrating with termination systems and customising end products. Products launched by the Group in the markets include standard definition STB, high digital STB, hybrid dual mode STB, OTT/IPTV STB, STB equipped with an Android system, etc. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. During the year under review, the Group's overall revenue amounted to approximately HK$687.9 million, representing an increase of 8.9% as compared with last year. Although the Group's revenue in the overall PRC market decreased by 48.4% to approximately HK$120.7 million for the Year as compared with last year, the Group's revenue in overseas and Hong Kong markets for the Year increased by 7.2% and 424.2% to approximately HK$390.3 million and HK$176.9 million respectively as compared with last year. Due to the drop in the average gross profit margin of overseas markets, the overall gross profit of the Group in 2016 decreased by 13.7% to approximately HK$91.3 million as compared with last year and the gross profit margin only reached 13.3% for the Year (2015: 16.8%).

BUSINESS REVIEW *(Continued)*

In the PRC market, the Group had successfully launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into areas including Hubei Province, Liaoning Province, Anhui Province, Gansu Province, Chongqing Municipalities, etc. However, due to the weakened procurement sentiment of the PRC customer in the second half of 2016 and further market competition, there is a remarkable decrease in the sales quantity of STB in the PRC as compared with last year. Therefore, the revenue of the Group's IHA business in the PRC for the Year decreased by 48.2% to approximately HK$120.1 million as compared with 2015.

In the overseas markets, the Group keeps on maintaining good cooperation relationships with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Russia, United States, Czechoslovakia, Vietnam, etc. At the same time, the Group was actively exploring new markets in Bulgaria, United Kingdom and Denmark. Although there was an increase in purchase orders from a few overseas customers during the year under review, and the Group started to supply the new generation of STB to the Australian customer in the second quarter of 2016, the weak order procurement sentiment of the Australian customer in the first half of 2016 and further market competition had led to a significant decrease in the average selling price of STB in Australia and lowered the overall profit margin of the Group during the year under review. Consequently, the sales in Australia for the Year only increased by 2.2% to approximately HK$362.1 million as compared with 2015, while overall revenue in overseas markets increased by 7.2% to approximately HK$390.3 million for the Year as compared with last year.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group still maintains a great cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. In addition, the Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on OTT service in the Hong Kong market. The first batch of OTT STB had been delivered to this new customer in the first quarter of 2016. As a result, the overall revenue in the Hong Kong market increased significantly by 424.2% to HK$176.9 million for the Year as compared with 2015.

As for investment business, the Group conducted some investments in the secondary market. Based on value investment, the Group selected the investment products in the secondary market by taking risk control and maintaining reasonable earning expectation as the investment strategy, maintenance and appreciation of asset value are the long-term investment commitments of the Group. Meanwhile, the Group also constantly reviews and manages its investment portfolios. As part of such review and management, the Group has disposed of a total of approximately 10.1 million A shares of Ping An on the market and acquired a total of 10.5 million H shares of Ping An on the market during the year under review ("Financial Management Actions"). Such Financial Management Actions was aimed to minimise the currency risk arising from the fluctuations of RMB. Through the disposal from Financial Management Actions, the Group has recognised accounting gains on the disposal of available-for-sale financial assets of approximately HK$157.9 million. Such accounting gain has a positive impact on the Group's financial results for the Year. For more details please refer to the announcements of the Company dated 28th June 2016 and 30th August 2016 in relation to the Financial Management Actions. Notwithstanding the Financial Management Actions, the Group still recorded net losses on financial assets at fair value through profit or loss of approximately HK$22.6 million for the Year (2015: net gains of approximately HK$96.4 million).

BUSINESS REVIEW *(Continued)*

Key Risks and Uncertainties

During the year under review, the Group endeavoured to improve the risk management system on different aspects of company strategies, business operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the IHA business, fierce market competition in the PRC and overseas markets, the possible economic slowdown in the PRC, RMB exchange rate fluctuation, the drop in the selling price of products and the increase of production cost and labour cost may bring uncertain impact on the Group's development of this business. For the investing business, the frequent changes of market policies and regulations in relation to the PRC stock market and the unclear global economic environment would be the two key risk factors. In future business operations, the Group will be highly aware of those risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

Environmental Policies and Performance

The Group is committed to building an environmental-friendly corporation and will always take the environmental protection issue into consideration during daily operation. The Group does not produce material waste nor emit material quantities of air pollution materials during its production and manufacturing process. The Group also strives to minimise environmental adverse impact by encouraging the employees to recycle office supplies and other materials and to save electricity.

Compliance with Laws and Regulations

The operations of the Group are mainly carried out by the Company's subsidiaries in the PRC and Hong Kong and the Company was listed on the Stock Exchange in 2000. As such, the Group's assets and operations shall comply with relevant laws and regulations both in the PRC and Hong Kong accordingly. During the year under review, the Group has complied with all the relevant laws and regulations applicable to it in all material respects in the PRC and Hong Kong. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations both in the PRC and Hong Kong, and adhere to it to ensure compliance.

BUSINESS PROSPECT

The global IPTV market has reached a mature stage, especially the overseas market which is in a growing status. The Group requires the continuous improvement of its products in order to maintain a strong competitive advantage. Being one of the earliest companies developing in broadband STB in the world, the Group, with efforts in this field for over ten years and based on its accumulation of technological expertise over the years and its own research and development ("R&D") capability, will continue to change the traditional model by working hard on exploring the linkage of Internet, television and telecom. Meanwhile, in order to acquire more sophisticated competitive advantages to improve innovation capabilities and to meet the different needs of customers, the Group will put a higher proportion of investment in R&D, continue upgrading its products and also actively develop new products to adopt to new market opportunities. The Group expects its STB business to achieve a better performance in the near future.

Management Discussion and Analysis

BUSINESS PROSPECT *(Continued)*

Regarding its investment business, the Group will focus on investing the IPTV related industries and the convergence of television, telecom and Internet fields. These fields contain emerging opportunities of huge convergence and great development. It is believed that the existing and the accumulated experiences of the IHA of the Group will help to efficiently complete the value evaluation, the resources integration and the value upgrade of the invested companies. Meanwhile, the Group will also focus on home living Internet field and security cloud field based on the development of the convergence of computer, communication and consumer electrics, intelligent Internet and security technology. Reference is made to the Company's announcement dated 6th June 2016, the Group also intends to take initiatives in developing businesses in relation to global Internet Data Center ("IDC") and cloud computing. To take advantage of its business network and industry creditability in the Greater China region as well as the international market, the Group aims to expand internationally by developing global cloud computing data centers for largescale corporations and global cloud computing total solutions for small and medium enterprises in the Greater China region. The Group will leverage the experience of our management team in operating global IDC and cloud computing and identify suitable cooperation partner in order to develop the business of the Group in the Greater China region and overseas. The board of the Company (the "Board") considers that the engagement in the internet-related businesses and big data processing business, which are among the sunrise sectors in China and other countries, will be beneficial to the Group, thereby creating values to the Company and the shareholders of the Company. The Group will continue to proactively identify the suitable development or investment opportunities to strengthen the business portfolio of the Group, integrate resources in the industry, and generate sustainable and steady financial performance in the long run.

On the other hand, the Group's secondary market investment strategy will be to continued, selecting lower risk investment products based on the value investment, and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitments of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Qiang, aged 48, graduated with a master's degree in business administration from Nanyang Technological University, Singapore in 2006. Mr. Li has been the president of Beijing Daily Technologies Co., Ltd.* (北京德利迅達科技有限公司) since March 2011. He had been the deputy chairman and the chief executive officer of Trunkbow Asia Pacific (Shandong) Co., Ltd. and a director of Trunkbow International Holdings Ltd., the shares of which were delisted from The NASDAQ (National Association of Securities Dealers Automated Quotation) Stock Market in 2014. Mr. Li is the sole shareholder and the sole director of Capital Melody Limited, which indirectly holds 32.09% equity interest in Cloudrider Limited, a substantial shareholder of the Company. Mr. Li was appointed to the Board as an executive Director and the co-chairman on 10th June 2016 and re-designated as the chairman on 8th March 2017.

Mr. Shi Guangrong, aged 56, graduated with a bachelor's degree in engineering from Department of Industrial Automation of Beijing University of Technology. Mr. Shi has been with the Group since 1996, responsible primarily for marketing and investment management functions of the Group. Mr. Shi is currently the compliance officer of the Group and the executive president of the listing platform of the Group, possessing over 10 years of regulatory and compliance experience. He is also a director of certain subsidiaries of the Company. He is currently a non-executive director of Global Energy Resources International Group Limited, a company listed on the GEM of the Stock Exchange. Mr. Shi was appointed to the Board as an executive Director on 7th October 1999.

Mr. Zhu Jiang, aged 59, graduated from Beijing University of Technology majoring in mechatronic engineering. Mr. Zhu has over 20 years of research experience in computer engineering, extensive experience in digital-to-analog circuits and high-level assembly languages programming and over 10 years of management experience. Mr. Zhu is currently the executive president of the risk control department of the Company. He is also a director and the legal representative of certain subsidiaries of the Company. Mr. Zhu was appointed to the Board as an executive Director on 24th July 2013.

Mr. Gao Fei, aged 37, graduated with a master's degree in business administration from The Hong Kong University of Science and Technology in June 2012. He has been the general manager of Shanghai Sino Crown Investment LLP since May 2014. Mr. Gao Fei had been a director of Lontrue Co., Ltd* (朗源股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange, stock code: 300175). Mr. Gao was appointed to the Board as an executive Director on 20th June 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Shen Yan, aged 53, holds a bachelor's degree in accounting and has over 21 years of accounting experience and 18 years of auditing experience. Ms. Shen worked with Beijing Zhonggongxin Certified Public Accountants* (北京中公信會計師事務所), where she presided over audit works for local and international renowned enterprises in manufacturing, professional affairs and services and has accumulated solid experience in corporate finance management and auditing. Ms. Shen has successively held key positions in numerous corporations in the PRC and possesses good expertise in financial accounting, budgetary control and financial management. She also took part in the researches, editing and publication of books on financial management subjects. Ms. Shen also had been a teacher of accounting at Beijing University of Technology. Currently, Ms. Shen is the financial controller of a PRC firm. Ms. Shen was appointed to the Board as an independent non-executive Director on 12th January 2005.

Biographical Details of Directors and Senior Management

Mr. Zhong Pengrong, aged 63, is a senior economist. He has long worked as a chief researcher with the central government of the PRC and currently holds professorships in several reputable universities and is an adviser to over 20 enterprises and local governments in the PRC. Mr. Zhong is currently the chairman and researcher of Beijing Vision Consultancy Centre* (北京視野諮詢中心), where he has formulated various development strategies for enterprises of different industries and local governments. He has in-depth understanding on the macro-economic environment and government administrative management in the PRC. Mr. Zhong was appointed to the Board as an independent non-executive Director on 25th October 1999.

Mr. Wu Jiajun, aged 84, is an honorary academy member and researcher of China Social Science Academy and a doctoral tutor. He is also an honorary president of the China Industrial Economic Association. Mr. Wu was the deputy director-general of Chinese Academy of Social Sciences' Institute of Industrial Economics from 1980 to 1993 and took various positions as the vice president of the Young Entrepreneurs Association of China. He has extensive experience in conducting researches on the PRC's economy and industrial and corporate management. Mr. Wu is also a renowned scholar in Japan's corporate and industrial management and has published numerous articles and books on corporate management and economic reforms. Mr. Wu was appointed to the Board as an independent non-executive Director on 25th October 1999.

COMPANY SECRETARY

Dr. Liu Wei, aged 59, has PRC lawyer qualification and is a solicitor qualified to practice law in Hong Kong and in England. He graduated from the Northwest University of China, the Chinese University of Political Science and Law, the University of Cambridge and the University of Hong Kong, with a bachelor's degree in Chinese literature, a master's degree in law, a PhD in Law respectively. He also completed his Common Professional Examination (CPE) with Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Dr. Liu has extensive exposure in corporate finance and corporate governance of listed companies and is a partner of DLA Piper. Dr. Liu was appointed as the company secretary of the Company on 3rd July 2007.

SENIOR MANAGEMENT

Mr. Kevin Choo, aged 48, is the chief executive officer of the Company ("CEO"). He was the executive Director from 25th May 2016 to 19th December 2016. Mr. Choo graduated with a master's degree in business administration from Stanford Graduate School of Business in the United States of America (the "USA") and a clinical medicine degree from Sun Yat-Sen University in the PRC. He has over 20 years of experiences in management, merger and acquisitions, and investment in the USA, Europe, Asia and Latin America and in many industries including new energy heat exchanger, testing and certification, telephony systems and strategic consultancy, etc. Prior to joining the Group, he was a chief executive officer of a Sino-American joint venture company in the new energy heat exchanger area and worked for a leading company in testing and certification industry for many years. As a dedicated member of American Chamber of Commerce ("ACC") in Shanghai and Hong Kong, Mr. Choo is also a guest speaker of ACC and Fudan University in Shanghai. Mr. Choo joined the Group in November 2014.

Ms. Wu Wai Ting, **Wendy,** aged 44, is the chief financial officer of the Group. She graduated with a bachelor's degree in business (international trade) and a master's degree in practising accounting from Monash University in Australia. Ms. Wu is a certified practising accountant of CPA Australia and a member of Hong Kong Institute of Certified Public Accountants. She has 19 years of experience in accounting and finance. Ms. Wu joined the Group in March 2000.

Directors' Report

The Directors have pleasure in submitting to all shareholders of the Company (the "Shareholders"), their report together with the audited consolidated financial statements of the Group for the year ended 31st December 2016.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 37 to the consolidated financial statements.

An analysis of the Group's performance for the Year by business and geographical segments is set out in note 8 to the consolidated financial statements.

SHARE CAPITAL

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December 2016 are set out in the consolidated income statement on page 44.

The Board does not recommend the payment of any dividend for the year ended 31st December 2016.

CLOSURE OF REGISTER OF MEMBERS

The 2017 annual general meeting of the Company (the "AGM") is scheduled to be held on Monday, 29th May 2017. For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Wednesday, 24th May 2017 to Monday, 29th May 2017 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at 2017 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23rd May, 2017.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 47 and notes 29 and 30(a) to the consolidated financial statements respectively.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the investment properties and property, plant and equipment of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") and there is no restriction against such rights under the laws of Bermuda.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6.

BUSINESS REVIEW

Details of the Group's business review and business prospect during the year are set out in the "Management Discussion and Analysis" section in this annual report.

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

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

SHARE OPTIONS

Details of the Company's share option scheme adopted by the Shareholders on 14th January 2015 (the "Share Option Scheme") and the movement in the Company's share options held by the Directors during the year ended 31st December 2016 are set out in note 33 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

A brief biographical details of Directors and senior management are set out on pages 14 and 15.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transaction which is subject to the reporting requirements under Chapter 20 of the GEM Listing Rules.

The Company entered into a service agreement with Mr. Kevin Choo as the Vice-President of Global Operations of the Group for a fixed term of two years commencing from 1st April 2015 and ending at 31st March 2017 (the "First Term") on 4th November 2015. On 30th December 2016, the Company entered into a service agreement with Mr. Choo for a fixed term of two years commencing from 1st April 2017 and ending at 31st March 2019 (the "Second Term"). As Mr. Choo was appointed as the CEO on 18th November 2015, he is considered as a chief executive under rule 1.01 of the GEM Listing Rules and a connected person of the Company under rule 20.07(1) of the GEM Listing Rules. The transaction conducted under the service agreements entered into on 4th November 2015 and 30th December 2016, is continuing connected transaction as defined in rule 20.58 of the GEM Listing Rules ("Continuing Connected Transaction").

Under the service agreements entered into on 4th November 2015 and 30th December 2016, Mr. Choo is entitled to a remuneration package in an annual amount of approximately HK$6.2 million and HK$6.3 million (including other allowances) respectively ("Remuneration Package") plus, at the absolute discretion of the Company and subject always to compliance with the requirements of the GEM Listing Rules, a management discretionary bonus, which shall be determined with reference to his duties, responsibilities and experience, and to prevailing market conditions. He is entitled to the medical benefits and participate in accident insurance scheme, statutory retirement scheme and a pension fund scheme which were funded by the Company. The Company may, at its sole discretion and determination of the Board and recommendation of the remuneration committee of the Company, grant options to Mr. Choo to subscribe for shares in the Company in accordance with the Share Option Schemes adopted by the Company from time to time. Upon the expiration of the First Term/Second Term of the service agreements entered into on 4th November 2015 and 30th December 2016, Mr. Choo shall be entitled to have a package bonus of HK$4.6 million ("Package Bonus") and a relocation allowance of up to HK$0.1 million ("Relocation Allowance") respectively.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The service agreements entered into on 4th November 2015 and 30th December 2016, may be terminated by either party thereto giving to the other party two months prior notice in writing and provided that if the service agreements entered into on 4th November 2015 and 30th December 2016, are terminated by the Company before the end of the First Term/Second Term of the service agreements, Mr. Choo shall be entitled to the remaining unpaid portion of the Remuneration Package, the Package Bonus and the Relocation Allowance. The maximum amount which may be payable to Mr. Choo if the Company terminates in the first and second year of the First Term of the service agreement entered into on 4th November 2015 is therefore approximately HK$13.4 million and HK$10.9 million respectively. The maximum amount which may be payable to Mr. Choo if the Company terminates in the first and second year of the Second Term of the service agreement entered into on 30th December 2016 is therefore approximately HK$17.2 million and HK$11.0 million respectively.

The independent non-executive Directors have reviewed the Continuing Connected Transaction conducted for the year ended 31st December 2016 and confirmed that the Continuing Connected Transaction was carried out in the ordinary and usual course of business of the Group, was on normal commercial terms and was in accordance with the service agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transaction entered into by the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 740 *"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules"* issued by the Hong Kong Institute of Certified Public Accountants. Based on the results of the work performed, the auditor has issued a letter containing an unmodified conclusions in respect of the Continuing Connected Transactions in accordance with Chapter 20 of the GEM Listing Rules in confirming that:

(a) Nothing has come to their attention that causes them to believe that the Continuing Connected Transaction has not been approved by the Board;

(b) Nothing has come to their attention that causes them to believe that the Continuing Connected Transaction was not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and

(c) Nothing has come to their attention that causes them to believe that the aggregate amount of the Continuing Connected Transaction has exceeded the annual cap disclosed in the announcement dated 18th November 2015 in respect of the Continuing Connected Transaction.

The Company confirmed that the disclosure requirements for the Continuing Connected Transactions have been complied with in accordance with Chapter 20 of the GEM Listing Rules.

Directors' Report

DIRECTORS

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

Executive Directors:

Mr. Li Qiang *(Chairman)* (appointed as co-chairman and executive Director on 10th June 2016 and re-designated as chairman on 8th March 2017)
Mr. Shi Guangrong
Mr. Zhu Jiang
Mr. Gao Fei (appointed on 20th June 2016)
Mr. Zhu Weisha *(Chairman)* (retired on 8th March 2017)
Mr. Chen Furong *(Deputy Chairman)* (resigned on 20th May 2016)
Mr. Kevin Choo (appointed on 25th May 2016 and resigned on 20th December 2016)
Mr. Wang Anzhong (resigned on 20th June 2016)

Independent Non-Executive Directors:

Ms. Shen Yan
Mr. Zhong Pengrong
Mr. Wu Jiajun

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years which are automatically renewed for successive terms of one year each upon expiry of the then current term and shall be terminated by either party giving to the other not less than six months' notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the Directors' service contracts as disclosed in this annual report and the granting of share options to the Directors, details of which is set out in note 33 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and chief executive's emoluments and the five highest paid individuals of the Group during the year are set out in notes 11 and 12 to the consolidated financial statements respectively.

SHARE AWARD SCHEME

Pursuant to a resolution of the Board meeting dated 6th October 2014 (the "Adoption Date"), the Board approved the adoption of the share award scheme ("Share Award Scheme") under which shares of the Company may be awarded to selected employees (excluding any director and any chief executive) (the "Selected Employees") in accordance with its provisions. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain employees to the business growth and development of the Group through an award of Shares. The Share Award Scheme will remain in force for a period of 3 years commencing on the Adoption Date. The total number of shares which may be granted to the Selected Employees under the Share Award Scheme shall not exceed 3% of the total issued share capital of the Company from time to time.

During the year ended 31st December 2016, there was no movement in the number of shares held under the Share Award Scheme.

Further details in relation to the Share Award Scheme are set out in note 34 to the consolidated financial statements.

EMOLUMENT POLICY

The Directors are paid fees in line with market practice. The Group adopted the following main principles in determining the remuneration of the Directors and other employees:

- No individual should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources; and
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and enhancing the value of the Company to its Shareholders.

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

As at 31st December 2016, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Mr. Zhu Weisha	Corporate *(Note)*	116,365,800	Interest of a controlled corporation	6.45%
	Personal	3,774,000	Beneficial owner	0.21%
Mr. Shi Guangrong	Personal	22,660,000	Beneficial owner	1.26%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%
Mr. Zhong Pengrong	Personal	144,000	Beneficial owner	0.01%
Mr. Wu Jiajun	Personal	600,000	Beneficial owner	0.03%

Note:

Mr. Zhu Weisha holds these shares through Super Dragon Co., Ltd. ("Super Dragon"), a company in which Mr. Zhu holds the entire issued share capital and of which he is the sole director.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(2) Long positions in the underlying shares of the Company

Pursuant to the Share Option Scheme adopted by the Shareholders on 14th January 2015, the Directors and chief executive of the Company in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for the shares of the Company, details of which as at 31st December 2016 were as follows:

				Number of shares issuable under the share options				
Category	**Date of grant**	**Exercise price per share** *HK$*	**Exercisable period**	**Outstanding as at 1st January 2016**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31st December 2016**
Directors								
Mr. Zhu Weisha	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,792,116	–	–	–	**1,792,116**
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 - 15th January 2020	6,500,000	–	–	–	**6,500,000**
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 - 15th January 2020	7,000,000	–	–	–	**7,000,000**
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	–	–	–	**1,000,000**
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	–	–	–	**1,000,000**
Mr. Wu Jiajun	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	–	–	–	**1,000,000**
Chief Executive Officer								
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 - 15th January 2020	8,000,000	–	–	–	**8,000,000**
				26,292,116	–	–	–	**26,292,116**

Further details regarding the Share Option Scheme are set out in note 33 to the consolidated financial statement.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31st December 2016, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

Apart from the Share Option Scheme and Share Award Scheme disclosed above, at no time during the year was any of the Company or its subsidiaries a party to any arrangement which enables the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2016, the following persons (other than Directors or chief executive of the Company) have interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Cloudrider Limited ("Cloudrider") *(Note 1)*	Corporate	450,357,200	Beneficial owner	24.98%
Lontrue Co., Ltd* (朗源股份有限公司) ("Lontrue") *(Note 1)*	Corporate	450,357,200	Interest of a controlled corporation	24.98%
Honbridge Holdings Limited (Stock code: 8137) ("Honbridge") *(Note 2)*	Corporate	450,357,200	Person having a security interest in shares	24.98%
Hong Bridge Capital Limited ("Hong Bridge") *(Note 2)*	Corporate	450,357,200	Interest of a controlled corporation	24.98%
Mr. He Xuechu *(Note 2)*	Personal	450,357,200	Interest of a controlled corporation	24.98%
Ms. Foo Yatyan *(Note 2)*	Personal	450,357,200	Interest of a controlled corporation	24.98%
Super Dragon *(Note 3)*	Corporate	116,365,800	Beneficial owner	6.45%

Notes:

1. Reference is made to the announcements of the Company dated 11th April 2016, 12th April 2016 and 16th May 2016 in relation to a proposed disposal of shares in the Company by Super Dragon. Super Dragon has on 10th April 2016 entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Cloudrider, in relation to a proposed sale by Super Dragon and proposed acquisition by the Cloudrider of 450,357,200 ordinary shares of the Company ("Sale Shares") (representing 25% of the issued ordinary shares of the Company as at 31st March 2016) at HK$2.40 per share. On 16th May 2016, the transfer of the Sale Shares was completed as contemplated under the Sale and Purchase Agreement. According to the disclosure forms filed by Cloudrider and Lontrue on 19th May 2016, Lontrue holds 35.65% of the equity interest of Cloudrider and is deemed to be interested in 450,357,200 shares of the Company. Mr. Li Qiang, the executive Director and co-chairman of the Board of the Company, is the sole shareholder and director of Capital Melody Limited, holding 32.09% of the equity interest of Cloudrider as at 31st December 2016.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Long positions in the shares of the Company *(Continued)*

Notes: (Continued)

2. Reference is made to the announcement of Honbridge dated 11th April 2016 and a circular dated 24th May 2016 in relation to a loan agreement dated 11th April 2016 between Honbridge and Cloudrider. A loan in the principal amount of HK$540,000,000 granted by Honbridge to Cloudrider pursuant to a loan agreement at the rate of 3% per annum, which may be drawn down in two tranches (the "Loan"). The maturity date was 12 months after the drawdown of the Tranche A Loan, subject to an option to extend by Cloudrider to the date falling 24 months after the drawdown. The Loan is secured by (i) share charges provided by Bronze Pony Investments Limited and Capital Melody Limited having granted security over all of their shareholdings in Cloudrider; and (ii) a debenture consisting of a fixed and floating charge over all of the assets of Cloudrider in favour of Honbridge, or such other security as required by Honbridge to its satisfaction. According to the disclosure forms filed by Honbridge, Hong Bridge, Mr. He Xuechu and Ms. Foo Yatyan on 23rd September 2016, Hong Bridge holds more than one-third of the issued share capital of Honbridge and Mr. He Xuechu holds more than one-third of the issued share capital of Hong Bridge which in turn holds more than one-third of the issued share capital of Honbridge. As such, Mr. He Xuechu and Hong Bridge are deemed interested in 450,357,200 shares of the Company in which Honbridge has an interest. Ms. Foo Yatyan is deemed to be interested in 450,357,200 shares of the Company because the interests are related to the interests of children under 18 and/or spouse.

3. Mr. Zhu Weisha holds these shares through Super Dragon, a company in which Mr. Zhu holds the entire issued share capital and of which he is the sole director.

Save as disclosed above, as at 31st December 2016, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties in their offices.

Such permitted indemnity provision has been in force throughout the year and is still in force. In addition, the Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The Group has developed close and long-term cooperation relationships with major suppliers and customers. During the year, stable and good relationships between the Group and its major suppliers and customers have been maintained. The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases

–	the largest supplier	15.3%
–	five largest suppliers combined	44.3%

Sales

–	the largest customer	52.6%
–	five largest customers combined	95.3%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers and major customers noted above.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year, which constitute exempted connected transactions or continuing connected transactions under the GEM Listing Rules, are set out in note 36 to the consolidated financial statements.

COMPETING INTERESTS

None of the Directors or the controlling Shareholders and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group during the year.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float required under the GEM Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

AUDITOR

The consolidated financial statements of the Company for the year ended 31st December 2016 were audited by Mazars CPA Limited, Certified Public Accountants.

A resolution for the re-appointment of Mazars CPA Limited as the auditor of the Company will be proposed at the forthcoming AGM of the Company.

On behalf of the Board
Yuxing InfoTech Investment Holdings Limited
Li Qiang
Chairman

Hong Kong, 21st March 2017

Corporate Governance Report

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising Shareholders' interests.

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 of the GEM Listing Rules during the year under review, except for the following deviation:

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board should attend the AGM and invite the chairman of the audit, remuneration and nomination committees to attend and be available to answer questions at the AGM. Mr. Shi Guangrong, an executive Director, has been performing the above duties in lieu of Mr. Zhu Weisha, the chairman of the Board, who had other pre-arranged business commitments on the day of the AGM.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, each Director confirmed that he/she has complied with the required standard set out in the Required Standard of Dealings during the year.

BOARD OF DIRECTORS

Board composition

The Board is responsible for managing the Company on behalf of the Shareholders. The Board is of the view that it is the Directors' responsibility to create value for the Shareholders and safeguard the best interests of the Company and the Shareholders as a whole by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;
- being held accountable for the internal control system of the Group and responsible for reviewing its effectiveness;
- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Group in a balanced, clear and comprehensible manner. These responsibilities are applicable to quarterly, interim and annual reports of the Company, other price sensitive announcements published according to the GEM Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;
- executive Directors, who oversee the overall business of the Group, are responsible for the daily operations of the Group, the Board is responsible for affairs involving the overall policies, finance and Shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy. Implementation and execution of such decisions is delegated to the management; and
- regularly reviewing its own functions and the powers conferred upon executive Directors to ensure appropriate arrangements are in place.

BOARD OF DIRECTORS *(Continued)*

Board composition *(Continued)*

The management is well informed of its powers and duties with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company.

The Board currently comprises seven Directors, with four executive Directors, namely, Mr. Li Qiang (Chairman), Mr. Shi Guangrong, Mr. Zhu Jiang and Mr. Gao Fei; and three independent non-executive Directors, namely, Ms. Shen Yan, Mr. Zhong Pengrong and Mr. Wu Jiajun. The biographies of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties in relation to the significant issues of overall business planning, management and strategic development of the Group.

To the knowledge of the Directors, the Board members have material no financial, business, family or other relevant relationships with each other.

Independent Non-Executive Directors

During the year ended 31st December 2016, the Board at all times complied with the requirement of the GEM Listing Rules of having at least three independent non-executive Directors sit on the Board (more than one third of the Board members) and at least one of them having appropriate professional accounting or related financial management expertise. All the independent non-executive Directors are appointed for a two-year term, and subject to rotation and re-election pursuant to the Bye-laws. Details of their appointment are referred to the section "Directors' Service Contracts and Appointment Letters" on page 19. Each of the independent non-executive Director has made an annual confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules and the Company considers these Directors to be independent.

Board practice and conduct of meetings

The full Board meets at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person.

The attendance records of each Director and each member of the Board Committees in 2016 are as follows:

	Number of meetings attended/eligible to attend				
Executive Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meetings**
Mr. Li Qiang (appointed on 10th June 2016)	2/2	N/A	N/A	0/0	0/0
Mr. Shi Guangrong	4/4	N/A	N/A	N/A	2/2
Mr. Zhu Jiang	4/4	N/A	1/1	N/A	2/2
Mr. Gao Fei (appointed on 20th June 2016)	2/2	N/A	N/A	N/A	0/0
Mr. Zhu Weisha (retired on 8th March 2017)	4/4	N/A	N/A	1/1	1/2
Mr. Chen Furong (resigned on 20th May 2016)	2/2	N/A	N/A	0/0	0/0
Mr. Kevin Choo (appointed on 25th May 2016 and resigned on 20th December 2016)	2/2	N/A	1/1	1/1	2/2
Mr. Wang Anzhong (resigned on 20th June 2016)	2/2	N/A	1/1	N/A	0/1
Independent Non-Executive Directors					
Ms. Shen Yan	4/4	4/4	1/1	1/1	2/2
Mr. Zhong Pengrong	2/4	4/4	1/1	1/1	2/2
Mr. Wu Jiajun	4/4	4/4	1/1	1/1	2/2

Information of material issues, due notice of meetings and minutes of every meeting have been sent to all Directors for their information, comment and review.

BOARD OF DIRECTORS *(Continued)*

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years which are automatically renewed for successive terms of one year each upon expiry of the then current term and shall be terminated by either party giving to the other not less than six months' notice in writing.

Each of the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of two years.

The Company has established formal, considered and transparent procedures for the appointment of new Directors. The procedures and process of appointment, re-election and removal of Directors are laid down in the Bye-laws. Pursuant to Article 87 of the Bye-laws, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Pursuant to Article 86(2) of the Bye-laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorization by the Shareholders in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed by the Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

In compliance with the code provision A.4.3 of the CG Code, the further appointment of independent non-executive Directors who has served more than 9 years should be subject to a separate resolution to be approved by Shareholders and the papers to Shareholders accompanying that resolution should include the reasons why the Board believes the relevant Director is still independent and should be re-elected.

Directors' Training

Each newly appointed Director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operation of the Group and that he/she is aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

During the year, all existing Directors were provided with updates on the latest developments and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time to develop and refresh the Directors' duties and responsibilities. Continuing briefings to Directors are arranged whenever necessary.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31st December 2016, the positions of chairman and chief executive officer of the Company are held by different persons. Mr. Zhu Weisha acted as chairman and Mr. Kevin Choo acted as chief executive officer of the Company.

BOARD COMMITTEES

The Board has established, with written terms of reference, three board committees, namely audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), to oversee particular aspects of the Company's affairs. The board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for each board committee are in compliance with the GEM Listing Rules and they are posted on the respective websites of the Stock Exchange and the Company.

Nomination Committee

The Board has established the Nomination Committee. It currently comprises one executive Director and three independent non-executive Directors, namely, Mr. Li Qiang (Chairman), Ms. Shen Yan, Mr. Zhong Pengrong and Mr. Wu Jiajun. The primary functions of the Nomination Committee include reviewing the Board's structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive Directors.

During the year ended 31st December 2016, the Nomination Committee held one meetings to review and make recommendation to the Board on the appointment of new directors and other related matters in accordance with the Nomination Committee's written terms of reference.

Remuneration Committee

The Board has established the Remuneration Committee. It currently comprises one executive Director and three independent non-executive Directors, namely, Mr. Zhu Jiang, Ms. Shen Yan (Chairman), Mr. Zhong Pengrong and Mr. Wu Jiajun. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing a formal and transparent procedure for developing remuneration policy and to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31st December 2016, the Remuneration Committee held one meetings to review and make recommendation to the Board on the remuneration packages of new directors and other related matters in accordance with the Remuneration Committee's written terms of reference.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the member(s) of the senior management by band for the Year is set out below:

Remuneration band	Number of individuals
HK$1,500,001 to HK$2,000,000	1

Further particulars regarding Directors' and chief executive's emoluments are set out in note 11 to the consolidated financial statements.

BOARD COMMITTEES *(Continued)*

Audit Committee

The Board has established the Audit Committee. It currently comprises three independent non-executive Directors, namely, Ms. Shen Yan (Chairman), Mr. Zhong Pengrong and Mr. Wu Jiajun.

The primary functions of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the financial reporting system, risk management, internal control systems and relationship with external auditor, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant laws, regulations and rules are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

During the year, the Audit Committee held four meetings for the purposes of reviewing the quarterly, interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the other matters in accordance with the Audit Committee's written terms of reference. The Group's audited annual results for the Year have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

The remuneration in respect of audit services provided by the auditor, Mazars CPA Limited, to the Group in the year 2016 amounted to HK$1,320,000. Non-audit services (including review of interim report and financial information) provided by Mazars CPA Limited to the Group in the year 2016 amounted to HK$72,000.

COMPANY SECRETARY

The company secretary of the Company is Dr. Liu Wei. He has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge in 2016.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the Year, which give a true and fair view of the financial position of the Group on a going concern basis. Statements of Directors' responsibilities for preparing the consolidated financial statements and external auditor's reporting responsibilities are set out in the "Independent Auditor's Report".

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control.

During the year ended 31st December 2016, the Directors reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions, to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of the Company and the Shareholders as a whole.

SHAREHOLDERS' RIGHTS

The annual report, interim report and quarterly reports offer comprehensive information to the Shareholders on operational and financial performance whereas AGM provide a forum for the Shareholders to exchange views directly with the Board. The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board.

According to the Bye-laws, 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 meeting of the Company 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. The requisition must be lodged with the registered office of the Company.

As regards to proposing a person for election as a director, please refer to the procedures as set out in the Bye-laws on the website of the Company at www.yuxing.com.cn and the Stock Exchange.

Shareholders may send written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong and for the attention of the Company Secretary.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency, and to ensure there is no selective disclosure of inside information.

CONSTITUTIONAL DOCUMENTS

Pursuant to rule 17.102 of the GEM Listing Rules, the Company has published its Bye-laws on the respective websites of the Stock Exchange and the Company. During the year, no amendments were made to the constitutional documents of the Company.

Environmental, Social and Governance Report

The Board is pleased to submit the Group's environmental, social and governance report for the year ended 31st December 2016. The contents of the report are in compliance with the relevant Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the GEM Listing Rules.

1. SCOPE

The reporting period for this environmental, social and governance report is from 1st January 2016 to 31st December 2016, which covers the operations of the Group's Beijing office ("Beijing Office") and Zhongshan factory ("Zhongshan Factory"), as well as R&D, manufacturing and sales of the IPTV STB. The contents of this report are prepared in accordance with the guidelines of the Stock Exchange's Environmental, Social and Governance Report, and the publication frequency is once a year.

2. COMMUNICATION WITH STAKEHOLDERS

The Company's AGM provides an effective platform for the Board and Shareholders to exchange views. In addition to the AGM, in order to maintain a close relationship with customers, suppliers and other stakeholders, the Company maintains communication with the stakeholders from time to time through visits, conference calls, mails, emails, follow-ups by customer service specialists, and other channels in order to listen to their views and needs. The Company's overall performance is also reported to investors through the annual report, the interim report and the quarterly reports of the Company.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

3.1 Environmental

3.1.1 Emissions

Reduce Greenhouse Gas Emissions

Business Travel Reduction Policy

The Group understands long-distance transportation in business trips increases energy consumption, which can cause the increase of carbon emissions. Therefore, the Group reduces travel or avoids meetings that require long-distance travel as much as possible through telephone conference, email, courier and other means of communication. If a business trip is necessary, the responsible person in each department needs to strictly control applications of business trips to minimise long-distance travel.

Support Procurement from Local Suppliers

The Group's Zhongshan Factory gives preference to local suppliers to reduce transportation time and distance if these suppliers have the same commercial conditions (such as cost, quality, Restriction of Hazardous Substances ("RoHS"), technology and services, environmental protection, etc.) as others.

Other Emissions

Waste Reduction Policy

In terms of waste reduction, the Zhongshan Factory reduces hazardous waste by the control of sources, optimisation of technology, reduction of used amounts, and other measures. For non-hazardous waste, the Group controls it through internal management, promotion, labelling, classification, recycling, and other measures.

Operation Waste Reduction Policy

In order to reduce the waste generated during operation, the Zhongshan Factory uses reusable containers to transport materials in the production process, minimises the use of paper, and encourages employees to use both sides of the paper. On the Beijing side, important documents are generally scanned and sent through e-mails in order to reduce the amount of paper used for printing and thus reducing waste.

Packing Material Waste Reduction Policy

The Group requires minimal use of packaging materials. For example, the Zhongshan Factory requires minimal use of packaging materials in the graphic and packaging design processes in order to reduce the generation of waste. The design process of these materials also requires that preference is given to environmentally friendly materials in order to reduce the consumption of energy and resources.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(Continued)*

3.1 Environmental *(Continued)*

3.1.1 Emissions (Continued)

Other Emissions (Continued)

Solid Waste Recycling Policy

Solid waste needs to be recycled. The Zhongshan Factory has implemented measures to reduce harmless waste in its waste management. Through internal management, campaigns, training, labelling, classification, recycling and other measures, it strengthens employees' awareness on waste classification and recycling, and motivates them to practice recycling and re-use.

Hazardous Waste Reduction Policy

In addition to the control of harmless waste, the Group is also committed to taking measures to reduce the use of hazardous waste. The Zhongshan Factory reduces hazardous waste by the control of sources, optimisation of technology, reduction of used amounts and other measures, including:

1. Machine wiping solution is replaced by alcohol in part of the cleaning process in order to reduce the use of hazardous substances.
2. No-clean flux and tin wire are used for the wave soldering process in order to reduce the generation of hazardous waste.

Air Pollution Emissions Policy

The Group has always been emphasising the control of equipment emissions in the production process. In the Zhongshan Factory, if there is a chance for any of the motor vehicles in its departments to emanate toxic and harmful gases or dust substances, sealing measures or other protective measures must be taken.

For all the vehicles in the factory, the Human Resources Department sends them to the motor vehicle inspection station to be checked every year to ensure that the Company's vehicles can pass the exhaust test.

The Group complies with relevant environmental laws and regulations, and has no violation in the reporting period.

3.1.2 Resources Usage

The Group understands that the resources on the planet are limited. Therefore, appropriate measures have been implemented to enhance the efficiency of resource utilization. This includes:

Energy Conservation

In order to save energy as a whole, the Group advocates the conservation of electricity and uses low-energy equipment as much as possible. Here are a few examples that the Group has been taken:

1. The Zhongshan Factory uses water-cooled centralized air-conditioning equipment to replace the traditional centralized air conditioning, which has a total of 73.5% of electricity savings.
2. The factory dormitory adopts the heat pump hot water system that uses the energy of air to replace the electric water heater. This system uses less energy and it is more durable, which can therefore reduce maintenance costs.
3. The Zhongshan Factory has adopted the new patch high-speed machine. Although the power consumption is 2.5 times higher than the old machine, the production efficiency of the new machine is 5.5 times higher than the old machine. With the same number of operators, the productivity can be increased, which can indirectly save the energy used in the entire production process.
4. Employees are required to turn off lights, fans and air-conditioners when they are not in use.
5. The Beijing Office apply LED energy-saving lamps to save electricity.

Resources Conservation

Regarding the use of resources, the Zhongshan Factory has adopted a new steel net cleaning machine, and only 1.5 barrels (30 liters) of the steel cleaning agent are used for each cleaning, which is 70% lower than the amount used by the old machine (5 barrels or 100 liters each time). In addition, the equipments with reusable filters and pneumatic pumps were not only reducing the usage amount, but also lowering down the part-replacement frequency.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(Continued)*

3.1 Environmental *(Continued)*

3.1.2 Resources Usage (Continued)

Water Conservation

The Group has always been promoting water conservation measures. All public faucets are marked with a "Save Water" sign to remind employees to turn off the water after use. The faucets are also checked by designated personnel on a daily basis, and maintenance will be arranged immediately if a problem is found. The toilets in the Beijing Headquarters have high and low volumes setting to control displacement.

Office Resources Conservation

Besides water and energy use, the Group also focuses on the use of office resources. Additionally, electronic office is also an important measure. Most of the documents are scanned and stored on the server for various departments' access and use, in order to reduce the paper for printing.

3.1.3 Environmental and Natural Resources

The Group understands that society and customers are concerned about environmental issues. Therefore, the Company promotes green manufacturing and green procurement policies:

Green Procurement Policy

In the production process, the Group has always been advocating environmental procurement. An equipment is assessed and selected jointly by various departments of the Zhongshan Factory. The selection is based on the major factors including stable performance, low power, low emissions and high efficiency. After an equipment is selected, approval is required from a management representative before it can be purchased. For new suppliers, environmental factor is also considered as part of the assessment criteria when in same commercial conditions.

Policy on the Selection of Environmentally Friendly Materials

In order to ensure that the hazardous materials in the products meet the relevant requirements, all the materials used by the Zhongshan Factory must comply with the RoHS Management Regulations. As the factory only manufacture electronic products, therefore as long as the materials comply with the requirements of the RoHS Management Regulations, it is sufficient to limit the content of harmful substances.

Green Operations Policy

The Group also emphasises green operations. It is easy for the equipment and facilities in the Zhongshan Factory to cause more serious noise pollution, such as air conditioners, bench drills, SMT placement machines, etc. The operation of these equipment and facilities is prone to the generation of air pollution and noise pollution, which may cause interference to the community. The Human Resources Department is responsible for contacting and hiring qualified environmental consultant to monitor the noise level at the boundaries of the factory. The equipment, facilities and projects that produce noise must be equipped with the necessary noise pollution control facilities, and the operators must take the necessary protective measures. The responsible departments must strictly enforce appropriate operating procedures and maintenance systems for equipment, facilities and projects that may cause noise pollution. If an abnormality is found during measuring or inspection processes, the reasons will be promptly identified and proper handling measures will be taken. The Group tries to avoid excessive noise as much as possible. Investigation and forecast are conducted on the facilities in accordance with the relevant laws and regulations, and pollution prevention measures are taken accordingly.

Provision of Environmental Training to Employees

From the perspective of transmitting environmental protection knowledge, and as an ISO14001 certified company, the Group has provided ISO14001-related training for employees at the Zhongshan Factory, as well as training on environmental protection knowledge for new employees.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(Continued)*

3.1 Environmental *(Continued)*

3.1.3 Environmental and Natural Resources (Continued)

Promotion of Green Concepts in the Supply Chain

The Group also promotes environmental protection in the supply chain and incorporates environmental consideration into the assessment guidelines in the annual review. The environmental performance of suppliers throughout the year may influence the decision on whether the Group will continue to work with them after the review, which can promote the environmental awareness of the suppliers.

3.2 Social

3.2.1 Employment

In addition to comply with the local employment regulations, the Group has also developed a series of employment policies to ensure employees are treated in a fair and reasonable manner.

Equal Recruitment and Promotion Policy

The Group has a policy of equal recruitment and promotion, and treats all employees equally with no discrimination because of their ethnicity, gender, age, position, religion, physical condition or nationality.

As for employee promotions, the Group evaluates the employees' work performance together with their work experience and competence when making promotion decisions. Other external factors will not be considered.

Compensation Policy

The Group has established a labour contract in accordance with the law. Whether the employer or the employee terminates the contract during the period stipulated by the contract, unless the contract specifies otherwise, appropriate compensation should be made to the other party within the terms of the contract. Compensation amounts are determined according to the terms and conditions of the contract.

Retirement Policy

The Group has a certain limit on the retirement age, and processes the employees' retirement application in accordance with national laws and regulations. Retired employees receive retirement allowances.

Employee Benefits

The Group's employee benefits include medical insurance, statutory leave and vacation, and paternity and maternity leaves additional to the legal regulations. The Beijing Headquarters includes five social insurances and one housing fund, namely, endowment insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance and housing provident fund.

The Group complies with relevant employment laws and regulations, and has no violation in the reporting period.

3.2.2 Health and Safety

The Group is committed to achieve the goal of zero accident by preventing the occurrence of occupational diseases and industrial casualties with different measures.

Occupational Health and Safety Policy

In accordance with the requirements of the law, the Group has developed a set of safety production management system, especially at the Zhongshan Factory. All departments must set up a safety team to provide safety training for employees in the department, establish safety regulations and operation procedure, and implement the safety-related directives from the Safety Office to ensure production safety.

The safety team is led by the head of each department and is teamed with a part-time safety production staff (participated by the supervisor). All of the floors and the production rooms must be equipped with a part-time safety specialist. The production safety staff of each production department should assist the department supervisor in implementing the labour protection laws and regulations and the production management system, as well as addressing the daily production safety issues and production safety monitoring work.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(Continued)*

3.2 Social *(Continued)*

3.2.2 Health and Safety *(Continued)*

New employees, temporary workers and interns must go through the three-level production safety training (namely, the manufacturing department, the production room or team and the production position) before they can enter the operational position. Workers who change their job nature must go through the safety training again and pass the safety evaluation before the formal transition. Special job type workers who are engaged in pressure vessels, elevators, electrical equipment, vehicle driving and chemical management must hold a statutory licence before they can operate independently. For special types of in-service employees, regular safety training must be arranged.

Safe Working Environment

The Group attaches great importance to workplace safety. The internal requirements include the following:

1. The layout of the workplace should be reasonable, kept clean and tidy;
2. The aisles should be smooth and even and there should be sufficient light;
3. Visible safety signs must be posted near pits, trenches, pools, walking boards, entrances and exits of elevators and other dangerous places that are set up for production;
4. Appropriate and effective protective measures must be taken at dangerous workplaces with high temperature, low temperature, moisture, static electricity, etc.; and
5. Fire facilities must be installed and fire extinguishers must be put in the workplace.

Employee Work Safety Training

It is the responsibility of the Group to provide adequate safety training for its employees to reduce work-related risks. All new employees must receive safety knowledge training.

All departments of the Zhongshan Factory must instruct their employees to use protective equipment correctly. Employees who do not understand how to use protective equipment and its functions are not allowed to operate the equipment formally.

Every year, the Group organises a company-wide training on fire safety and hazardous chemicals and their precautions.

Work and Life Balance Policy

The Group focuses on the balance between life and work of employees, and organises activities on a regular basis to ensure that employees are physically and mentally healthy.

The Group complies with relevant occupational health and safety laws and regulations, and has no violation in the reporting period.

3.2.3 Development and Training

Career Development Policy

The Group has developed a series of career development plans for employees. Apart from the implementation of the Multi-Skilled Employee Training and Examination Program which promotes the multi-functions of each position and the employees' skills and helps new employees to adapt to the work environment with the help of senior employees. The Zhongshan Factory also requires employees to receive relevant training before going into or transferring to a new position. Employees are arranged to receive training and evaluations on other jobs at the same production line based on their competence. The employees will be assigned to different positions if needed. This helps employees to acquire more skills, and the multi-skill subsidies will also increase in order to motivate employees to participate.

Staff Training Plan for Different Positions

According to the Training Management Regulations within the Company, the Group has developed an Annual Training Plan to provide job skill training and annual training for employees in different positions that can help employees to develop different kinds of skills.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(Continued)*

3.2 Social *(Continued)*

3.2.4 Labour Standards

The Group prohibits and firmly opposes to any use of child labour. People under the age of 16 years old will not be employed, and the Group will not co-operate with any supplier who intentionally uses child labour.

The Group respects the freedom of employees, including employment, resignation, overtime work, personal freedom, etc. The Group prohibits any form of forced labour, including contract labour and bonded labour, and never forces employees to work overtime.

The Group complies with relevant laws and regulations relating to preventing child and forced labour, and has no violation in the reporting period.

3.2.5 Supply Chain Management

Supplier Codes of Conduct

Regarding product warranties, the Group's Zhongshan Factory has different agreements with its suppliers to regulate the quality of their products, including the Quality Assurance Agreement, the PCN Agreement and the RoHS Agreement. These agreements regulate suppliers in different areas, so that the final products not only meet the requirements of laws and regulations, but also satisfy customers.

Supplier Selection Procedure

All suppliers are subject to rigorous review processes, firstly the Quality Assurance Department, Procurement Department and Engineering Department jointly verify the integrity of the above review information. Upon verification, if a supplier is qualified, the Quality Assurance Department, Procurement Department and Engineering Department will sign the Supplier Review Summary. This form takes effective only after the management representative signing.

Supplier Selection Criteria

The Group's Zhongshan Factory has IQC to evaluate quality, environmental protection and social responsibility when assessing new suppliers and existing suppliers each month. It has a series of supplier evaluation and control methods as the overall onsite comprehensive assessment for the supplier's capability to control quality and environmental issues on site. It helps suppliers to identify problems or environmental/quality risk in the production process in order to improve its quality and environmental standard.

3.2.6 Product Responsibility

Product Quality Assurance Policy

The Group also has a strict quality assurance monitoring on its products, and has quality control throughout the whole production process from incoming materials to delivery. During the production, a 100% routine inspection is conducted to ensure the quality of products, and employees are required to stay cautious in the production process to avoid defective products.

Product Safety Assurance Policy

The Group conducts a 100% safety inspection on the products to ensure product safety, and laboratories that have safety inspection qualifications are arranged for testing and inspection every two years.

Fair Marketing Policy

The Group ensures that the product information on the promotional websites and other promotional materials are true and accurate. Some of the Group's products have operating instructions, and the content of the instructions need reliable supporting evidence. In addition, the Group requires that when salespersons promote products, the information they provide must come from the product advantages confirmed by the Group and must not involve negative statements related to competitors or their products to prevent customers from being misled at the time of purchase.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE *(Continued)*

3.2 Social *(Continued)*

3.2.6 Product Responsibility (Continued)

After-sales Service Policy

The Group generally provides free maintenance service from 13 months to 36 months after the product is purchased, and a 24-hour service follow-up is provided for products under warranty.

Customer Data Protection Policy

In order to protect customer data and its confidentiality, customer intellectual property related information and documents such as drawings, technical specifications and other confidential documents must be strictly managed and stored by a designated department. Without permission, employees must not copy or privately save or take the information out of the company.

The Group complies with relevant laws and regulations relating to product responsibility, and has no violation in the reporting period.

3.2.7 Anti-corruption

For the prevention of corruption and to follow the direction of business ethics, the Group has a system to regulate the conduct of employees. The Zhongshan Factory's Reward and Discipline Management Regulations clearly states that a series of discipline mechanism will be triggered if an employee has any violation of business ethics or personal conducts.

The Group is audited by a third-party auditor, such as a financial audit. The independent agency can effectively audit the Group to verify that its internal financial records comply with the financial requirements of relevant legislations, including their authenticity and evidence to prove that the Group's operations are true and impartial.

The Group complies with relevant laws and regulations relating to anti-corruption, and has no violation in the reporting period. In addition, the Group has always been committed to the core value of fair trade and operating with integrity.

3.2.8 Community Investment

The Group's main focus on community investment is to assist the disadvantaged, to identify people in needs and provide donations and visits to them. It also focuses on the surrounding communities, including holding or participating in the environmental activities of those communities.

The Group donated money to the Charity Federation of Zhongshan City in 2016 and participated in the charitable activities to help people in poverty in order to make contributions to people in needs. However, this is inadequate. In order to make more contributions, the Group plans to heavily promote community investment in 2017, and the Zhongshan Factory has planned to organise the following activities in 2017:

1. From March to May of 2017, its focus will be on the employment and skill training for people with disabilities. It will also communicate with the Employment Centre for the Disabled in order to understand their needs and provide financial support;

2. From June to September of 2017, the Zhongshan Factory will organise visits to children in orphanages, provide care to bereaved families, and provide financial support;

3. The Zhongshan Factory will organise visits to elderly in nursing homes and send gifts to them during the Double Ninth Festival; and

4. From March to December of 2017, environmental protection activities such as tree planting, hiking and picking up trash, energy saving and emission reduction knowledge competition and other activities will be organised from time to time in order to improve employees' environmental awareness.

Independent Auditor's Report

MAZARS CPA LIMITED
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TO THE SHAREHOLDERS OF
YUXING INFOTECH INVESTMENT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Yuxing InfoTech Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 120, which comprise the consolidated statement of financial position as at 31st December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the 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 financial position of the Group as at 31st December 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

MAZARS

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows:

Impairment in respect of trade receivables

Nature of the Key Audit Matter

As at 31st December 2016, the Group had trade receivables amounting to approximately HK$88,696,000. Impairment losses amounting to approximately HK$2,374,000 have been provided on these trade receivables.

For impairment of trade receivables, management's judgement is applied in assessing the ultimate realisation of trade receivables which include assessment on creditworthiness and past collection history of each debtor and then to estimate the recoverable amount of trade receivables to determine the impairment.

Relevant disclosures are made in:

- Note 2(i): Accounting policies for financial instruments – loan and receivables and impairment of financial assets
- Note 4: Critical accounting estimates and judgements – Impairment in respect of trade and other receivables
- Note 6(a): Financial instruments – Credit risk
- Note 23: Trade and other receivables

How the matter was addressed in our audit

Our key audit procedures in relation to management's impairment assessment on trade receivables included:

- Assessing whether there is evidence of management bias on impairment assessment of trade receivables by evaluating the consistency of judgement made by the management year on year through discussion with the management to understand their rationale;
- Testing the settlement of trade receivables throughout the year, on a sample basis, to ensure the reliability of past collection history for management's recoverability assessment;
- Testing the accuracy of the ageing analysis of trade receivables, on a sample basis; and
- Assessing the reasonableness of recoverability of trade receivables with reference to credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis.

MAZARS

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises the information included in this 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 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. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), 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.

MAZARS

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

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

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

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

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

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

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

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

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

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

MAZARS

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 21st March 2017

The engagement director on the audit resulting in this independent auditor's report is:
Chan Chi Ming Andy
Practising Certificate number: P05132

Consolidated Income Statement

For the year ended 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	8	**687,878**	631,522
Cost of sales		**(596,580)**	(525,773)
Gross profit		**91,298**	105,749
Other revenue and net income	9	**162,763**	146,097
Distribution and selling expenses		**(20,440)**	(17,461)
General and administrative expenses		**(125,463)**	(319,321)
Other operating expenses		**(44,707)**	(70,711)
Fair value (losses)/ gains on investment properties, net	16	**(465)**	6
Profit/(Loss) from operations	10	**62,986**	(155,641)
Finance costs	13	**(10,344)**	(41,953)
Share of results of an associate		**–**	(520)
Profit/(Loss) before tax		**52,642**	(198,114)
Income tax credit	14	**1,337**	8,206
Profit/(Loss) for the year		**53,979**	(189,908)
Profit/(Loss) attributable to:			
Owners of the Company		**54,016**	(188,155)
Non-controlling interests		**(37)**	(1,753)
		53,979	(189,908)
		HK$	HK$
Earnings/(Loss) per share	15		
– Basic		**0.03**	(0.10)
– Diluted		**0.03**	(0.10)

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2016

	2016 **HK$'000**	2015 HK$'000
Profit/(Loss) for the year	**53,979**	(189,908)
Other comprehensive loss:		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	**1,241**	–
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Change in fair value during the year	**(55,273)**	(52,909)
Less: Reclassification of net change in fair value to profit or loss upon disposal	**(159,214)**	–
Exchange differences arising on translation of PRC subsidiaries	**(23,036)**	(24,045)
Other comprehensive loss for the year (net of tax)	**(236,282)**	(76,954)
Total comprehensive loss for the year	**(182,303)**	(266,862)
Total comprehensive loss attributable to:		
Owners of the Company	**(182,266)**	(265,109)
Non-controlling interests	**(37)**	(1,753)
	(182,303)	(266,862)

Consolidated Statement of Financial Position

As at 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**114,226**	114,109
Property, plant and equipment	17	**41,776**	45,683
Prepaid lease payments	18	**10,522**	11,603
Available-for-sale financial assets	19	**573,165**	562,795
Investment in an insurance contract	20	**11,178**	11,019
Other receivables	23	**2,599**	1,271
Pledged bank deposits		**335,383**	358,081
		1,088,849	1,104,561
CURRENT ASSETS			
Inventories	21	**51,212**	63,583
Loan receivable	22	**223,589**	–
Trade and other receivables	23	**143,669**	300,313
Prepaid lease payments	18	**346**	369
Financial assets at fair value through profit or loss	24	**432,192**	816,151
Income tax recoverable		**566**	605
Pledged bank deposits		**1,638**	2,030
Cash and bank balances		**603,524**	433,842
		1,456,736	1,616,893
CURRENT LIABILITIES			
Trade and other payables	26	**130,178**	220,053
Dividend payables		**31**	31
Bank loans	27	**443,674**	359,442
Income tax payable		**1,443**	5,473
		575,326	584,999
NET CURRENT ASSETS		**881,410**	1,031,894
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,970,259**	2,136,455
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	**10,386**	12,663
NET ASSETS		**1,959,873**	2,123,792
CAPITAL AND RESERVES			
Share capital	28	**45,077**	45,036
Reserves	29	**1,913,760**	2,077,683
Equity attributable to owners of the Company		**1,958,837**	2,122,719
Non-controlling interests		**1,036**	1,073
TOTAL EQUITY		**1,959,873**	2,123,792

Approved and authorised for issue by the Board on 21st March 2017 and signed on its behalf by:

Li Qiang
Director

Shi Guangrong
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2016

	Attributable to owners of the Company															
	Share capital HK$'000	Share premium HK$'000	Shares held for share award scheme HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share-based compensation reserves HK$'000	Share option reserves HK$'000	Investment revaluation reserves HK$'000	Convertible bond reserves HK$'000	Property revaluation reserves HK$'000	Translation reserves HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1st January 2015	44,803	57,265	(28,459)	8,668	234,621	–	–	242,950	–	16,023	78,393	(1,113)	1,662,757	2,315,908	10,786	2,326,694
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	(188,155)	(188,155)	(1,753)	(189,908)
Other comprehensive loss:																
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	(52,909)	–	–	–	–	–	(52,909)	–	(52,909)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	–	–	(24,045)	–	–	(24,045)	–	(24,045)
Total other comprehensive loss	–	–	–	–	–	–	–	(52,909)	–	–	(24,045)	–	–	(76,954)	–	(76,954)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(52,909)	–	–	(24,045)	–	(188,155)	(265,109)	(1,753)	(266,862)
Transactions with owners:																
Contributions and distributions																
Final dividend paid in respect of the financial year ended 31st December 2014	–	–	–	–	–	–	–	–	–	–	–	–	(89,233)	(89,233)	–	(89,233)
Issue of shares upon exercise of share options	233	26,978	–	–	–	–	(6,724)	–	–	–	–	–	–	20,487	–	20,487
Shares purchased for share award scheme	–	–	(436)	–	–	–	–	–	–	–	–	–	–	(436)	–	(436)
Equity-settled share based payment	–	–	–	–	–	73,068	64,379	–	–	–	–	–	–	137,447	–	137,447
Vesting of shares of share award scheme	–	44,173	28,895	–	–	(73,068)	–	–	–	–	–	–	–	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	–	–	9,558	–	–	–	–	9,558	–	9,558
Early redemption of convertible bonds	–	–	–	–	–	–	–	–	(5,903)	–	–	–	–	(5,903)	–	(5,903)
Transfer of reserves upon redemption of convertible bonds	–	–	–	–	–	–	–	–	(3,655)	–	–	–	3,655	–	–	–
Changes in ownership interests																
Changes in ownership interests in a subsidiary that does not result in a loss of control	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(7,960)	(7,960)
Total transactions with owners	233	71,151	28,459	–	–	–	57,655	–	–	–	–	–	(85,578)	71,920	(7,960)	63,960
As at 31st December 2015 and as at 1st January 2016	45,036	128,416	–	8,668	234,621	–	57,655	190,041	–	16,023	54,348	(1,113)	1,389,024	2,122,719	1,073	2,123,792
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	54,016	54,016	(37)	53,979
Other comprehensive loss:																
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	–	–	–	1,241	–	–	–	1,241	–	1,241
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	(55,273)	–	–	–	–	–	(55,273)	–	(55,273)
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	–	–	–	(159,214)	–	–	–	–	–	(159,214)	–	(159,214)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	–	–	(23,036)	–	–	(23,036)	–	(23,036)
Total other comprehensive loss	–	–	–	–	–	–	–	(214,487)	–	1,241	(23,036)	–	–	(236,282)	–	(236,282)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(214,487)	–	1,241	(23,036)	–	54,016	(182,266)	(37)	(182,303)
Transactions with owners:																
Contributions and distributions																
Issue of shares upon exercise of share options	41	4,833	–	–	–	–	(1,223)	–	–	–	–	–	–	3,651	–	3,651
Equity-settled share based payment	–	–	–	–	–	–	14,733	–	–	–	–	–	–	14,733	–	14,733
Share options lapsed	–	–	–	–	–	–	(315)	–	–	–	–	–	315	–	–	–
Total transactions with owners	41	4,833	–	–	–	–	13,195	–	–	–	–	–	315	18,384	–	18,384
As at 31st December 2016	**45,077**	**133,249**	**–**	**8,668**	**234,621**	**–**	**70,850**	**(24,446)**	**–**	**17,264**	**31,312**	**(1,113)**	**1,443,355**	**1,958,837**	**1,036**	**1,959,873**

Consolidated Statement of Cash Flows

For the year ended 31st December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit/(Loss) before tax	**52,642**	(198,114)
Adjustments for:		
Exchange differences	**26,518**	8,545
Impairment loss on other receivables	**50**	22,738
Write-down of inventories	**1,596**	3,392
Reversal of impairment loss on other receivables	**(111)**	(18)
Interest income from bank deposits	**(2,348)**	(7,271)
Interest income from investment in an insurance contract	**(159)**	(37)
Interest expenses	**10,344**	41,953
Dividend income from listed equity securities	**(7,621)**	(6,396)
Share-based compensation expenses		
– Share option scheme	**14,733**	64,379
– Share award scheme	**–**	73,068
Amortisation of prepaid lease payments	**361**	385
Depreciation of property, plant and equipment	**6,105**	5,504
Fair value losses/(gains) on investment properties, net	**465**	(6)
Loss on disposal of property, plant and equipment	**411**	5
Gain on disposal of available-for-sale financial assets	**(157,947)**	–
Loss on early redemption of convertible bonds	**–**	642
Share of results of an associate	**–**	520
Gain on disposal of an associate	**–**	(520)
OPERATING (LOSS)/PROFIT BEFORE CHANGES IN WORKING CAPITAL	**(54,961)**	8,769
Decrease/(Increase) in inventories	**6,816**	(25,215)
Decrease/(Increase) in trade and other receivables	**147,662**	(111,830)
Decrease in financial assets at fair value through profit or loss	**356,816**	575,195
(Decrease)/Increase in trade and other payables	**(82,251)**	93,212
CASH GENERATED FROM OPERATIONS	**374,082**	540,131
Income taxes paid	**(7,157)**	(7,756)
Income taxes refund	**1,939**	1,877
NET CASH GENERATED FROM OPERATING ACTIVITIES	**368,864**	534,252

Consolidated Statement of Cash Flows

For the year ended 31st December 2016

	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	**(459,611)**	(138,000)
Purchase of property, plant and equipment	**(7,299)**	(3,474)
Increase of investment in an insurance contract	**–**	(10,920)
Decrease/(Increase) in pledged bank deposits with original maturities over three months	**263**	(359,754)
Proceeds from disposal of available-for-sale financial assets	**392,700**	–
Interest received	**878**	6,000
Increase in loan receivable	**(223,589)**	–
Dividend received from listed equity securities	**7,621**	6,396
Proceeds from disposal of property, plant and equipment	**62**	8
Investment in an associate	**–**	(5,968)
Proceeds from disposal of an associate	**–**	4,536
NET CASH USED IN INVESTING ACTIVITIES	**(288,975)**	(501,176)
FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of share options	**3,651**	20,487
New bank loans raised	**134,872**	738,073
Repayment of bank loans	**(28,384)**	(558,991)
Payments for purchase of shares for share award scheme	**–**	(436)
Proceeds from issue of convertible bonds	**–**	465,576
Payments of early redemption of convertible bonds	**–**	(493,907)
Interest paid	**(10,344)**	(10,609)
Dividend paid	**–**	(89,219)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**99,795**	70,974
NET INCREASE IN CASH AND CASH EQUIVALENTS	**179,684**	104,050
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**433,842**	349,207
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(10,002)**	(19,415)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**603,524**	433,842
Analysis of the balances of cash and cash equivalents:		
Funds held by securities brokers *(Note (a))*	**394,428**	114,128
Time deposits *(Note (b))*	**56,388**	–
Cash at bank and in hand *(Note (b),(d))*	**152,708**	319,714
	603,524	433,842

Notes:

(a) At the end of the reporting period, there were funds held by securities brokers of approximately HK$394,428,000 *(2015: approximately HK$114,128,000)* for trading of securities.

(b) As at 31st December 2016, cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made between one week to three months depending on the immediate cash requirement of the Group and earn interest at a range of 0.62% and 1.35% per annum.

(c) At the end of the reporting period, the pledged bank deposits comprised approximately HK$1,638,000 and HK$335,383,000 *(2015: approximately HK$2,030,000 and HK$358,081,000)* which had an original maturity of more than three months but within one year and more than one year respectively when acquired and therefore has not been classified as cash equivalents in the consolidated statement of cash flows.

(d) Included in cash at bank and in hand are bank balances amounting to approximately HK$22,892,000 *(2015: HK$Nil)* pledged to secure a loan facility which had an original maturity of less than three months.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are detailed in note 37.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing The Listing of Securities on the GEM.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements. The adoption of the new/revised HKFRSs which are relevant to the Group and effective from the current year had no significant effect on the results and financial position of the Group for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

Amendments to HKAS 1: Disclosure Initiative

The amendments include changes in the following five areas: (1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; and (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates.

The Group does not share the results from investments accounted for using equity method. The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The Group does not apply the revenue-based methods to calculate the depreciation of its assets. The adoption of the amendments does not have an impact on the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Annual Improvements Project – 2012-2014 Cycle

(1) HKFRS 7 Financial Instruments: Disclosures

(a) Servicing contracts

These amendments clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognised in their entirety.

(b) Applicability of the Amendments to HKFRS 7 concerning Offsetting to Condensed Interim Financial Statements

These amendments also clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods.

The Group did not transfer any financial assets during the reporting period. The adoption of the amendments does not have an impact on the consolidated financial statements.

(2) HKAS 34 Interim Financial Reporting: Disclosure of Information "elsewhere in the interim financial report"

The amendment clarifies the meaning of disclosures of certain information "elsewhere in the interim financial report" as allowed by HKAS 34. The disclosures shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

The adoption of the amendment does not have an impact on the consolidated financial statements.

(b) Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties, available-for-sale financial assets at fair value and financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented separately from owners of the Company, in the consolidated income statement and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

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

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal 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 determined at the date when control is lost; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

(d) Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

As the Group's lease payments for its leasehold property located in Hong Kong cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold property as a finance lease in property, plant and equipment.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	3% or over the relevant lease term, whichever is shorter
Leasehold property	3% or over the relevant lease term, whichever is shorter
Leasehold improvements	5% – 33% or over the relevant lease term, whichever is shorter
Office equipment, furniture and fixtures	20% – 33%
Plant and machinery	10% – 20%
Motor vehicles	10% – 33%

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation surplus or deficit. The revaluation surplus is recognised in profits or loss to the extent that an impairment loss previously recognised in profit or loss with the remaining surplus recognised in other comprehensive income as property revaluation reserves within equity. The revaluation deficit is recognised in other comprehensive income to reduce the property revaluation reserves to the extent that the amount previously recognised in property revaluation reserves with the remaining deficit recognised in profit or loss.

The property revaluation reserves are derecognised upon the disposal of the investment property.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Investment properties

Investment properties are land and/or building that are held by owner or lessee under finance lease, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carry at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

(g) Prepaid lease payments

Prepaid lease payments are up-front payments to acquire fixed-term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

(h) Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period which reflects the pattern in which the related economic benefits are recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for the amounts it may have to pay. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on financial assets.

Financial assets or financial liabilities are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) 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 (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets or financial liabilities are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Loans and receivables

Loans and receivables including trade and other receivables, loan receivable, non-current other receivable from investment in an insurance contract, pledged bank deposits and cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Financial liabilities

The Group's financial liabilities include trade and other payables and bank and other loans. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Impairment of financial assets (Continued)

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

(j) Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Rental income under operating lease is recognised when the properties are let out and on the straight line basis over the lease terms.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

(m) Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(b) Income and expenses for each income statement are translated at average exchange rate;

(c) All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

(d) On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Foreign currency translation *(Continued)*

(e) On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and

(f) On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

(n) Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and prepaid lease payments may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

(o) Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Leases

Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases. Rentals payable and receivable under operating leases are charged or credited to profit or loss on a straight-line basis over the term of the relevant lease.

(q) Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to Mandatory Provident Fund Scheme (the "MPF") in Hong Kong are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the state-managed retirement benefit schemes in the People's Republic of China (other than Hong Kong, Taiwan and Macau) (the "PRC"), which are calculated on certain percentages of the applicable payroll costs, are charged as expense when employees have rendered services entitling them to the contributions.

(r) Share-based payment transactions

Equity-settled transactions

The Group operates two share-based compensation plans, including share option scheme and share award scheme, under which the Group receives services from employees including directors, and parties other than employees in exchange for the grant of rights over shares or shares of the Company ("Shares") as remuneration in form of equity-settled transactions. The cost of such transaction with employees is measured by reference to the fair value of the equity instruments at the grant date whereas the transactions with parties other than employees are measured at fair value of the goods or services received at the date the Group obtains the goods or the counterparty renders the services, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted.

The cost of equity-settled transactions are recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to share option reserve under equity for grant of share options and share-based compensation reserve under equity for grant of awarded shares.

During the vesting period, the number of share options and awarded shares that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Share-based payment transactions *(Continued)*

Equity-settled transactions (Continued)

Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Share option scheme

For share options granted to employees, the total amount to be expensed is determined by reference to the fair value of the share options at the grant date by using the Binomial Model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the Shares.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital (nominal value) and 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 retained profits.

Share award scheme

For grant of award shares, the total amount to be expensed is determined by reference to the market price of the Shares at the grant date. For shares held for share award scheme, where the Shares are acquired under the share award scheme from the market, the total consideration of Shares acquired from the market (including any directly attributable incremental costs) is recognised in Shares held for share award scheme within equity and deducted from total equity.

Upon vesting and transfer shares to the selected employee, the related costs of the awarded Shares purchased from the market and Shares acquired from reinvesting dividends received on the awarded Shares are credited to Shares held for share award scheme within equity, with a corresponding decrease in share-based compensation reserve. The difference between the cost and the fair value of the Shares is credited to share premium if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(t) Related parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the parent of the Group.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Board for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Notes to the Consolidated Financial Statements

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 7	*Disclosure Initiative* [1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses* [1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions* [2]
HKFRS 15	*Revenue from Contracts with Customers* [2]
HKFRS 9 (2014)	*Financial Instruments* [2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* [2]
HKFRS 16	*Leases* [3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]

1 *Effective for annual periods beginning on or after 1st January 2017*

2 *Effective for annual periods beginning on or after 1st January 2018*

3 *Effective for annual periods beginning on or after 1st January 2019*

4 *The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1st January 2016 has been deferred/removed*

The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Fair value of private investment funds

In valuation of the fair value of private investment funds, the Group obtains the valuation of the private investment funds provided by the investment managers. As described in note 7, the valuation techniques applied by the investment managers for the private investment funds have been discussed with the Directors. The Directors review the valuations performed by the investment managers and use their estimation to determine whether valuation techniques applied are appropriate to the circumstances of the Group. The estimation of fair value of private investment funds classified as level 3 fair value measurement included some assumptions not supported by observable market data. Changes in assumption could affect the reported fair value of private investment funds in the consolidated financial statements.

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

Fair value of investment properties

In valuation of the fair value of investment properties, the Group obtains the valuation of the investment properties provided by the independent professional qualified valuers. As described in note 7, the valuation techniques applied by the independent professional qualified valuers for the investment properties have been discussed with the Directors. The Directors review the valuations performed by the independent professional qualified valuers and use their estimation to determine whether valuation techniques applied are appropriate to the circumstances of the Group.

Useful lives and impairment of property, plant and equipment and prepaid lease payments

The Directors review the useful lives and depreciation/amortisation method of property, plant and equipment and prepaid lease payments at the end of each reporting period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Directors have to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined by reference to value in use and fair value less costs of disposal. Value in use is determined using the discounted cash flow method.

Deferred tax liabilities

At the end of the reporting period, deferred tax liabilities of approximately HK$10,386,000 *(2015: approximately HK$13,273,000)*, in relation to the PRC land appreciation tax and enterprise income tax arising from revaluation of property, plant and equipment transferred to investment properties and revaluation of investment properties whereas no deferred tax liabilities have been provided for withholding tax on the distribution of retained profits of the PRC subsidiaries as those profits are not to be remitted out of the PRC in foreseeable future. Further details are set out in note 14.

Allowance for inventories

The Group's management reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

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

Impairment in respect of trade and other receivables

The provisioning policy for impairment in respect of trade and other receivables of the Group is based on the evaluation by management of the collectability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment will be required. At the end of the reporting period, the carrying amount of trade and other receivables after provision for impairment amounted to approximately HK$146,268,000 *(2015: approximately HK$301,584,000)*.

Impairment in respect of available-for-sale financial assets stated at cost less impairment loss

The Group assesses annually if available-for-sale financial assets measured at cost have suffered any impairment in accordance with HKAS 39. Details of the approach are stated in note 2(i). The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

5. CAPITAL MANAGEMENT

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

The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders of the Company ("Shareholders"), issue new shares, return capital to Shareholders, raise new debt financing or sell assets to reduce debt.

Meanwhile, the Group monitors its capital structure using a gearing ratio which is calculated as total debts divided by the total equity. For this purpose the Group defines debt as total debt (which includes bank loans, trade and other payables, dividend payables, income tax payable and deferred tax liabilities).

5. CAPITAL MANAGEMENT *(Continued)*

The gearing ratio as at 31st December 2016 and 2015 was as follows:

	Note	2016 HK$'000	2015 HK$'000
Current liabilities:			
Trade and other payables	26	**130,178**	220,053
Dividend payables		**31**	31
Bank loans	27	**443,674**	359,442
Income tax payable		**1,443**	5,473
		575,326	584,999
Non-current liabilities:			
Deferred tax liabilities	14	**10,386**	12,663
Total debt		**585,712**	597,662
Total equity		**1,959,873**	2,123,792
Gearing ratio		**29.9%**	28.1%

The gearing ratio of the Group during 2016 was primarily resulted from interest-bearing borrowings for financing the Group's business development of the information home appliances, the general working capital of the Group and possible strategic investments during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Some of the Group's banking facilities are subject to financial covenants requirements imposed by certain banks.

6. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to price risk arising from its equity investments in other entities and movements in its own equity share price.

These risks are mitigated by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and loan receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In respect of other receivables and loan receivable, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Besides, the Group obtains collaterals from debtors and guarantees from parties with good credit quality, if necessary. The Group reviews the recoverable amount of each individual receivable at least on monthly basis to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on receivables from securities broker for settlement of trading of dual currency investments is limited because the settlement terms were two business days after the transaction date and the counterparty was creditworthy global financial institution.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group had a concentration of credit risk as 45.9% *(2015: 55.4%)* and 98.8% *(2015: 99.7%)* of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group also had a concentration of credit risk as 72.8% of total other receivables due from an independent third party and a related party *(2015: 80.2% of total other receivables due from two independent third parties)*.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan receivable and trade and other receivables are set out in note 22 and 23 respectively.

The Group has limited credit risk with its money deposited in financial institutions and securities brokers, which are leading and reputable and are assessed as having low credit risk. The Group has not suffered any significant losses arising from the non-performance by these parties in the past and management does not expect this position to change in the future.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

In management of 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. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group has unutilised bank borrowing facilities of approximately HK$984,311,000 *(2015: approximately HK$1,009,993,000)* at the end of the reporting period to meet the liquidity needs.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group are required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest period that the Group is required to repay regardless of the probability of the banks choosing to exercise their rights as at the end of the reporting period. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

		2016			2015		
	Note	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within one year or on demand HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
Non-derivative financial liabilities							
Trade and other payables	26	**110,793**	**110,793**	**110,793**	207,797	207,797	207,797
Dividend payables		**31**	**31**	**31**	31	31	31
Bank loans	27	**443,674**	**443,674**	**443,674**	359,442	359,442	359,442
		554,498	**554,498**	**554,498**	567,270	567,270	567,270

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The amounts repayable under loan agreements that include a clause that gives lenders the unconditional right to call loans at any time are classified under the "within one year or on demand" bracket. In this regard, term loans of approximately HK$320,174,000 *(2015: approximately HK$351,326,000)* (note 27) at the end of the reporting period have been so classified even though the Directors do not expect that lenders would exercise their rights to demand repayment and thus these borrowings (including the aggregate principal and interest cash outflows) would be repaid according to the following schedule as set out in the loan agreements:

	2016 **HK$'000**	2015 HK$'000
Term loans, including interest, with a repayment on demand clause		
Within one year	**17,807**	19,167
More than one year but less than two years	**307,593**	18,912
More than two years but less than five years	**2,482**	330,287
Over five years	**2,386**	2,891
	330,268	371,257

(c) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured interest-bearing borrowings, bank balances and pledged bank deposits. Bank balances and interest-bearing borrowings with floating interest rates and fixed interest rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group has not entered into significant hedging activities to hedge against the exposure to interest rate risk. The Group closely monitors its interest rate exposure and the level of interest-bearing borrowings, in consideration of economic atmosphere and the strategies of the Group.

At the end of the reporting period, if interest rates had been 100 basis points higher or lower (but on condition that interest rate would not fall below zero) and all other variables were held constant, the Group's net profit would be increased by approximately HK$8,098,000 or decreased by approximately HK$1,960,000 respectively *(2015: net loss would be decreased by approximately HK$4,343,000 or HK$2,079,000 respectively)*.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until at the end of next annual reporting period. The analysis is performed on the same basis for 2015.

6. FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

The Group has transactional currency exposure. Such exposure arises from trading and investing transactions denominated in a currency other than the Functional Currency of an operating unit to which they relate. The Group's exposure to foreign currency risk principally arises from changes in exchange rate of United States dollars ("USD"), Great British Pounds ("GBP") and Renminbi ("RMB") against HKD. The management considers that the Group has limited exposure to foreign currency risk of USD against HKD since the relevant exchange rate has remained relatively stable.

The Group exposed to foreign exchange risk since the Group's certain financial assets at fair value through profit or loss and bank balances were denominated in GBP and RMB. The Group has not entered into significant hedging activities to hedge against the exposure to foreign exchange risk because the main operations of the subsidiaries of the Group are conducted in their functional currency. The Group monitors currency risk exposure of GBP and RMB and will consider hedging significant exposure should the need arise.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currencies			
	2016		2015	
	GBP	**RMB**	GBP	RMB
	HK$'000	**HK$'000**	HK$'000	HK$'000
Trade and other receivables	**–**	**2,599**	–	1,271
Financial assets at fair value through profit or loss	**22,355**	**–**	35,235	76,599
Cash and bank balances	**–**	**671,519**	–	432,285
Trade and other payables	**–**	**(764)**	–	(992)
Net exposure	**22,355**	**673,354**	35,235	509,163

At the end of the reporting period, if GBP and RMB had been 17% *(2015: 5%)* and 6% *(2015: 5%)* respectively strengthened/weakened against HKD while all other variables were held constant, the Group's net profit would be increased/decreased by approximately HK$3,710,000 *(2015: net loss would be decreased/increased by approximately HK$1,762,000)* and HK$43,604,000 *(2015: net loss would be decreased/increased by approximately HK$25,458,000)* respectively.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until at the end of next annual reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

(e) Price risk

The Group is exposed to price risk arising from investments in equity securities and equity linked notes classified as financial assets at fair value through profit or loss (note 24) and available-for-sale financial assets measured at fair value (note 19). For the Group's equity securities investments and money market funds that are publicly traded, the fair value is determined with reference to quoted market prices. For the Group's equity linked notes investments with underlying listed securities, the fair value is determined with reference to quoted market prices of the underlying listed securities. The Group's private investment fund is held for long-term strategic purpose. Its performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

Financial assets at fair value through profit or loss

At the end of the reporting period, if the quoted market price of equity securities had been 2% *(2015: 9%)* higher/lower while all other variables were held constant, the Group's net profit would be increased/decreased by approximately HK$5,344,000 *(2015: net loss would be decreased/increased by approximately HK$46,098,000)* due to change in the fair value of financial assets at fair value through profit or loss classified as equity securities.

As at 31st December 2015, if the quoted market price of underlying securities in equity linked notes had been 7% higher/lower while all other variables were held constant, the Group's net loss would be decreased by approximately HK$208,000 or increased by approximately HK$805,000 due to change in the fair value of financial assets at fair value through profit or loss classified as equity-linked notes.

Available-for-sale financial assets

At the end of the reporting period, if the quoted market price of equity securities had been 10% *(2015: 10%)* higher/lower while all other variables were held constant, the Group's other comprehensive loss would be decreased/increased by approximately HK$37,898,000 *(2015: approximately HK$43,351,000)*.

At the end of the reporting period, if the quoted market price of equity securities invested by private investment funds had been 1% *(2015: 1%)* higher/lower while all other variables were held constant, the Group's other comprehensive loss would be decreased/increased by approximately HK$357,000 *(2015: approximately HK$520,000)*.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables. The analysis is performed on the same basis for 2015.

7. FAIR VALUE MEASUREMENTS

In the opinion of the Directors, the carrying amounts of financial assets and liabilities approximate their fair values.

The following presents the assets measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31st December 2016 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

Assets measured at fair value on a recurring basis

		2016			
	Note	**Carrying amount HK$'000**	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Investment properties	16	**114,226**	**–**	**114,226**	**–**
Available-for-sale financial assets	19	**495,165**	**388,000**	**35,719**	**71,446**
Financial assets at fair value through profit or loss	24	**432,192**	**393,118**	**39,074**	**–**

		2015			
	Note	Carrying amount HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Investment properties	16	114,109	–	114,109	–
Available-for-sale financial assets	19	562,795	433,506	52,005	77,284
Financial assets at fair value through profit or loss	24	816,151	798,454	17,697	–

During the years ended 31st December 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value measurements.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Valuation techniques and inputs in Level 2 fair value measurement

(a) *Investment properties*

The investment properties were revalued by Roma Appraisals Limited, an independent professional qualified valuers, on the market value basis using direct comparison approach. Sales prices of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size/age etc. were used to value the properties. The most significant input into this valuation approach is market price per square foot of similar properties.

(b) *Available-for-sale financial assets: Private investment fund*

The fair value of a private investment fund invested in listed equity securities in Level 2 is valued based on the net asset value of each fund unit quoted by the investment manager based on quoted prices of underlying investments i.e. listed equity in an active market with insignificant adjustments.

(c) *Financial assets at fair value through profit or loss: Unlisted debt securities*

The fair value of unlisted debt securities is valued based on the return rate of the note quoted by the financial institution with reference to quoted US Treasury Bills and Notes rates.

Financial instruments measured at fair value based on Level 3

The details of the movements of the recurring fair value measurements categorised as Level 3 are shown as follows:

	2016		2015	
	Private investment funds HK$'000 *(Note)*	**Derivative financial instruments HK$'000**	Private investment funds HK$'000 *(Note)*	Derivative financial instruments HK$'000
As at 1st January	**77,284**	**–**	–	623
Purchases	**–**	**–**	78,000	–
Net (losses)/gains on change in fair value recognised in:				
– profit or loss*	**–**	**–**	–	11,403
– other comprehensive loss	**(5,838)**	**–**	(716)	–
Settled by other receivables	**–**	**–**	–	(12,026)
As at 31st December	**71,446**	**–**	77,284	–

* Gains included in profit or loss are presented in other revenue and net income.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Financial instruments measured at fair value based on Level 3 *(Continued)*

Note:

The fair value of the private investment fund in Level 3 is based on the fair value of the unlisted equity securities of a company invested by the fund. The fair values of unlisted equity securities which are valued by the investment managers are estimated by valuation techniques, using discounted cash flows model with assumptions that are not supported by observable market data. As at 31st December 2016, a discount rate of unquoted company invested by the fund of 11.7% *(2015: 12.5%)* is used.

As at 31st December 2016, if the expected discount rate of the investment fund had been 1% *(2015: 1%)* higher/lower while all other variables were held constant, the Group's other comprehensive loss would be increased by approximately HK$9,690,000 or decreased by approximately HK$16,315,000 respectively *(2015: increased by approximately HK$10,776,000 or decreased by approximately HK$4,220,000 respectively).*

8. SEGMENT INFORMATION

As at 31st December 2015, the major operating segments of the Group were information home appliances, investing and trading. During the year, the management changed its reporting segments to information home appliances, investing and leasing as a result of the diminishing effect of trading segment to the total revenue and assets of the Group. In consequence, certain comparative figures of the segment information have been restated to correspond with current year's presentation.

The information home appliances segment is principally engaged in manufacture, sales and distribution of information home appliances and complementary products to consumer markets.

The investing segment comprises trading of securities and investing in financial instruments.

The leasing segment comprises leasing out of properties.

Other operations segment of the Group mainly comprises trading, internet data processing and assets management.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the executive Directors assess segment profit or loss before tax without allocation of share of results of an associate, finance costs, Directors' and chief executive's emoluments, head office staff salaries, legal and professional fees and other corporation administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements.

All assets are allocated to reportable segments other than head office bank balances and other unallocated financial and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities which are managed on a group basis.

Inter-segment sales transactions are charged at prevailing market rates. The accounting policies of the reporting segments are the same as the Group's accounting policies as described in note 2.

8. SEGMENT INFORMATION *(Continued)*

Business segments

Revenue represents net invoiced value of goods sold to customers less returns and allowance. An analysis of the Group's revenue, other revenue and net income, net changes in fair value of investment properties, segment results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December 2016

	Information home appliances HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE						
External sales	687,362	–	–	516	–	687,878
Inter-segment sales	–	–	–	1,587	(1,587)	–
OTHER REVENUE AND NET INCOME	10,152	142,854	9,529	111	(2,465)	160,181
FAIR VALUE LOSSES ON INVESTMENT PROPERTIES, NET	–	–	(465)	–	–	(465)
Segment revenue	697,514	142,854	9,064	2,214	(4,052)	847,594
RESULTS						
Segment results	31,973	88,905	2,635	(12,216)	–	111,297
Unallocated corporate income						234
Interest income from bank deposits						2,348
Other unallocated corporate expenses						(50,893)
						62,986
Finance costs						(10,344)
Profit before tax						52,642
Income tax credit						1,337
Profit for the year						53,979

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2016

	Information home appliances HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	268,996	2,047,861	123,247	3,735	–	2,443,839
Unallocated corporate assets					101,746	101,746
Consolidated total assets						2,545,585
LIABILITIES						
Segment liabilities	116,085	437,636	18,318	1,997	–	574,036
Unallocated corporate liabilities					11,676	11,676
Consolidated total liabilities						585,712
OTHER INFORMATION						
Capital expenditures	4,242	–	–	785	2,272	7,299
Depreciation and amortisation	4,498	–	179	402	1,387	6,466
Write-down of inventories	1,485	–	–	111	–	1,596
Impairment loss on other receivables	–	–	–	–	50	50
Reversal of impairment loss on other receivables	–	–	–	(111)	–	(111)

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31st December 2015 (Restated)

	Information home appliances HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE						
External sales	629,945	–	–	1,577	–	631,522
Inter-segment sales	–	–	–	3,413	(3,413)	–
OTHER REVENUE AND NET INCOME	5,847	125,456	10,157	18	(2,692)	138,786
FAIR VALUE GAINS ON INVESTMENT PROPERTIES, NET	–	–	6	–	–	6
Segment revenue	635,792	125,456	10,163	5,008	(6,105)	770,314
RESULTS						
Segment results	39,902	42,884	2,744	(4,467)	–	81,063
Share of results of an associate	–	(520)	–	–	–	(520)
Unallocated corporate income						40
Interest income from bank deposits						7,271
Other unallocated corporate expenses						(244,015)
						(156,161)
Finance costs						(41,953)
Loss before tax						(198,114)
Income tax credit						8,206
Loss for the year						(189,908)

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31st December 2015 (Restated)

	Information home appliances HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	332,969	2,227,546	122,721	4,848	–	2,688,084
Unallocated corporate assets					33,370	33,370
Consolidated total assets						2,721,454
LIABILITIES						
Segment liabilities	189,039	349,498	21,698	2,372	–	562,607
Unallocated corporate liabilities					35,055	35,055
Consolidated total liabilities						597,662
OTHER INFORMATION						
Capital expenditures	1,298	–	–	64	2,112	3,474
Depreciation and amortisation	4,883	–	177	312	517	5,889
Write-down/(Reversal of write-down) of inventories	3,429	–	–	(37)	–	3,392
Impairment loss on other receivables	–	22,738	–	–	–	22,738
Reversal of impairment loss on other receivables	–	–	–	(18)	–	(18)

Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong, Australia and other overseas markets in both 2016 and 2015.

The following tables set out information about the geographical location of (a) the Group's revenue from external customers and non-current assets other than available-for-sale financial assets, investment in an insurance contract, other receivables and pledged bank deposits; and (b) other revenue and net income other than unallocated corporate income and interest income from bank deposits. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets. The geographical location of other revenue and net income is based on the location at which other revenue and net income is generated.

Notes to the Consolidated Financial Statements

8. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(a) *Revenue from external customers and non-current assets*

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**120,653**	233,720	**107,100**	114,964
Hong Kong	**176,851**	33,738	**59,424**	56,431
Australia	**362,126**	354,269	**–**	–
Other overseas markets	**28,248**	9,795	**–**	–
	687,878	631,522	**166,524**	171,395

(b) *Other revenue and net income*

	For the year ended 31st December 2016				
	Information home appliances	**Investing**	**Leasing**	**Other operations**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
The PRC	**9,292**	**144,082**	**5,224**	**111**	**158,709**
Hong Kong	**–**	**(1,228)**	**1,840**	**–**	**612**
Overseas markets	**860**	**–**	**–**	**–**	**860**
	10,152	**142,854**	**7,064**	**111**	**160,181**

	For the year ended 31st December 2015 *(Restated)*				
	Information home appliances	Investing	Leasing	Other operations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
The PRC	5,847	103,269	5,665	18	114,799
Hong Kong	–	22,187	1,800	–	23,987
	5,847	125,456	7,465	18	138,786

8. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenues from external customers individually contributing over 10% of the total revenue from the Group's information home appliances segment are as follows:

	2016 HK$'000	2015 HK$'000
Customer A	**362,126**	354,269
Customer B	**150,838**	–
Customer C	**116,881**	221,907
	629,845	576,176

9. OTHER REVENUE AND NET INCOME

	2016 HK$'000	2015 HK$'000
Other revenue		
Dividend income from listed securities	**7,621**	6,396
Interest income from bank deposits	**2,348**	7,271
Imputed interest income from investment in an insurance contract	**159**	37
Rental income from investment properties	**7,064**	7,465
	17,192	21,169
Other net income		
Net unrealised (losses)/gains on financial assets at fair value through profit or loss		
– held for trading	**(18,860)**	(22,230)
– designated upon initial recognition	**2**	5,141
Net (losses)/gains on disposal of financial assets at fair value through profit or loss		
– held for trading	**(13,164)**	102,551
– designated upon initial recognition	**8,831**	10,625
– derivative financial instrument	**575**	280
Gain on disposal of available-for-sale financial assets	**157,947**	–
Gain on disposal of an associate	**–**	520
Gain from the Buy-out Contract	**–**	11,064
Fair value change on derivative financial instrument	**–**	11,403
Reversal of impairment loss on other receivables	**111**	18
Software development income	**6,215**	2,353
Sundry income	**3,914**	3,203
	145,571	124,928
	162,763	146,097

10. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations have been arrived at after charging/(crediting):

	2016 HK$'000	2015 HK$'000
Auditor's remuneration	**1,320**	1,240
Impairment loss on other receivables	**50**	22,738
Amortisation of prepaid lease payments	**361**	385
Depreciation of property, plant and equipment	**6,105**	5,504
Cost of inventories	**537,448**	482,793
Foreign exchange losses, net	**37,727**	60,343
Loss on disposal of property, plant and equipment	**411**	5
Reversal of impairment loss on other receivables	**(111)**	(18)
Write-down of inventories	**1,596**	3,392
Loss on early redemption of convertible bonds	**–**	642
Direct outgoings from leasing of investment properties	**5**	5
Operating lease charges on premises	**8,332**	5,474
Research and development costs	**26**	129
Share-based compensation expenses to suppliers and other eligible participants	**1,043**	4,971
Staff costs (including Directors' and chief executive's emoluments *(note 11)*):		
Salaries and allowances	**94,048**	149,788
Share-based compensation expenses		
– share award scheme	**–**	73,068
– share option scheme	**13,690**	59,408
Retirement benefits scheme contributions	**6,571**	6,124
Total staff costs	**114,309**	288,388

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eleven *(2015: nine)* Directors and the chief executive of the Company were as follows:

		Qualifying services					
			Other services in connection with the management of the affairs				
Name of Director and chief executive	Note	Directors' fee HK$'000	Salaries, allowances and other benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Share option benefit HK$'000	Total HK$'000
Executive Directors							
Mr. Zhu Weisha	(a)	–	**1,800**	–	**15**	**228**	**2,043**
Mr. Chen Furong	(b)	–	**418**	–	**8**	**95**	**521**
Mr. Li Qiang	(c)	–	**281**	–	–	–	**281**
Mr. Kevin Choo	(d)	–	**5,146**	–	**10**	**682**	**5,838**
Mr. Shi Guangrong		–	**1,621**	–	**123**	**967**	**2,711**
Mr. Wang Anzhong	(e)	–	**544**	–	**64**	**188**	**796**
Mr. Zhu Jiang		–	**1,185**	–	**61**	**1,011**	**2,257**
Mr. Gao Fei	(f)	–	**267**	–	–	–	**267**
Independent Non-Executive Directors							
Ms. Shen Yan		**100**	–	–	–	**127**	**227**
Mr. Zhong Pengrong		**100**	–	–	–	**127**	**227**
Mr. Wu Jiajun		**100**	–	–	–	**127**	**227**
CEO							
Mr. Kevin Choo	(d)	–	**6,115**	**390**	**8**	**641**	**7,154**
Total for 2016		**300**	**17,377**	**390**	**289**	**4,193**	**22,549**
Executive Directors							
Mr. Zhu Weisha		–	1,891	12,579	18	1,123	15,611
Mr. Chen Furong		–	1,002	3,615	64	1,123	5,804
Mr. Shi Guangrong		–	1,391	6,232	120	3,934	11,677
Mr. Wang Anzhong		–	1,066	5,306	135	1,881	8,388
Mr. Zhu Jiang		–	1,199	5,376	63	4,267	10,905
Independent Non-Executive Directors							
Ms. Shen Yan		100	–	–	–	627	727
Mr. Zhong Pengrong		100	–	–	–	627	727
Mr. Wu Jiajun		100	–	–	–	627	727
CEO							
Mr. Kevin Choo		–	1,057	–	2	378	1,437
Total for 2015		300	7,606	33,108	402	14,587	56,003

Notes:

(a) During the year, Mr. Zhu Weisha waived emoluments of HK$360,000 (*2015: HK$Nil*). None of other Directors has waived any emolument during the years ended 31st December 2016 and 2015. Mr. Zhu Weisha retired on 8th March 2017.

(b) Mr. Chen Furong resigned on 20th May 2016.

(c) Mr. Li Qiang was appointed on 10th June 2016.

(d) Mr. Kevin Choo, chief executive officer of the Company ("CEO"), was appointed as an executive Director on 25th May 2016 and resigned from the same position on 20th December 2016.

(e) Mr. Wang Anzhong resigned on 20th June 2016.

(f) Mr. Gao Fei was appointed on 20th June 2016.

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

During the years 2016 and 2015, no emolument was paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office.

There are no loans, quasi-loans or other dealings in favour of the Directors that were entered into or subsisted during the year *(2015: Nil)*.

After consideration, the Directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31st December 2016 and 2015 except for the granting of share options to the Directors during the year ended 31st December 2015, details of which are disclosed in note 33.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, four* *(2015: three)* Directors are included in the five highest paid individuals of the Group. Details of Directors' and chief executive's emoluments are set out in note 11 above. The emoluments of the remaining one *(2015: two)* highest paid individual, who is employee of the Group, are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, allowances and other benefits in kind	**1,560**	11,930
Retirement benefits scheme contributions	**18**	102
Share option benefits	**163**	7,494
	1,741	19,526

The emoluments of the above one *(2015: two)* highest paid individual fell within the following bands:

	2016 Number of individuals	2015 Number of individuals
HK$1,500,001 – HK$2,000,000	**1**	–
HK$9,000,001 – HK$9,500,000	**–**	1
HK$10,000,001 – HK$10,500,000	**–**	1
	1	2

During the years 2016 and 2015, no emolument was paid by the Group to any of the above one *(2015: two)* highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

* Including Mr. Kevin Choo, CEO who was appointed as executive Director on 25th May 2016 and resigned on 20th December 2016.

13. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Borrowing costs for bank loans	**10,344**	10,609
Imputed interest expenses on convertible bonds	**–**	31,344
	10,344	41,953

14. INCOME TAX CREDIT

The taxation credited to profit or loss represents:

	2016 HK$'000	2015 HK$'000
Current tax		
PRC enterprise income tax		
Current year	**2,054**	3,230
Overprovision in prior year	**(865)**	(11,436)
	1,189	(8,206)
Deferred taxation		
Origination and reversal of temporary difference	**(2,526)**	–
	(2,526)	–
Credit for the year	**(1,337)**	(8,206)

For the years ended 31st December 2016 and 2015, Hong Kong Profits Tax has not been provided as the Group did not have any assessable profit from Hong Kong.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2016 and 2015 based on existing legislation, interpretations and practices in respect thereof. One operating subsidiary *(2015: two)* of the Company has been officially designated by the local tax authority as "New and High Technology Enterprise" which is eligible to enjoy the preferential tax rate of 15% for 2016 *(2015: 15%)*. Another operating subsidiary (*2015: one*) of the Company has been officially designated by the local tax authority as "Participant of Development in Western China" which is exempted for part of PRC enterprise income tax starting from 1st January 2015 to 31st December 2017. As a result, the effective tax rate for the subsidiary is 9% for 2016 *(2015: 9%)*.

A subsidiary incorporated in Hong Kong is subject to the PRC enterprise income tax rate of 10% on the PRC sourced gains derived by RMB Qualified Foreign Institutional Investors ("RQFII") from realised gain on investment in money market funds. PRC enterprise income tax on gains derived by RQFII of approximately HK$306,000 *(2015: HK$Nil)* was provided for the year ended 31st December 2016.

The Group has investment properties situated in the PRC and Hong Kong which are stated at fair value. No deferred taxes are recognised on changes in fair value of investment properties in Hong Kong, which are not subject to any income taxes on changes in fair value of investment properties upon sales. However, deferred taxes are recognised on changes in fair value of investment properties in the PRC taking into account the PRC land appreciation tax and enterprise income tax payable upon sales of those investment properties.

14. INCOME TAX CREDIT *(Continued)*

Reconciliation of tax credit

	2016 HK$'000	2015 HK$'000
Profit/(Loss) before tax	**52,642**	(198,114)
Tax at a weighted average rate of 16.17% *(2015: 16.31%)* applicable to the jurisdictions concerned	**8,511**	(32,308)
Tax effect of non-deductible expenses	**18,401**	48,921
Tax effect of non-taxable income	**(32,802)**	(20,125)
Tax effect of utilisation of tax losses not previously recognised	**(1,876)**	(4,955)
Tax effect of unrecognised tax losses and temporary differences	**6,584**	11,086
Tax effect of overprovision in prior year	**(865)**	(11,436)
Withholding tax on gains derived under RQFII programme	**306**	–
Others	**404**	611
Tax credit for the year	**(1,337)**	(8,206)

Recognised deferred tax assets and liabilities

The movement for the year in the Group's net deferred tax liabilities is as follows:

	2016 HK$'000	2015 HK$'000
At beginning of year	**12,663**	13,448
Exchange realignment	**(694)**	(785)
Credit to profit or loss	**(2,526)**	–
Charge to other comprehensive loss *(Note)*	**943**	–
At end of the reporting period	**10,386**	12,663

	Assets		Liabilities	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Revaluation of property, plant and equipment upon transfer to investment properties	**–**	–	**(943)**	–
Revaluation of investment properties	**–**	–	**(9,443)**	(13,273)
Depreciation allowances	**–**	–	**(427)**	(583)
Tax losses	**427**	1,193	**–**	–
Deferred tax assets/(liabilities)	**427**	1,193	**(10,813)**	(13,856)
Offsetting	**(427)**	(1,193)	**427**	1,193
Net deferred tax assets/(liabilities)	**–**	–	**(10,386)**	(12,663)

Note:

The balance represented deferred tax liabilities on the PRC land appreciation tax and enterprise income tax arising from revaluation of property, plant and equipment upon transfer to investment properties.

14. INCOME TAX CREDIT *(Continued)*

Unrecognised deferred tax assets arising from

	2016 HK$'000	2015 HK$'000
Deductible temporary differences	**4,792**	15,001
Tax losses	**233,055**	203,138
	237,847	218,139

As at 31st December 2016, the Group had unrecognised deferred tax assets of approximately HK$39,587,000 *(2015: approximately HK$34,813,000)* in respect of the tax losses and other temporary differences. As it is not probable that future taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The deductible temporary differences do not expire under the current tax legislation.

The expiry of unrecognised tax losses are as follows:

	2016 HK$'000	2015 HK$'000
Tax losses without expiry date	**215,217**	187,401
Tax losses expiring on 31st December 2021	**5,258**	–
Tax losses expiring on 31st December 2020	**8,972**	11,824
Tax losses expiring on 31st December 2019	**734**	627
Tax losses expiring on 31st December 2018	**2,772**	2,958
Tax losses expiring on 31st December 2017	**102**	109
Tax losses expiring on 31st December 2016	**–**	219
	233,055	203,138

The profits earned by PRC subsidiaries from 1st January 2008 onwards would be subject to withholding tax if they are distributed. In the opinion of the Directors, all undistributed profits are expected to be retained in the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future. Accordingly, no provision for deferred tax has been made.

15. EARNINGS/(LOSS) PER SHARE

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

	2016 HK$'000	2015 HK$'000
Profit/(Loss) attributable to owners of the Company	**54,016**	(188,155)

	2016 '000	2015 '000
Issued ordinary shares at 1st January	**1,801,429**	1,792,117
Effect of share options exercised	**812**	5,141
Weighted average number of ordinary shares for basic earnings/(loss) per share	**1,802,241**	1,797,258
Effects of dilutive potential ordinary shares:		
Exercise of share options	**3,967**	N/A
Weighted average number of ordinary shares for diluted earnings/(loss) per share	**1,806,208**	1,797,258
	HK$	HK$
Earnings/(Loss) per share:		
– Basic	**0.03**	(0.10)
– Diluted *(Note)*	**0.03**	(0.10)

Note:

The calculation of diluted earnings per share for the year ended 31st December 2016 is based on the profit attributable to owners of the Company of approximately HK$54,016,000, and the weighted average number of ordinary shares issued during the year of approximately 1,806,208,000 shares which has been adjusted for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

Diluted loss per share is the same as the basic loss per share for the year ended 31st December 2015 because the potential ordinary shares arising from the outstanding share options under the Company's share option scheme had an anti-dilutive effect on the basic loss per share during the year.

16. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At fair value		
At beginning of year	**114,109**	117,976
Exchange realignment	**(3,824)**	(3,873)
Fair value (losses)/gains, net	**(465)**	6
Transfer from property, plant and equipment	**4,406**	–
At the end of the reporting period	**114,226**	114,109

As at 31st December 2016, the carrying amounts of the investment properties held under medium-term leases and situated in the PRC and Hong Kong are approximately HK$60,226,000 *(2015: approximately HK$61,809,000)* and HK$54,000,000 *(2015: HK$52,300,000)* respectively.

The valuation techniques and input for the revaluation of investment properties are disclosed in note 7.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use HK$'000	Leasehold property HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amounts – year ended 31st December 2015							
At beginning of year	24,420	2,435	7,450	2,601	12,938	465	50,309
Additions	–	–	106	1,193	163	2,012	3,474
Disposals	–	–	–	(4)	–	(8)	(12)
Depreciation	(1,108)	(99)	(808)	(1,236)	(1,880)	(373)	(5,504)
Exchange realignment	(1,381)	–	(402)	(99)	(678)	(24)	(2,584)
At the end of the reporting period	21,931	2,336	6,346	2,455	10,543	2,072	45,683
Reconciliation of carrying amounts – year ended 31st December 2016							
At beginning of year	21,931	2,336	6,346	2,455	10,543	2,072	45,683
Additions	–	–	1,255	3,435	664	1,945	7,299
Disposals	–	–	–	(41)	(413)	–	(454)
Depreciation	(1,040)	(99)	(958)	(1,489)	(1,429)	(1,090)	(6,105)
Exchange realignment	(1,345)	–	(363)	(94)	(606)	(17)	(2,425)
Revaluation upon transfer to investment properties	2,184	–	–	–	–	–	2,184
Transfer to investment properties	(4,406)	–	–	–	–	–	(4,406)
At the end of the reporting period	**17,324**	**2,237**	**6,280**	**4,266**	**8,759**	**2,910**	**41,776**
As at 1st January 2016							
Cost	33,651	2,972	22,583	11,682	46,438	3,247	120,573
Accumulated depreciation and impairment losses	(11,720)	(636)	(16,237)	(9,227)	(35,895)	(1,175)	(74,890)
	21,931	2,336	6,346	2,455	10,543	2,072	45,683
As at 31st December 2016							
Cost	27,935	2,972	22,427	13,986	42,174	4,510	114,004
Accumulated depreciation and impairment losses	(10,611)	(735)	(16,147)	(9,720)	(33,415)	(1,600)	(72,228)
	17,324	**2,237**	**6,280**	**4,266**	**8,759**	**2,910**	**41,776**

18. PREPAID LEASE PAYMENTS

Prepaid lease payments represent cost paid for medium-term leasehold land in the PRC. The cost is amortised over the leasehold period. The amount to be amortised more than twelve months after the end of the reporting period amounted to approximately HK$10,522,000 *(2015: approximately HK$11,603,000)*. The amount to be amortised within the next twelve months after the end of the reporting period of approximately HK$346,000 *(2015: approximately HK$369,000)* is presented under current assets.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	**2016** **HK$'000**	2015 HK$'000
At fair value:			
Equity securities listed in Hong Kong	(a)	**388,000**	–
Equity securities listed outside Hong Kong	(a)	**–**	433,506
Private investment funds	(b)	**107,165**	129,289
		495,165	562,795
At cost:			
Unlisted equity securities outside Hong Kong	(c)	**78,000**	–
		573,165	562,795

Notes:

(a) The fair values of the listed equity securities are determined based on the quoted market bid price available on the relevant stock exchanges at the end of the reporting period.

(b) Included in the private investment funds are two private investment funds, one of which invested in listed equity securities with carrying amount of approximately HK$35,719,000 (*2015: approximately HK$52,005,000*) with another invested in unlisted equity securities with carrying amount of approximately HK$71,446,000 (*2015: approximately HK$77,284,000*) as at 31st December 2016. The valuation techniques and inputs applied for fair value measurement of these private investment funds are disclosed in note 7.

(c) The unlisted equity securities of a company incorporated in the Cayman Islands are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed. The Directors are of the opinion that their fair values cannot be measured reliably. No impairment has been identified by the Directors on these investments at the end of the reporting period. The details of this equity investment are disclosed in note 25.

20. INVESTMENT IN AN INSURANCE CONTRACT

	2016 **HK$'000**	2015 HK$'000
Other receivable	**9,805**	9,646
Derivative financial instrument	**1,373**	1,373
	11,178	11,019

On 4th November 2015, the Company entered into a service agreement with Mr. Kevin Choo as the Vice-President of Global Operations of the Group with a fixed term of two years commencing from 1st April 2015. Mr. Choo was promoted to CEO on 18th November 2015 with terms and conditions of the service agreement remained unchanged. Details of the appointment of Mr. Choo and the service agreement were disclosed in the Company's announcement dated 18th November 2015.

Under the service agreement, Mr. Choo's employment package, including salary, year-end payment, package bonus and other allowances, is secured by a pension scheme. If the Company fails to pay Mr. Choo's employment package in full upon expiration of the service agreement or termination of the service agreement initiated by the Company, Mr. Choo is entitled to the remaining portion of the redeemed funds from the pension scheme with the remaining amount returned to the Company. However, if the Company fulfills its payment obligation in accordance with the service agreement, the Company is entitled to the whole redeemed funds from the pension scheme.

The Company invested in an insurance contract with one-off premium of USD1,408,000 (equivalent to HK$10,920,000) under the name of Mr. Choo, with Mr. Choo as the sole beneficiary and no expiry date during the year ended 31st December 2015 accordingly. Although Mr. Choo is the sole beneficiary of the insurance contract but in substance, the Company has the control of the redemption of the insurance contract except when the clause of unsettlement of Mr. Choo's employment package under the service agreement is triggered. As the insurance contract is decided by the management holding for long-term before redemption, the cost of insurance premium was recognised as financial asset under non-current assets.

20. INVESTMENT IN AN INSURANCE CONTRACT *(Continued)*

According to the insurance contract, the redeemed fund comprises of an unguaranteed return based on the rate of return estimated by the insurance company and a guaranteed return upon the redemption of the insurance contract. Thus, the insurance premium is considered to have two components, the unguaranteed return (i.e. the derivative financial instrument) and the guaranteed return (loan and receivables) in accordance with HKAS 39 Financial Instruments Recognition and Measurement.

As a result, the guaranteed return was discounted at risk-free rate on the amortised cost basis until the expected redemption date of the insurance contract. At the end of the reporting period, other receivable under the investment in an insurance contract with carrying amount of approximately HK$9,805,000 *(2015: approximately HK$9,646,000)* was recognised in the consolidated statement of financial position with respective imputed interest income of approximately HK$159,000 *(2015: approximately HK$37,000)* recognised in the consolidated income statement for the year then ended.

The difference between the insurance premium and the discounted guaranteed return at the date of the insurance contract approximately HK$1,373,000 was considered as the cost of the derivative financial instrument embedded in the insurance contract for an unguaranteed return. Since the fair value of the derivative financial instrument could not be measured reliably due to limitation of information available from the insurance company, the derivative financial instrument was stated at cost under investment in an insurance contract as non-current asset as at 31st December 2016 and 2015.

21. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Raw materials	**31,123**	31,886
Work-in-progress	**7,057**	18,846
Finished goods	**13,032**	12,851
	51,212	63,583

22. LOAN RECEIVABLE

Loan receivable represented advances to Shanghai Ying Hong Investment Management Company Limited* (上海鷹虹投資管理有限公司), an independent third party of the Group (the "Borrower").

On 21st December 2016, Lasaruida Investment Consultation Management Company Limited*(拉薩睿達投資諮詢管理有限公司) ("Lasaruida"), an indirect wholly-owned subsidiary of the Company, and the Borrower entered into a RMB200,000,000 loan agreement (the "Loan Agreement") pursuant to which Lasaruida agreed to grant a loan in the principal amount of up to RMB200,000,000 *(equivalent to approximately HK$223,589,000)* (the "Loan") to the Borrower as additional fund for its equity investment. The Loan is interest-bearing at 8% per annum and repayable in one year from the first drawdown date. The drawdown period is two months from the date of the Loan Agreement.

According to the Loan Agreement, the Borrower agreed to pledge to Lasaruida 30% shares of a PRC private company to be acquired by the Borrower upon its completion of acquisition of this 30% shares as collateral of the Loan with guarantee by two PRC private companies, Shanghai YueYun Trading Company Limited*（上海悅匀貿易有限公司）("YueYun") and Shanghai ShiHe Trading Company Limited* (上海碩禾貿易有限公司) ("ShiHe"). Besides, Lasaruida and YueYun and ShiHe entered into two guarantee agreements on 21st December 2016 in which YueYun and ShiHe agreed to provide guarantees to Lasaruida for the Loan from the date of signing of the two guarantee agreements up to two years after the expiry of the Loan.

On 21st December 2016, the Borrower drew RMB200,000,000 *(equivalent to approximately HK$223,589,000)* loan from Lasaruida. At the end of the reporting period, the Loan was recognised as loan receivable under current assets.

According to the Loan Agreement, the Borrower can choose to repay the Loan before the repayment date. Subsequent to the end of the reporting period, the Borrower has decided to make an early repayment of the Loan in full together with the relevant interest expenses based on its business decision. On 22nd February 2017, the Borrower issued an early repayment notice to Lasaruida in which the Borrower proposed to make an early repayment of the Loan and the relevant interest expenses calculated up to 23rd February 2017.

On 23rd February 2017, the Borrower repaid the principal amount of RMB200,000,000 *(equivalent to approximately HK$223,589,000)* and interest expenses of approximately RMB2,889,000 *(equivalent to approximately HK$3,230,000)* to Lasaruida.

23. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**91,070**	165,669
Less: Impairment loss in respect of trade receivables	**(2,374)**	(2,458)
	88,696	163,211
Other receivables, net of impairment loss	**5,384**	122,096
Amount due from a related company	**31,225**	–
Prepayments and deposits	**20,963**	16,277
Total trade and other receivables	**146,268**	301,584
Less: Balance due within one year included in current assets	**(143,669)**	(300,313)
Non-current portion	**2,599**	1,271

The amount due from a related company of approximately HK$33,338,000 was recorded in other receivables as at 31st December 2015 which was reclassified as amount due from a related company upon the appointment of Mr. Li Qiang as an executive Director on 10th June 2016. The amount of approximately RMB27,930,000 (equivalent to approximately HK$31,225,000) is related to a potential equity investment by way of subscription for additional registered capital of a PRC unlisted company, in which an executive director Mr. Li Qiang has indirect beneficial interest.

As the related company is under restructuring for its plan of initial public offer in the PRC, which takes longer time than initially expected by the management, the management seeks the possibility of withdrawing from this investment opportunity and have the amount returned for other investment opportunities.

Subsequent to the end of the reporting period, the Group, the related company and an independent third party designated by the related company (the "Designated Third Party"), entered into an agreement pursuant to which the related company agreed to return the whole balance of RMB27,930,000 (equivalent to approximately HK$31,225,000) to the Group through the Designated Third Party. The Group and the related company agreed that they have no commitment to each other upon the completion of return of RMB27,930,000 (equivalent to approximately HK$31,225,000). On 8th March 2017, the Group received RMB27,930,000 (equivalent to approximately HK$31,225,000) from the Designated Third Party.

As at 31st December 2015, other receivables also included receivables from securities broker for settlement of trading of dual currency investments designated as financial assets at fair value through profit or loss upon initial recognition amounting to approximately HK$76,660,000 with settlement terms of two business days after the transaction date.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group grants its trade customers an average credit period from 30 days to 18 months *(2015: 30 days to 18 months)*. The ageing analysis of trade receivables (net of impairment loss) by invoice date at the end of the reporting period is as follows:

	2016 **HK$'000**	2015 HK$'000
0-30 days	**34,772**	86,952
31-60 days	**38,433**	57,282
61-90 days	**8,429**	16,781
Over 90 days	**7,062**	2,196
	88,696	163,211

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly.

The movements in the impairment loss on trade receivables during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
As at 1st January	**2,458**	2,540
Exchange realignment	**(84)**	(82)
As at 31st December	**2,374**	2,458

The movements in the impairment loss on other receivables during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
As at 1st January	**18,027**	149
Reversal of impairment loss	**(111)**	(18)
Impairment loss	**50**	22,737
Write-off	**(50)**	(4,066)
Exchange realignment	**(1,137)**	(775)
As at 31st December	**16,779**	18,027

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**81,620**	160,723
Less than 3 months past due	**6,647**	2,169
3 months to 6 months past due	**88**	48
6 months to 9 months past due	**1**	–
Past due over 9 months	**340**	271
Past due but not impaired	**7,076**	2,488
	88,696	163,211

Receivables that were neither past due nor impaired or past due but not impaired relate to a wide range of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2016 HK$'000	2015 HK$'000
Held for trading investments:			
Equity securities listed in Hong Kong	(a)	**206,259**	260,100
Equity securities listed outside Hong Kong	(a)	**60,932**	252,096
Debt securities listed outside Hong Kong	(a)	**–**	111,722
Unlisted debt securities	(c)	**39,074**	–
		306,265	623,918
Designated upon initial recognition:			
Money market funds	(a), (b)	**125,927**	174,536
Equity linked notes		**–**	17,697
		125,927	192,233
At the end of the reporting period		**432,192**	816,151

Notes:

(a) The fair values of listed equity securities, listed debt securities and money market funds are based on quoted market prices in active markets as at the end of the reporting period.

(b) The investments in money market funds are designated as financial assets at fair value through profit or loss on initial recognition because they are managed together and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the investments are provided internally on that basis to the Board.

(c) The investment in unlisted debt securities is principally for the purpose of selling in the nearest future. The valuation techniques and inputs applied for fair value measurement of this debt securities are disclosed in note 7.

25. INVESTMENT PORTFOLIO

The Group discloses its ten largest investments, including individual investments with value exceeding 5% of the Group's total assets, as at 31st December 2016 and 2015 with brief description of the investee companies as follows:

As at 31st December 2016

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK$'000	Carrying amount HK$'000	Accumulated unrealised holding gain/ (loss) arising on revaluation HK$'000	Dividend received/ receivable HK$'000	Classification of financial assets
	Listed equity securities								
2318	Ping An Insurance (Group) Company of China Ltd. (H shares)		10,572,380	0.14%	404,758	410,208	5,450	3,367	Available-for-sale/Financial assets at fair value through profit or loss
1089	Leyou Technologies Holdings Limited		26,105,000	0.91%	30,284	41,768	11,484	–	Financial assets at fair value through profit or loss
1129	China Water Industry Group Limited		30,000,000	1.88%	56,400	38,700	(17,700)	–	Financial assets at fair value through profit or loss
600234	Guanghe Landscape Culture Communication Co., Ltd, ShanXi		1,882,751	0.93%	30,809	38,539	7,730	–	Financial assets at fair value through profit or loss
CNG.L	China Nonferrous Gold Ltd		8,938,325	2.34%	27,275	22,355	(4,920)	–	Financial assets at fair value through profit or loss
	Unlisted debt securities								
	US Treasury Enhanced Yield Fiduciary Notes	(i)	N/A	N/A	39,000	39,074	74	–	Financial assets at fair value through profit or loss
	Money markets funds								
	China Minsheng Bank Corp., Ltd	(ii)	N/A	N/A	122,974	123,021	47	–	Financial assets at fair value through profit or loss
	Private investment funds								
	Ciccjiazi Holdings Limited	(iii)	1,552,700	4.97%	78,000	71,446	(6,554)	–	Available-for-sale
	Yue Xiu Great China Fixed Income Fund II LP	(iv)	N/A	7.72%	60,000	35,719	(24,281)	–	Available-for-sale
	Unlisted equity securities								
	APAL Holdings Limited	(v)	100,000,000	9.47%	78,000	78,000	–	–	Available-for-sale

The above investments represent in aggregate over 89.4% in value of the Group's investments. Apart from the ten largest investments listed above, the Group also held various other individual investments with value representing below or approximately 1% of the Group's total assets as at 31st December 2016.

25. INVESTMENT PORTFOLIO *(Continued)*

As at 31st December 2015

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK$'000	Carrying amount HK$'000	Accumulated unrealised holding gain/ (loss) arising on revaluation HK$'000	Dividend received/ receivable HK$'000	Classification of financial assets
	Listed equity securities								
601318	Ping An Insurance (Group) Company of China Ltd. (A shares)		10,088,632	0.06%	234,754	433,506	198,752	4,842	Available-for-sale
8171	China Trends Holdings Limited		800,000,000	3.92%	29,706	56,000	26,294	–	Financial assets at fair value through profit or loss
1089	Leyou Technologies Holdings Limited		67,780,000	2.36%	83,079	50,835	(32,244)	–	Financial assets at fair value through profit or loss
1129	China Water Industry Group Limited		30,000,000	1.88%	56,400	48,900	(7,500)	–	Financial assets at fair value through profit or loss
CNG.L	China Nonferrous Gold Ltd		12,523,750	3.28%	49,470	35,235	(14,235)	–	Financial assets at fair value through profit or loss
600678	Sichuan Golden Summit (Group) Joint-stock Co., Ltd.		990,200	0.28%	20,290	32,727	12,437	–	Financial assets at fair value through profit or loss
	Listed debt securities								
204001	National debt reverse repurchase – GC001	(vi)	183,600	N/A	111,722	111,722	–	–	Financial assets at fair value through profit or loss
	Money market funds								
	CITIC-CP Cash Management Fund #4*	(vii)	N/A	N/A	164,717	169,715	4,998	–	Financial assets at fair value through profit or loss
	Private investment funds								
	Ciccjiazi Holdings Limited	(iii)	1,552,700	4.97%	78,000	77,284	(716)	–	Available-for-sale
	Yue Xiu Great China Fixed Income Fund II LP	(iv)	N/A	7.72%	60,000	52,005	(7,995)	–	Available-for-sale

The above investments represent in aggregate over 77.5% in value of the Group's investments. Apart from the ten largest investments listed above, the Group also held various other individual investments with value representing below or approximately 1% of the Group's total assets as at 31st December 2015.

25. INVESTMENT PORTFOLIO *(Continued)*

Notes:

(i) US Treasury Enhanced Yield Fiduciary Notes is issued by UBS (Luxembourg) Issuer SA under its EUR10,000,000,000 Fiduciary Note Programme. The proceeds are mainly invested into US Treasury Bills, US Treasury Notes and 91-Day Bills as auctioned by the US Department of the Treasury. As at 31st December 2016, the fair value of the US Treasury Enhanced Yield Fiduciary Note is approximately HK$39,074,000 by reference to the quoted US Treasury Bills and US Treasury Notes rates using discounted cash flow model.

(ii) A money market fund administrated by Minsheng Wealth Management Co., Ltd. principally invests in low risk and high liquidity financial instruments. The objective of the fund is pursuing superior return compared with similar products in the market and ensuring the stability of the investment capital. During the year ended 31st December 2016, the quoted annualised daily return rate was between approximately 2.8% and 4.05% per annum *(2015: approximately 2.7% and 7.2%)*.

(iii) A private investment fund administrated by Ciccjiazi Holdings Limited solely invested in equity shares of an unlisted company in the PRC. As at 31st December 2016, the fair value of the private investment fund was approximately HK$1,437,946,000 (*2015: approximately HK$1,555,441,000*) by reference to the valuation on the unlisted equity securities from the investment manager using discounted cash flows model.

(iv) Yue Xiu Great China Fixed Income Fund II LP is a newly formed Cayman Islands exempted limited partnership. The partnership is managed by the general partner, Yue Xiu Investment Management Limited, who holds the property of the partnership on behalf of the partnership. The partnership shall continue in existence for three years unless dissolution of the partnership. The objective of the partnership is to produce attractive returns on the capital from the partnership while managing investment risk. As at 31st December 2016, the fair value of the partnership is approximately HK$432,999,000 (*2015: approximately HK$673,779,000*) by reference to the quoted prices of the underlying investments.

(v) APAL Holdings Limited ("APAL") is an exempt company incorporated in the Cayman Islands with limited liability. APAL and its subsidiaries are principally engaged in the business of global aircraft leasing, aircraft trading, securitised aircraft leasing financial products, aircraft parts trading, maintenance of aircraft, dismantling aircraft and other related consulting services.

(vi) National debt reverse repurchase-GC001 trades in the Shanghai Stock Exchange (code: 204001). As at 31st December 2015, there were three contracts of national debt reverse repurchase-GC001 with annualised interest rate of 4.0% – 5.2% per annum.

(vii) CITIC-CP Cash Management Fund #4 principally invests in low risk and high liquidity financial instruments. The objective of the fund is pursuing superior return compared with similar products in the market and ensuring the stability of the investment capital. During the year ended 31st December 2015, the quoted annualised daily return rate was between approximately 2.7% and 7.2% per annum.

26. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables *(Note)*	**65,304**	141,541
Other payables	**27,540**	17,131
Accruals	**37,334**	61,381
	130,178	220,053

Note: The ageing analysis of trade payables by invoice date at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
0-30 days	**21,229**	53,232
31-60 days	**18,162**	43,433
61-90 days	**13,014**	28,293
Over 90 days	**12,899**	16,583
	65,304	141,541

27. BANK LOANS

Bank loans comprise:

	2016 HK$'000	2015 HK$'000
Current and secured		
Bank loans with a repayment on demand clause	**123,500**	8,116
Portion of term loans from banks due for repayment within one year	**9,443**	9,961
Portion of term loans from banks due for repayment after one year	**310,731**	341,365
Term loans with a repayment on demand clause	**320,174**	351,326
	443,674	359,442
Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:		
On demand or within one year	**132,943**	18,077
After one but within two years	**306,331**	9,993
After two but within five years	**2,254**	328,782
After five years	**2,146**	2,590
	443,674	359,442

As at 31st December 2016, the bank loans carried variable interest rates ranging from 2.23%-2.65% *(2015: 1.98%-2.65%)* per annum. The bank loans are secured by the assets of the Group as set out in note 31.

28. SHARE CAPITAL

	Number of shares		Amount	
	2016	2015	**2016**	2015
	'000	'000	**HK$'000**	HK$'000
Authorised:				
At beginning of year and at end of year				
Ordinary shares of HK$0.025 each	**8,000,000**	8,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of year				
Ordinary shares of HK$0.025 each	**1,801,429**	1,792,117	**45,036**	44,803
Exercise of share options *(Note)*	**1,660**	9,312	**41**	233
At end of year				
Ordinary shares of HK$0.025 each	**1,803,089**	1,801,429	**45,077**	45,036

Note:

During the year ended 31st December 2016, 1,660,000 *(2015: 9,312,000)* ordinary shares of HK$0.025 each were issued at total amount of approximately HK$3,651,000 *(2015: approximately HK$20,487,000)* as a result of the exercise of share options of the Company. These Shares rank pari passu with the existing Shares in all respects.

29. RESERVES

	Share premium HK$'000 (Note (b)(i))	Shares held for share award scheme HK$'000 (Note (b)(ii))	Statutory reserves HK$'000 (Note (b)(iii))	Contributed surplus HK$'000 (Note (b)(iv))	Share-based compensation reserves HK$'000 (Note (b)(v))	Share option reserves HK$'000 (Note (b)(vi))	Investment revaluation reserves HK$'000 (Note (b)(vii))	Convertible bond reserves HK$'000 (Note (b)(viii))	Property revaluation reserves HK$'000 (Note (b)(ix))	Translation reserves HK$'000 (Note (b)(x))	Other reserves HK$'000 (Note (b)(xi))	Retained profits HK$'000	Total HK$'000
As at 1st January 2015	57,265	(28,459)	8,668	234,621	–	–	242,950	–	16,023	78,393	(1,113)	1,662,757	2,271,105
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(188,155)	(188,155)
Other comprehensive loss:													
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(52,909)	–	–	–	–	–	(52,909)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	–	(24,045)	–	–	(24,045)
Total other comprehensive loss	–	–	–	–	–	–	(52,909)	–	–	(24,045)	–	–	(76,954)
Total comprehensive loss for the year	–	–	–	–	–	–	(52,909)	–	–	(24,045)	–	(188,155)	(265,109)
Transactions with owners:													
Contributions and distributions													
Final dividend paid in respect of the financial year ended 31st December 2014	–	–	–	–	–	–	–	–	–	–	–	(89,233)	(89,233)
Issue of shares upon exercise of share options *(Note (a))*	26,978	–	–	–	–	(6,724)	–	–	–	–	–	–	20,254
Shares purchased for share award scheme	–	(436)	–	–	–	–	–	–	–	–	–	–	(436)
Equity-settled share based payment	–	–	–	–	73,068	64,379	–	–	–	–	–	–	137,447
Vesting of shares of share award scheme	44,173	28,895	–	–	(73,068)	–	–	–	–	–	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	–	9,558	–	–	–	–	9,558
Early redemption of convertible bonds	–	–	–	–	–	–	–	(5,903)	–	–	–	–	(5,903)
Transfer of reserves upon redemption of convertible bonds	–	–	–	–	–	–	–	(3,655)	–	–	–	3,655	–
Total transactions with owners	71,151	28,459	–	–	–	57,655	–	–	–	–	–	(85,578)	71,687
As at 31st December 2015 and as at 1st January 2016	128,416	–	8,668	234,621	–	57,655	190,041	–	16,023	54,348	(1,113)	1,389,024	2,077,683
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	54,016	54,016
Other comprehensive loss:													
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	–	–	1,241	–	–	–	1,241
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(55,273)	–	–	–	–	–	(55,273)
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	–	–	(159,214)	–	–	–	–	–	(159,214)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	–	–	(23,036)	–	–	(23,036)
Total other comprehensive loss	–	–	–	–	–	–	(214,487)	–	1,241	(23,036)	–	–	(236,282)
Total comprehensive loss for the year	–	–	–	–	–	–	(214,487)	–	1,241	(23,036)	–	54,016	(182,266)
Transactions with owners:													
Contributions and distributions													
Issue of shares upon exercise of share options *(Note (a))*	4,833	–	–	–	–	(1,223)	–	–	–	–	–	–	3,610
Equity-settled share based payment	–	–	–	–	–	14,733	–	–	–	–	–	–	14,733
Share options lapsed	–	–	–	–	–	(315)	–	–	–	–	–	315	–
Total transactions with owners	4,833	–	–	–	–	13,195	–	–	–	–	–	315	18,343
As at 31st December 2016	**133,249**	**–**	**8,668**	**234,621**	**–**	**70,850**	**(24,446)**	**–**	**17,264**	**31,312**	**(1,113)**	**1,443,355**	**1,913,760**

29. RESERVES *(Continued)*

Notes:

(a) *Issue of shares upon exercise of share options*

During the year ended 31st December 2016, options were exercised to subscribe for 1,660,000 *(2015: 9,312,000)* ordinary shares in the Company at a consideration of approximately HK$3,651,000 *(2015: approximately HK$20,487,000)* of which approximately HK$41,000 *(2015: approximately HK$233,000)* was credited to share capital and the balance of approximately HK$3,610,000 *(2015: approximately HK$20,254,000)* was credited to the share premium account. Approximately HK$1,223,000 *(2015: approximately HK$6,724,000)* has been transferred from the share option reserves to the share premium account in accordance with accounting policy set out in note 2(r).

(b) *Nature and purpose of reserves*

(i) Share premium

The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(ii) Shares held for share award scheme

Shares held for share award scheme comprised shares purchased and held which will be awarded to selected employees (excluding any director and any chief executive) ("Selected Employees") in accordance with the share award scheme.

(iii) Statutory reserves

Statutory reserves comprise statutory surplus reserves fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the articles of association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to shareholders.

(iv) Contributed surplus

The contributed surplus represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of shares issued by the Company for each acquisition at the time of the Group reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus 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 account.

29. RESERVES *(Continued)*

Notes: (Continued)

(b) *Nature and purpose of reserves (Continued)*

(v) Share-based compensation reserves

Share-based compensation reserves represents the fair value of the vested award shares granted under the share award scheme.

(vi) Share option reserves

The share option reserves comprise the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments.

(vii) Investment revaluation reserves

The investment revaluation reserves comprise the cumulative net changes in the fair value of available-for-sale financial assets.

(viii) Convertible bond reserves

Conversion bond reserves represents equity portion of convertible bonds.

(ix) Property revaluation reserves

The property revaluation reserves comprise the net changes in fair value arising on the revaluation of properties held for own use upon transfer to investment properties.

(x) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(xi) Other reserves

The other reserves have been set up and dealt with in accordance with the accounting policies adopted for the changes in ownership interests in subsidiaries that do not result in a loss of control.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**579,323**	688,182
Investment in an insurance contract		**11,178**	11,019
Available-for-sale financial assets		**271,600**	–
		862,101	699,201
CURRENT ASSETS			
Trade and other receivables		**1,801**	391
Financial assets at fair value through profit or loss		**19,400**	–
Cash and bank balances		**49,099**	693
		70,300	1,084
CURRENT LIABILITIES			
Trade and other payables		**6,848**	22,593
Dividend payables		**31**	31
Amounts due to subsidiaries		**543,172**	269,291
		550,051	291,915
NET CURRENT LIABILITIES		**(479,751)**	(290,831)
NET ASSETS		**382,350**	408,370
CAPITAL AND RESERVES			
Share capital		**45,077**	45,036
Reserves	(a)	**337,273**	363,334
TOTAL EQUITY		**382,350**	408,370

Approved and authorised for issue by the Board on 21st March 2017 and signed on its behalf by:

Li Qiang
Director

Shi Guangrong
Director

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Reserves

	Share premium HK$'000 *(note 29(b)(i))*	Shares held for share award scheme HK$'000 *(note 29(b)(ii))*	Contributed Surplus HK$'000 *(note 29(b)(iv))*	Share-based compensation reserves HK$'000 *(note 29(b)(v))*	Share option reserves HK$'000 *(note 29(b)(vi))*	Investment revaluation reserves HK$'000 *(note 29(b)(vii))*	Convertible bond reserves HK$'000 *(note 29(b)(viii))*	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
As at 1st January 2015	57,265	–	380,621	–	–	–	–	114,144	552,030
Loss for the year	–	–	–	–	–	–	–	(231,924)	(231,924)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(231,924)	(231,924)
Transactions with owners:									
Contributions and distributions									
Final dividend paid in respect of the financial year ended 31st December 2014	–	–	–	–	–	–	–	(89,233)	(89,233)
Issue of shares upon exercise of share options *(note 29(a))*	26,978	–	–	–	(6,724)	–	–	–	20,254
Share transferred from a subsidiary for share award scheme									
– purchased in 2014	–	(28,459)	–	–	–	–	–	–	(28,459)
– purchased in 2015	–	(436)	–	–	–	–	–	–	(436)
Equity-settled share based payment	–	–	–	73,068	64,379	–	–	–	137,447
Vesting of shares of share award scheme	44,173	28,895	–	(73,068)	–	–	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	9,558	–	9,558
Early redemption of convertible bonds	–	–	–	–	–	–	(5,903)	–	(5,903)
Transfer of reserves upon redemption of convertible bonds	–	–	–	–	–	–	(3,655)	3,655	–
Total transactions with owners	71,151	–	–	–	57,655	–	–	(85,578)	43,228
As at 31st December 2015 and as at 1st January 2016	128,416	–	380,621	–	57,655	–	–	(203,358)	363,334
Loss for the year	–	–	–	–	–	–	–	(34,216)	(34,216)
Other comprehensive loss:									
Change in fair value of available-for-sale financial assets	–	–	–	–	–	(10,188)	–	–	(10,188)
Total other comprehensive loss	–	–	–	–	–	(10,188)	–	–	(10,188)
Total comprehensive loss for the year	–	–	–	–	–	(10,188)	–	(34,216)	(44,404)
Transactions with owners:									
Contributions and distributions									
Issue of shares upon exercise of share options *(note 29(a))*	4,833	–	–	–	(1,223)	–	–	–	3,610
Equity-settled share based payment	–	–	–	–	14,733	–	–	–	14,733
Share options lapsed	–	–	–	–	(315)	–	–	315	–
Total transactions with owners	4,833	–	–	–	13,195	–	–	315	18,343
As at 31st December 2016	**133,249**	**–**	**380,621**	**–**	**70,850**	**(10,188)**	**–**	**(237,259)**	**337,273**

31. PLEDGE OF ASSETS

As at 31st December 2016, the Group had pledged the following assets to secure the loan facilities:

		2016 HK$'000	2015 HK$'000
(a)	Investment properties	**65,307**	63,922
(b)	Buildings	**6,312**	7,679
(c)	Leasehold property	**2,237**	2,336
(d)	Prepaid lease payments	**1,825**	2,011
(e)	Available-for-sale financial assets	**388,000**	–
(f)	Financial assets at fair value through profit or loss	**66,607**	–
(g)	Bank deposits	**359,913**	360,111

As at 31st December 2016, investment properties, buildings and prepaid lease payments amounted to approximately HK$11,307,000 *(2015: approximately HK$11,622,000)*, approximately HK$6,312,000 *(2015: approximately HK$7,679,000)* and approximately HK$1,825,000 *(2015: approximately HK$2,011,000)* respectively (the "Pledged Assets") are pledged to a bank to secure a loan facility which has been expired during the year ended 31st December 2016. The bank is in process of applying the release of the Pledged Assets from the PRC local authority.

32. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

As at 31st December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**9,172**	4,706
In the second to fifth year inclusive	**4,064**	1,582
	13,236	6,288

Leases are negotiated for term ranging from one to three years with fixed rentals.

32. OPERATING LEASE COMMITMENTS *(Continued)*

(b) The Group as lessor

As at 31st December 2016, the Group had contracted with tenants for the following future minimum rental receivables:

	2016 **HK$'000**	2015 HK$'000
Within one year	**4,378**	4,330
In the second to fifth year inclusive	**3,623**	5,638
Later than fifth year	**545**	1,653
	8,546	11,621

33. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the ordinary resolutions passed by the Shareholders at the special general meeting ("SGM") on 14th January 2015 ("Option Adoption Date"). The Share Option Scheme is valid for ten years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10th anniversary thereof unless terminated earlier by Shareholders in general meeting.

The purpose of the Share Option Scheme is to enable the Company to grant share options to the selected eligible participants as incentives or rewards for their contribution or potential contribution to the growth and development of the Group.

The Directors may, at their absolute discretion, invite any person belonging to any of the following categories of participants (the "Eligible Participants") to take up share options to subscribe for the Shares:

Category A Eligible Participants

(a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of any member of the Group or any substantial shareholder or any company controlled by a substantial shareholder, or

(b) any individual for the time being seconded to work for any member of the Group or any substantial shareholder or any company controlled by a substantial shareholder.

33. SHARE OPTION SCHEME *(Continued)*

Category B Eligible Participants

Any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group and shall include any company controlled by one or more persons belonging to any of the above classes of participants.

Options granted to the Eligible Participants are subject to vesting conditions. For options granted to the eligible participant who has joined the Group for more than three years are subject to a vesting scale in tranches of 40%, 30% and 30% each per annum starting from the date of grant and will become fully vested on the third anniversary of the grant. For options granted to the eligible participant who has joined the Group less than three years are subject to a vesting scale in tranches of 10%, 20%, 35% and 35% each per annum from the second to the fifth year after the grant and will become fully vested on the fifth anniversary of the grant.

The total number of shares which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the "Scheme Mandate") unless the Company obtains a fresh approval from the Shareholders to renew the 10% limit on the basis that the maximum number of shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the total issued share capital of the Company from time to time. At the SGM which was held on the Option Adoption Date, the Scheme Mandate was approved by the Shareholders and the total number of shares that may fall to be allotted and issued under the Share Option Scheme would be 179,211,680 shares, representing 10% of the total number of shares in issue as at the Option Adoption Date.

The maximum number of shares issued and to be issued upon the exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company to any eligible participant (including cancelled, exercised and outstanding share options), in any 12-month period up to the date of grant shall not exceed 1% of the number of shares in issue, without prior approval from the Shareholders. Any grant of a share option to a Director, chief executive of the Company or substantial shareholder (or any of their respective associates) must be approved by the Independent Non-Executive Directors. Where any grant of share options to a substantial shareholder or an Independent Non-Executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon the exercise of the share options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at each date of grant, in excess of HK$5,000,000, such further grant of share options is required to be approved by the Shareholders in general meeting.

33. SHARE OPTION SCHEME *(Continued)*

An offer for the grant of share options must be accepted within 30 days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.0. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the date on which the share option is granted as the Board may determine in granting the share options and expiring at the close of business on such date as the Board may determine in granting the share options but in any event shall not exceed ten years from the date of grant (which is the date of offer of grant if the offer for the grant of the share options is accepted). The exercise price of the share option is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares on the date of offer of grant; and (ii) the average closing price of the Shares for the five business days immediately preceding the date of offer of grant, provided that the option price per share shall in no event be less than the nominal amount of the Shares.

On 16th January 2015, the Company offered to grant 186 Eligible Participants to subscribe for a total of 107,527,008 ordinary shares of HK$0.025 each in the capital of the Company at an exercise price HK$2.2 per share ("Share Options"). These Share Options are exercisable up to five years from the date of grant. On 8th June 2016, the Company removed vesting period of all existing Share Options which are outstanding and unvested under the Share Option Scheme pursuant to the ordinary resolutions passed by the Shareholders at a SGM and such Share Options therefore shall be immediately vested with the consent of relevant Share Options holders. As a result, non-cash share-based compensation expenses in respect of all outstanding and unvested Share Options at the date of approval of removal of vesting period of the Share Options of approximately HK$7,564,000 was recognised as expense by the Group with the same amount credited to share option reserves under equity for the year. For details of the amendment of the terms of Share Options, please refer to the Company's announcement dated 18th May 2016 and the circular dated 23rd May 2016.

33. SHARE OPTION SCHEME *(Continued)*

(a) Movements in Share Options:

	Number of options 2016	2015
As at 1st January	**98,215,008**	–
Granted during the year	**–**	107,527,008
Exercised during the year	**(1,660,000)**	(9,312,000)
Lapsed during the year	**(792,000)**	–
As at 31st December	**95,763,008**	98,215,008
Options vested as at 31st December	**95,763,008**	39,792,803

(b) Terms of unexpired and unexercised Share Options at the end of the reporting period:

Date of grant	Exercise period	Exercise price per share HK$	Number of options 2016	2015
16th January 2015	16th January 2015 – 15th January 2020	2.2	**95,763,008**	98,215,008

33. SHARE OPTION SCHEME *(Continued)*

(c) Details of options granted:

Details of the movements of Share Options granted during the years ended 31st December 2016 and 2015 to subscribe for the shares in the Company are as follows:

For the year ended 31st December 2016

Category	Date of grant	Exercise price per share HK$	Exercisable period*	Number of shares issuable under the Share Options: Outstanding as at 1st January 2016	Granted during the year	Reclassification of Category during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2016
Directors									
Mr. Zhu Weisha	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,792,116	–	–	–	–	**1,792,116**
Mr. Chen Furong (resigned on 20th May 2016)	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,792,116	–	(1,792,116)	–	–	**–**
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,500,000	–	–	–	–	**6,500,000**
Mr. Wang Anzhong (resigned on 20th June 2016)	16th January 2015	2.2	16th January 2015 – 15th January 2020	3,000,000	–	(3,000,000)	–	–	**–**
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 – 15th January 2020	7,000,000	–	–	–	–	**7,000,000**
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	**1,000,000**
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	**1,000,000**
Mr. Wu Jiajun	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	–	–	–	–	**1,000,000**
CEO									
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 – 15th January 2020	8,000,000	–	–	–	–	**8,000,000**
Continuous contract employees	16th January 2015	2.2	16th January 2015 – 15th January 2020	59,210,776	–	4,792,116	(1,660,000)	(792,000)	**61,550,892**
Suppliers of goods or services	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,920,000	–	–	–	–	**1,920,000**
Other eligible participants	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,000,000	–	–	–	–	**6,000,000**
				98,215,008	–	–	(1,660,000)	(792,000)	**95,763,008**
Outstanding as at 31st December 2016									**95,763,008**
Weighted average exercise price (HK$)				2.2	–	2.2	2.2	2.2	**2.2**

33. SHARE OPTION SCHEME *(Continued)*

(c) Details of options granted: *(Continued)*

For the year ended 31st December 2015

Category	Date of grant	Exercise price per share HK$	Exercisable period*	Number of shares issuable under the Share Options: Outstanding as at 1st January 2015	Granted during the year	Reclassification of Category during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2015
Directors									
Mr. Zhu Weisha	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	1,792,116	–	–	–	1,792,116
Mr. Chen Furong	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	1,792,116	–	–	–	1,792,116
Mr. Shi Guangrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	6,500,000	–	–	–	6,500,000
Mr. Wang Anzhong	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	3,000,000	–	–	–	3,000,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	7,000,000	–	–	–	7,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	1,000,000	–	–	–	1,000,000
Mr. Zhong Pengrong	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	1,000,000	–	–	–	1,000,000
Mr. Wu Jiajun	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	1,000,000	–	–	–	1,000,000
CEO									
Mr. Kevin Choo	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	8,000,000	–	–	–	8,000,000
Continuous contract employees	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	68,242,776	–	(9,032,000)	–	59,210,776
Suppliers of goods or services	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	2,200,000	–	(280,000)	–	1,920,000
Other eligible participants	16th January 2015	2.2	16th January 2015 – 15th January 2020	–	6,000,000	–	–	–	6,000,000
				–	107,527,008	–	(9,312,000)	–	98,215,008
Outstanding as at 31st December 2015									98,215,008
Weighted average exercise price (HK$)				–	2.2	–	2.2	–	2.2

* At the Option Adoption Date, Share Options granted to the Directors, CEO, continuous contract employees, suppliers of goods or services and other eligible participants are subject to vesting conditions. However, the vesting period of all existing Share Options granted to the Directors, CEO, continuous contract employees, suppliers of goods or services and other eligible participants which are outstanding and unvested has been removed by the approval of the Shareholders at the SGM held on 8th June 2016.

Notes:

(i) The price of the Shares before the date of the grant of the Share Options is the closing price of the Shares as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.

(ii) There were no Share Options which lapsed according to the terms of the Share Option Scheme during the year under review (*2015: Nil*).

(iii) The weighted average closing price of the Shares immediately before the dates of exercise is HK$2.45 for the year ended 31st December 2016 (*2015: HK$3.27*).

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33. SHARE OPTION SCHEME *(Continued)*

(d) The non-cash share-based payment in respect of the Share Options, including removal of vesting period, for the year ended 31st December 2016 was approximately HK$14,733,000 *(2015: HK$64,379,000)*.

The cost of Share Options granted is estimated on the date of the grant using the Binomial Model with the following parameters:

Date of grant	16th January 2015
Number of shares issuable under options granted	107,527,008
Exercise price	HK$2.2
Fair value at the date of grant	HK$0.72-HK$0.75
Risk-free interest rate based on the yields of the 5-year Exchange Fund Notes	0.88%
Expected volatility#	46%
Expected dividend yield	2.27%
Expected life	3 years to 5 years

The expected volatility is based on statistical analysis of daily share prices annualised for one year immediately preceding the grant date.

34. SHARE AWARD SCHEME

Pursuant to a resolution of the Board meeting dated 6th October 2014 (the "Adoption Date of Share Award Scheme"), the Board approved the adoption of share award scheme (the "Share Award Scheme") under which the Shares may be awarded to Selected Employees in accordance with its provisions. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain employees to the business growth and development of the Group through an award of the Shares. The Share Award Scheme will remain in force for a period of three years commencing on the Adoption Date of Share Award Scheme. The vesting period and vesting condition of the awarded shares are determined by the Board upon the grant of the awarded shares.

A trust has been set up and fully funded by the Company for the purpose of purchasing, administrating and holding the Shares for the Share Award Scheme. The total number of shares which may be granted to the Selected Employees under the Share Award Scheme shall not exceed 3% of the total issued share capital of the Company from time to time. For details of the Share Award Scheme, please refer to the announcement of the Company dated 6th October 2014.

34. SHARE AWARD SCHEME *(Continued)*

During the year ended 31st December 2016, there was no movement in the number of shares held under the Share Award Scheme.

Movement in the number of shares held under the Share Award Scheme for the year ended 31st December 2015 is as follows:

	Number of shares held for the Share Award Scheme '000	Number of awarded shares '000	Total shares '000	Amount HK$'000
As at 1st January 2015	22,296	–	22,296	28,459
Purchased	300	–	300	436
Granted	(22,596)	22,596	–	–
Vested and transferred	–	(22,596)	(22,596)	(28,895)
As at 31st December 2015	–	–	–	–

35. RETIREMENT BENEFITS SCHEME

The Group operates a MPF for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF, which contribution is matched by employees.

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

The total cost charged to profit or loss of approximately HK$6,571,000 *(2015: approximately HK$6,124,000)* represents contributions paid and payable to these schemes by the Group in respect of the current year.

36. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Connected transactions

During the year, the Group had the following continuing connected transaction which is subject to the reporting requirements under Chapter 20 of the GEM Listing Rules.

The Company entered into a service agreement with Mr. Kevin Choo as the Vice-President of Global Operations of the Group for a fixed term of two years commencing from 1st April 2015 and ending at 31st March 2017 (the "First Term") on 4th November 2015. On 30th December 2016, the Company entered into a service agreement with Mr. Choo for a fixed term of two years commencing from 1st April 2017 and ending at 31st March 2019 (the "Second Term"). As Mr. Choo was appointed as the CEO on 18th November 2015, he is considered as a chief executive under rule 1.01 of the GEM Listing Rules and a connected person of the Company under rule 20.07(1) of the GEM Listing Rules. The transaction conducted under the service agreements entered into on 4th November 2015 and 30th December 2016, is continuing connected transaction as defined in rule 20.58 of the GEM Listing Rules ("Continuing Connected Transaction").

Under the service agreements entered into on 4th November 2015 and 30th December 2016, Mr. Choo is entitled to a remuneration package in an annual amount of approximately HK$6,200,000 and HK$6,260,000 (including other allowances) respectively ("Remuneration Package") plus, at the absolute discretion of the Company and subject always to compliance with the requirements of the GEM Listing Rules, a management discretionary bonus, which shall be determined with reference to his duties, responsibilities and experience, and to prevailing market conditions. He is entitled to the medical benefits and participate in accident insurance scheme, statutory retirement scheme and a pension fund scheme which were funded by the Company. The Company may, at its sole discretion and determination of the Board and recommendation of the remuneration committee of the Company, grant options to Mr. Choo to subscribe for shares in the Company in accordance with the Share Option Schemes adopted by the Company from time to time. Upon the expiration of the First Term/Second Term of the service agreements entered into on 4th November 2015 and 30th December 2016, Mr. Choo shall be entitled to have a package bonus of HK$4,600,000 ("Package Bonus") and a relocation allowance of up to HK$100,000 ("Relocation Allowance") respectively.

The service agreements entered into on 4th November 2015 and 30th December 2016, may be terminated by either party thereto giving to the other party two months prior notice in writing and provided that if the service agreements entered into on 4th November 2015 and 30th December 2016, are terminated by the Company before the end of the First Term/Second Term of the service agreements, Mr. Choo shall be entitled to the remaining unpaid portion of the Remuneration Package, the Package Bonus and the Relocation Allowance. The maximum amount which may be payable to Mr. Choo if the Company terminates in the first and second year of the First Term of the service agreement entered into on 4th November 2015 is therefore approximately HK$13,436,000 and HK$10,900,000 respectively. The maximum amount which may be payable to Mr. Choo if the Company terminates in the first and second year of the Second Term of the service agreement entered into on 30th December 2016 is therefore approximately HK$17,220,000 and HK$10,960,000 respectively.

Relevant disclosure about the above transaction which constitute a Continuing Connected Transaction have been made in the "Directors' Report" section of this annual report.

36. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS *(Continued)*

Key management compensation

The emoluments of the Directors and other members of key management during the year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries	**16,861**	45,140
Housing and other allowances	**2,465**	789
Retirement benefits scheme contributions	**308**	437
Share option benefit	**3,974**	17,684
	23,608	64,050

37. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
Direct subsidiaries:				
Yuxing Group (International) Limited	British Virgin Islands ("BVI")/ limited liability company	Investment holding/the PRC and Hong Kong ("HK")	2,000 ordinary shares of US$1 each	100%
HyBroad Vision Holdings Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%
Golden Rich Asia Investment Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%
Rich Universe International Limited	HK/limited liability company	Investment/HK	100 ordinary shares of HK$1 each	100%
Billion State Limited	BVI/limited liability company	Trustee/HK	100 ordinary shares of US$1 each	100%
China Hunter Limited	BVI/limited liability company	Investment/HK	100 ordinary shares of US$1 each	100%
Cloud Rich Holdings Limited	BVI/limited liability company	Investment holding/HK	100 ordinary shares of US$1 each	100%
Wealthy Well Limited	Cayman Islands/ limited liability company	Investment/HK	100 ordinary shares of US$1 each	100%

37. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued share capital/ registered capital	Interest held
Indirect subsidiaries:				
Beijing Yuxing Software Company Limited*	The PRC/foreign wholly owned enterprise	Research and development ("R&D") and software design/the PRC	RMB10,610,850	100%
Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited*	The PRC/foreign wholly owned enterprise	Manufacturing and sales of electronic components, plastic and miscellaneous products/the PRC	RMB123,000,000	100%
Guangdong HyBroad Vision Electronics Technology Company Limited*	The PRC/domestic equity joint venture	Manufacturing, distribution and sales of information home appliances and R&D and software design/the PRC	RMB90,000,000	100%
HyBroad Vision (HK) Technology Company Limited	HK/limited liability company	Trading and distribution of information home appliances and electronic components/HK	10,000,000 ordinary shares of HK$1 each	100%
Yuxing Technology Company Limited	HK/limited liability company	Trading and distribution of information home appliances and electronic components and investment holding/HK	2 ordinary shares of HK$1 each	100%
Cloud Digital Co., Limited	HK/limited liability company	Internet data processing/HK	100 ordinary shares of HK$1 each	100%
Yield Lasting Investments Limited	BVI/limited liability company	Property holding/HK	1 ordinary share of US$1	100%
Up Spacious Global Investments Limited	BVI/limited liability company	Trading of securities/HK	3 ordinary shares of US$1 each	100%
Beijing E'rich Investment Management Co., Ltd*	The PRC/domestic wholly owned enterprise	Investment consultancy/the PRC	RMB8,000,000	100%
Lasaruida	The PRC/domestic wholly owned enterprise	Investment consultancy/the PRC	RMB10,000,000	100%

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